

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2015

BOARD OF COUNTY COMMISSIONERS

Sandra J. Broesder
Janice Hoppes
Thomas Kuka

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Mary Ann Ries
Jeanne Moon
Kody Farkell
Laurie Eisenzimer
Amber Schoenrock
Jeanne Moon
Carl Suta

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

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2014-2015 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should review the principal financial statements found in the annual report to augment their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- We maintained a basic status quo budget with an emphasis on maintaining and increasing cash reserves to insure fiscal stability. Wages were increased by a \$.50 per hour and health insurance contribution remained at 100% of employee premium.
- Pondera County's interest revenue for the fiscal year totaled \$24,700. While this amount is an increase over the prior fiscal year, it certainly has not recovered from the 2008 economic recession which hit the nation. Our interest received in FY2008-09 totaled \$77,580 and the decrease in interest revenue continues to have a significant impact on all budget areas.
- Pondera County participated fiscally in Sweet Grass Development, the Pondera Regional Port Authority, and the Northern Transit Inter-Local. The County participated with the Brady County Water and Sewer District via a Community Development Block Grant (CDBG).
- In FY2013-14, the County secured a Montana Department of Commerce InterCap loan in the total amount of \$622,578 for the Pondera Medical Center to be used to consolidate debt and purchase equipment. During FY2014-15, \$236,573 was drawn on the loan; the remainder of the loan will be drawn in fiscal year 2015-16.
- Vehicles purchased were: Weed Department pickup (used pickup from Sheriff's Department) in the amount of \$10,096; 2014 Chevrolet (Van Motors) and 2015 Ford Explorer (Courtesy Ford) were purchased from capital improvement funds for the Public Safety Department and were equipped for law enforcement at a total cost of \$72,383.44; and two 2015 Ford F250 pickups in the total amount of \$56,205 (Courtesy Ford) for the Road/Bridge Department.
- Equipment purchases for the Road/Bridge Departments totaled \$248,305, were paid for from the capital improvement fund and included two Walk N Roll Rollers for \$43,425; one water truck for \$35,000 from Bouma Truck Sales; a 1994 Tanker Trailer for \$24,500 from Zomer Truck Company and two tractors for \$145,380, purchased from Frontline Ag.
- Replaced the Sheep Creek Bridge at a cost of \$79,000. The County also requested a hydrology study of four bridges in the county that will need replacement in the near future. The study was at a cost of \$5,500.
- Major resurfacing and chip seal upgrades to the East Lake Road (3.6 miles), Manson Road (3 miles), Cemetery Road (.25 miles), Blazen Road (.3 miles) and Eagle Drive (.4 miles) as well as Front Street in Conrad (.5 miles) and Curtis Street in Brady were completed. Total cost for these upgrades over FY2013-14 and FY2014-15 is approximately \$146,000. Our plan is to resurface and chip seal approximately 43 miles of the county road over an eight year cycle which will then be repeated on the same road surfaces every eight years. We have completed approximately 8 miles in two years, leaving approximately 35 miles to complete in this first cycle.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015

- The generator for the telecommunication tower located on Belgian Hill failed and had to be replaced at a cost of \$21,350.
- We contracted for a replacement roof of the courthouse and the project was started during fiscal year 2014 and completed in fiscal year 2015. The total cost for the roof was \$96,350 over the two fiscal years.
- Emergency Dispatch Equipment for the 911 Call Taking Center totaled \$97,625.85 purchased with 911 Emergency Fund money.
- Pondera County was able to upgrade the computer network at a cost of \$30,871.42 which was paid via capital improvement funds. The County entered into an IT Service Agreement with DIS Technologies at the rate of \$1,590 per month.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. Pondera County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities convey details about the County as a whole and about its activities. These statements included all assets and liabilities of the County using the full accrual basis of accounting. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

A compliance analysis is provided.

These two statements report the County's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, fluctuations in the County's net position is an indicator of whether its financial position is improving or deteriorating. Other factors to consider are changes in the property tax base and the condition of infrastructure within the County.

Pondera County uses Fund Accounting to guarantee and demonstrate compliance with finance-related legal requirements. A "fund" is a grouping of related accounts that is used to maintain control and accountability over resources that have been designated for specific activities or objectives. Pondera County Funds are divided into two categories: Governmental Funds and Fiduciary Funds.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015

Governmental Funds: Most of the County’s fundamental services are reported in governmental funds, which details the flow of money into and out of the funds and the balances left at year-end available for future expenditures. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to government operations and essential services it provides. Governmental fund information helps to determine whether there are adequate financial resources available to finance future county services. The variance between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmental wide financial statements because the resources of those funds are not available to support the Pondera County’s inherent functions. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds and notes to the financial statements can be found in the Annual Report.

Condensed Financial Statements –Government-wide STATEMENT OF NET POSITION:

	<u>FY 2014-15</u>	Post Audit
	<u>Governmental</u>	<u>FY 2013-14</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
Current and other assets	4,907,054	5,014,004
Capital assets	6,284,115	6,111,682
Total assets	11,191,169	11,125,686
Long-term debt outstanding	2,553,310	2,600,195
Other liabilities	1,778,101	203,975
Total liabilities	4,331,411	2,804,170
Net assets:		
Invested in capital assets net of related debt	4,218,073	3,939,616
Restricted	3,292,161	3,940,347
Unrestricted	(1,321,741)	841,553
Total net position	6,188,493	8,721,516

Government-wide STATEMENT OF ACTIVITIES

	<u>FY 2014-15</u>	Post Audit
	<u>Governmental</u>	<u>FY 2013-14</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
<u>Program Revenues</u>		
Charges for Services	\$440,183	\$422,139
Operating Grants and Contributions	1,401,665	1,124,318
Capital Grants and Contributions	7,218	228,772
Total Program Revenues	\$1,849,066	\$1,775,229

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015

General Revenues

Property Taxes	\$3,233,832	\$3,157,733
Video Poker Apportionment	2,975	2,600
Miscellaneous	106,401	53,885
Interest/Investment Earnings	24,700	9,920
PILT	203,879	220,473
MT Oil and Gas Production Tax	183,480	188,541
State Entitlement	685,585	577,742
Grants & Entitlements not restricted to specific progra	20,449	28,021
Intergovernmental Agreement	1,958	21,626
Royalties	4,265	4,483
State Contributions to retirement	39,219	-
Total General Revenues	\$4,506,743	\$4,265,024
Total Revenues	\$6,355,809	\$6,040,253

Government-wide STATEMENT OF ACTIVITIES

	<u>FY 2014-15</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY 2013-14</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
<u>Program Expenses by Function</u>		
General Government	\$1,665,761	\$1,560,869
Public Safety	987,424	1,005,842
Public Works	1,774,127	1,645,281
Public Health	1,083,113	1,054,157
Social & Economic Services	122,055	120,139
Culture & Recreation	240,123	159,350
Housing & Community Development	7,218	14,963
Debt Service Interest	55,867	61,268
Miscellaneous	178,418	154,861
Total Expenses	\$6,114,106	\$5,776,730
Excess (deficiency) before special items & transfers	162,106	263,523
Gain on sale of capital assets		14,170
Restatements		
Special Items		
Transfers – net		
Changes in net position	\$241,703	\$277,693

The largest portion of the County's net position is in capital assets less any outstanding, related debt used to acquire those assets. The capital assets are used to provide services to citizens. Resources, other than the asset itself, are used to retire any debt attributed to the asset. Sources for debt retirement can be from general and/or program revenues.

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015**

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$6,114,106 compared to \$5,776,730 for fiscal year 2013-14 as found in the Statement of Activities.

The amount that our taxpayers ultimately financed for these activities through county taxes was \$3,233,832, up by \$76,099 from \$3,157,733 in fiscal year 2013-14. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented below:

Net Program Expenses by Function:

<u>Governmental Activities</u>	<u>Post Audit</u>	
	<u>FY 2014-15</u> <u>Net Expense</u>	<u>FY 2013-14</u> <u>Net Expense</u>
General Government	1,665,761	1,560,869
Public Safety	987,424	1,005,842
Public Works	1,774,127	1,645,281
Public Health	1,083,113	1,054,157
Social & Economic Services	122,055	120,139
Culture & Recreation	240,123	159,360
Housing & Community Development	7,218	14,963
Debt Service Interest	55,867	61,268
Miscellaneous	178,418	154,861
Total Net Expenses	6,114,106	5,776,730

Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>County Hospital</u>
Fund Balance – Current Year	1,181,603	629,424	139,416
Fund Balance – Prior Year	1,208,757	729,286	92,791
Change in unassigned fund balance	-27,154	-99,862	46,625
% change in fund balance	-2.30%	-15.87%	33.44%
	<u>Public Safety</u>		
Fund Balance – Current Year	681,790		
Fund Balance – Prior Year	630,148		
Change in fund balance	51,642		
% change in fund balance	7.57%		

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015**

The decrease in the fund balance in the General Fund is due to a decrease in Reimbursements and Fees charges, as well as an increase in salaries and transfers out of General Fund.

The decrease in the Road Fund is a result of no Federal/State Disaster Aid received in the current year, increased salaries, and an increase in purchase of asphalt and asphalt filler.

The decrease in the County Hospital Fund is a result of a decrease in medical equipment purchases as well as debt service payments.

The increase in the Public Safety Fund is a result of additional revenue for boarding of prisoners as well as an increase in local option tax.

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,484,959	1,448,159	-36,800	-2.54%

There was a variance between the final budget amount and actual amount of revenue received in the General Fund of (-\$36,800) for a (-2.54%) variance. Personal property taxes were over-budgeted as well as oil & gas revenues and fees collected.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	702,571	742,318	39,747	5.35%

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of \$39,747 for and 5.35% variance. Forest Reserve Act payments and real property taxes were under-budgeted

<u>County Hospital and Nursing</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
<u>Home Fund:</u>	711,008	710,456	-552	-0.08%

There was a variation between the final budget amount and actual amount of revenue received in the County Hospital and Nursing Home Fund of -\$552 for a -0.08% variance.

<u>Public Safety</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
<u>Fund:</u>	895,072	911,970	16,898	1.85%

County under-budgeted property taxes, local option tax and oil and gas production tax.

County under-budgeted the grant award amount.

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2014-2015**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets are those assets which are used in the performance of the County's functions. In addition, debt is considered a liability of the governmental activities.

Long Term Debt

During the fiscal year, the County decreased its long term debt by \$46,885 for principal payments, but increased \$1,714,675 due to implementation of GASB 68 – Net Pension Liability.

Capital Assets

The purchase of new assets, sale of assets, depreciation and other factors resulted in the current value of Pondera County net capital assets as of June 30, 2015 of \$4,218,873.

Capital asset purchases were kept at status quo with new purchases of vehicles and/or equipment being offset, as much as possible, with trade-in or sale of fixed assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY2015 Taxable Valuation increased in Pondera County from \$13,016,011 to \$15,599,087, increasing the value of a county-wide mill from \$13,016 to \$15,599. The FY16 budget did not allow for the reservation of any floated mills; all were levied.

We anticipate an upgrade of our HVAC system at a cost of approximately \$150,000.

A 2.4% COLA and wage increase (1.67% cost of living adjustment plus .73% wage increase), equal to \$.50 per hour, was approved for elected officials. Hourly employees received an equal increase of \$.50 per hour.

One full-time paralegal will be added in the County Attorney's office and a Sanitarian will be hired rather than contracted.

While aiming for a 33% reserve in all funds, reserve amounts range from 26.1% (County Hospital) to 33.0% (General Fund et al). Our goal remains to achieve the 33% reserve in all funds.

REQUESTS FOR INFORMATION

This financial report provides a general over view of Pondera County's finances for anyone interested in this government's finances. Question concerning any of the information provided in this report or requests for additional information should be addressed to:

Pondera County Clerk & Recorder's Office
20 4th Ave SW, Ste 202
Conrad, MT 59425-2340
Or e-mail to: ponderaclerk@3rivers.net

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

Board of County Commissioners
Pondera County
Conrad, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2015, 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, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB statement No. 68, *Accounting and financial Reporting for Pensions, (an amendment of GASB No. 27)*. Our opinion is not modified with respect to this matter.

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, schedule of funding for other post employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, 50 through 54, 55, 56 and through 59 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 30, 2016 on our consideration of the Pondera 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 Pondera County, Montana's internal control over financial reporting and compliance.

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

March 30, 2016

Pondera County, Montana
Statement of Net Position
June 30, 2015

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	4,659,266
Taxes and assessments receivable, net		138,028
Accounts receivable - net		44
Due from other governments		29,610
Inventories		80,106
Total current assets	\$	4,907,054
Noncurrent assets		
Capital assets - land	\$	285,409
Capital assets - construction in progress		73,175
Capital assets - depreciable, net		5,925,531
Total noncurrent assets	\$	6,284,115
Total assets	\$	11,191,169
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - county contributions	\$	166,065
LIABILITIES		
Current liabilities		
Warrants payable	\$	637
Accounts payable		15,924
Accrued payables		534
Accrued payroll		45,673
Due to other governments		658
Current portion of long-term capital liabilities		376,656
Current portion of compensated absences payable		141,585
Total current liabilities	\$	581,667
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	256,980
Noncurrent portion of long-term capital liabilities		1,689,386
Noncurrent portion of compensated absences		88,703
Net pension liability		1,714,675
Total noncurrent liabilities	\$	3,749,744
Total liabilities	\$	4,331,411
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	\$	837,330
NET POSITION		
Net investment in capital assets	\$	4,218,073
Restricted for capital projects		186,063
Restricted for debt service		163,957
Restricted for special projects		2,938,333
Nonspendable		3,808
Unrestricted		(1,321,741)
Total net position	\$	6,188,493

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Position</u>
Primary government:		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Primary Government</u>
Governmental activities:			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
General government	\$ 1,665,761	\$ 184,767	\$ 234	\$ -	(1,480,760)
Public safety	987,424	129,465	154,666	-	(703,293)
Public works	1,774,127	54,382	520,797	-	(1,198,948)
Public health	1,083,113	51,807	725,968	-	(305,338)
Social and economic services	122,055	19,762	-	7,218	(95,075)
Culture and recreation	240,123	-	-	-	(240,123)
Housing and community development	7,218	-	-	-	(7,218)
Debt service - interest	55,867	-	-	-	(55,867)
Miscellaneous	178,418	-	-	-	(178,418)
Total primary government	<u>\$ 6,114,106</u>	<u>\$ 440,183</u>	<u>\$ 1,401,665</u>	<u>\$ 7,218</u>	<u>\$ (4,265,040)</u>
General Revenues:					
Property taxes for general purposes				\$	3,233,832
Video poker apportionment					2,975
Miscellaneous					106,401
Interest/investment earnings					24,700
Montana oil and gas production tax					183,480
State entitlement					685,585
Grants and entitlements not restricted to specific programs					20,449
PILT					203,879
Intergovernmental Agreement					1,958
Royalties					4,265
State contributions to retirement					39,219
Total general revenues, special items and transfers				\$	<u>4,506,743</u>
Change in net position				\$	<u>241,703</u>
Net position - beginning				\$	8,321,516
Restatements					(2,374,726)
Net position - beginning - restated				\$	<u>5,946,790</u>
Net position - end				\$	<u>6,188,493</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General</u>	<u>Road</u>	<u>County Hospital & Nursing Home</u>	<u>Public Safety (Law Enforcement)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 1,175,744	\$ 590,408	\$ 139,416	\$ 708,072	\$ 2,045,626	\$ 4,659,266
Taxes and assessments receivable, net	44,245	19,545	7,766	13,479	52,993	138,028
Accounts receivable - net	-	-	-	-	44	44
Due from other funds	10,326	-	-	-	-	10,326
Due from other governments	10,400	-	-	-	19,210	29,610
Inventories	-	44,500	-	-	35,606	80,106
Total assets	<u>\$ 1,240,715</u>	<u>\$ 654,453</u>	<u>\$ 147,182</u>	<u>\$ 721,551</u>	<u>\$ 2,153,479</u>	<u>\$ 4,917,380</u>
Current liabilities:						
Warrants payable	\$ 182	\$ -	\$ -	\$ -	\$ 455	\$ 637
Accounts payable	48	-	-	15,876	-	15,924
Accrued payables	-	26	-	-	508	534
Accrued payroll	13,979	5,458	-	10,406	15,830	45,673
Due to other funds	-	-	-	-	10,326	10,326
Due to other governments	658	-	-	-	-	658
Total liabilities	<u>\$ 14,867</u>	<u>\$ 5,484</u>	<u>\$ -</u>	<u>\$ 26,282</u>	<u>\$ 27,119</u>	<u>\$ 73,752</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>\$ 44,245</u>	<u>\$ 19,545</u>	<u>\$ 7,766</u>	<u>\$ 13,479</u>	<u>\$ 52,993</u>	<u>\$ 138,028</u>
FUND BALANCES						
Nonspendable	\$ -	\$ 44,500	\$ -	\$ -	\$ 39,414	\$ 83,914
Restricted	-	584,924	139,416	681,790	1,709,725	3,115,855
Committed	-	-	-	-	327,021	327,021
Unassigned fund balance	1,181,603	-	-	-	(2,793)	1,178,810
Total fund balance	<u>\$ 1,181,603</u>	<u>\$ 629,424</u>	<u>\$ 139,416</u>	<u>\$ 681,790</u>	<u>\$ 2,073,367</u>	<u>\$ 4,705,600</u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2015

Total fund balances - governmental funds	\$	4,705,600
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,284,115
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.		138,028
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,553,310)
Proportionate share of ending collective net pension liability		(1,714,675)
Deferred outflows related to net pension liability		166,065
Deferred inflows related to net pension liability		(837,330)
Total net position - governmental activities	\$	<u><u>6,188,493</u></u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Road	County Hospital & Nursing Home	Public Safety (Law Enforcement)	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$ 828,052	\$ 470,578	\$ 119,041	\$ 672,575	\$ 1,212,933	\$ 3,303,179
Licenses and permits	30	-	-	-	-	30
Intergovernmental	573,595	269,364	24,219	111,561	995,045	1,973,784
Charges for services	157,450	-	-	124,473	66,030	347,953
Fines and forfeitures	43,286	-	-	-	4,839	48,125
Miscellaneous	33,798	2,376	567,196	3,361	74,770	681,501
Investment earnings	19,920	-	-	-	4,951	24,871
Total revenues	<u>\$ 1,656,131</u>	<u>\$ 742,318</u>	<u>\$ 710,456</u>	<u>\$ 911,970</u>	<u>\$ 2,358,568</u>	<u>\$ 6,379,443</u>
EXPENDITURES						
General government	\$ 1,078,071	\$ -	\$ -	\$ -	\$ 464,944	\$ 1,543,015
Public safety	51,433	-	-	802,328	85,364	939,125
Public works	-	614,711	-	-	838,651	1,453,362
Public health	127,177	-	586,600	-	134,086	847,863
Social and economic services	7,495	-	-	-	108,349	115,844
Culture and recreation	1,900	-	-	-	238,223	240,123
Housing and community development	-	-	-	-	7,218	7,218
Debt service - principal	16,394	82,630	103,575	-	140,000	342,599
Debt service - interest	1,397	42,839	3,266	-	8,365	55,867
Miscellaneous	14,963	-	-	-	163,455	178,418
Capital outlay	-	-	206,965	-	665,854	872,819
Total expenditures	<u>\$ 1,298,830</u>	<u>\$ 740,180</u>	<u>\$ 900,406</u>	<u>\$ 802,328</u>	<u>\$ 2,854,509</u>	<u>\$ 6,596,253</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 357,301</u>	<u>\$ 2,138</u>	<u>\$ (189,950)</u>	<u>\$ 109,642</u>	<u>\$ (495,941)</u>	<u>\$ (216,810)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of general long term debt	\$ -	\$ -	\$ 236,575	\$ -	\$ -	\$ 236,575
Transfers in	29	54,000	-	-	654,898	708,927
Transfers out	(362,570)	(156,000)	-	(58,000)	(132,357)	(708,927)
Total other financing sources (uses)	<u>\$ (362,541)</u>	<u>\$ (102,000)</u>	<u>\$ 236,575</u>	<u>\$ (58,000)</u>	<u>\$ 522,541</u>	<u>\$ 236,575</u>
Net Change in Fund Balance	<u>\$ (5,240)</u>	<u>\$ (99,862)</u>	<u>\$ 46,625</u>	<u>\$ 51,642</u>	<u>\$ 26,600</u>	<u>\$ 19,765</u>
Fund balances - beginning	\$ 1,208,757	\$ 729,286	\$ 92,791	\$ 630,148	\$ 1,948,166	\$ 4,609,148
Restatements	(21,914)	-	-	-	98,601	76,687
Fund balances - beginning, restated	<u>\$ 1,186,843</u>	<u>\$ 729,286</u>	<u>\$ 92,791</u>	<u>\$ 630,148</u>	<u>\$ 2,046,767</u>	<u>\$ 4,685,835</u>
Fund balance - ending	<u>\$ 1,181,603</u>	<u>\$ 629,424</u>	<u>\$ 139,416</u>	<u>\$ 681,790</u>	<u>\$ 2,073,367</u>	<u>\$ 4,705,600</u>

See accompanying Notes to the Financial Statements

Pondera 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, 2015

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

Net change in fund balances - total governmental funds	\$	19,765
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		872,819
- Depreciation expense		(714,510)
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)		(62,853)
The change in compensated absences is shown as an expense in the Statement of Activities		
		6,588
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		342,599
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		(236,575)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(65,727)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance		
		(125,687)
State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance		
		39,219
Current year contributions to retirement reclassified to deferred outflows		
		166,065
Change in net position - Statement of Activities	\$	<u><u>241,703</u></u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 9,796,162	\$ 624,706
Other receivables	-	317
Taxes and assessments receivable	-	305,458
Total assets	<u>\$ 9,796,162</u>	<u>\$ 930,481</u>
LIABILITIES		
Warrants payable	\$ -	\$ 215,124
Due to others	-	715,357
Total liabilities	<u>\$ -</u>	<u>\$ 930,481</u>
NET POSITION		
Assets held in trust	<u>\$ 9,796,162</u>	

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	14,061,672
Investment earnings:		
Interest and change in fair value of investments		48,292
Total additions	\$	<u>14,109,964</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	<u>12,856,013</u>
Change in net position	\$	<u>1,253,951</u>
Net Position - Beginning of the year	\$	8,542,211
Net Position - End of the year	\$	<u><u>9,796,162</u></u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for years beginning after June 15, 2014 (fiscal year ended June 30, 2015, for the County). The statement establishes accounting and financial reporting standards for the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present, value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The statement also requires employers to present, as required supplementary information, information about the changes in the net pension liability and the related ratios, including the plan's fiduciary net position as a percentage of total pension liability, and the net pension liability, as a percentage of covered-employee payroll. As a cost-sharing employer under this statement, the County is required to recognize a liability for its proportionate share of the net pension liability, and to recognize pension expense and report deferred outflows and deferred inflows. The County is further required to present as required supplementary information a 10- year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios. The County adopted GASB Statement No. 68 in 2015 by retroactively restating financial statements for all periods presented.

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 three-member Board of County Commissioners. 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

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.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, the governmental 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 Fund – A special revenue fund that accounts for the activities of the County’s road maintenance and construction operations.

County Hospital and Nursing Home Fund – A special revenue fund used for revenues received and expended for public health.

Public Safety (Law Enforcement) Fund – A special revenue fund used for revenues received and expended for public safety purposes

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2015, are as follows:

		<u>Primary Government</u>
<u>Cash on hand and deposits:</u>		
Cash on hand	\$	1,300
Petty Cash		
Cash in banks:		
Demand deposits		1,176,495
Savings deposits		6,750,001
Time deposits		6,600,000
<u>Investments:</u>		
State Short-Term Investment Pool (STIP)		2,338
U.S. Government Securities		550,000
Total	\$	<u><u>15,080,134</u></u>

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P’s rating services as of June 30, 2015:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
* Asset Backed Commercial Paper	\$ 779,579,000	A1	25
s Corporate Commercial Paper	101,299,000	A1	102
Corporate Variable-Rate	571,672,000	A1+	42
o Certificates of Deposit Fixed Rate	150,000,000	A1	259
f Certificates of Deposit Variable-Rate	450,000,000	A1+	47
J Other Asset Backed	27,821,000	NR	NA
u U.S. Government Agency Fixed	54,498,000	A1+	236
n U.S. Government Agency Variable -Rate	239,008,000	A1+	42
e Money Market Funds (Unrated)	161,592,000	NR	1
3 Money Market Funds (Rated)	<u>3,000,000</u>	A1+	1
0 Total Investments	<u>\$ 2,538,469,000</u>		52
,			
Securities Lending Collateral Investment Pool	<u>\$ 5,806,000</u>	NR	30*

*As of June 30, 2015, the Securities Lending Quality Trust liquidity pool had an average duration of 30 days and an average weighted final maturity of 115 days for U.S. dollar collateral. In March 2015, all holdings in the Securities Lending Duration Pool were sold.”

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, 2015 the government’s bank balance was exposed to custodial credit risk as follows:

	June 30, 2015 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 7,427,483
- Collateral held by the pledging bank's trust department but not in the County's name.	7,130,733
- Uninsured and uncollateralized	2,995
Total deposits and investments	<u>\$ 14,561,211</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, 2015, equaled or exceeded the amount required by State statutes.

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of individual investments as of June 30, 2015 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
Federal Home Loan	1.25%	7/30/15	\$ 299,049
Banks Debenture			
Federal Home Loan	1.25%	2-26-20	249,565
Banks			
STIP	0.012%	NA	<u>2,338</u>
Total			<u>\$ 550,952</u>

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.”

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, non-negotiable certificates of deposits, money market deposits, and U.S. Government Securities. The pooled funds are carried at fair market 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, 2015 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.

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, 2015.

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 3,881,176
Equity of external pool participants	9,796,162
Total equity	<u>\$ 13,677,338</u>

Condensed Statement of Changes in Net Assets

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 48,292	\$ 19,134
Contributions to trust	14,061,672	5,278,315
Distributions paid	(12,856,013)	(5,832,577)
Net change in net assets	<u>\$ 1,253,951</u>	<u>\$ (535,128)</u>
Net assets at beginning of year	8,542,211	4,416,304
Net assets at end of year	<u>\$ 9,796,162</u>	<u>\$ 3,881,176</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3. 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 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased and an adjustment is made to inventory at year end for any amounts which are not consumed.

NOTE 5. 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:

Buildings	10 – 40 years
Improvements	10 – 20 years
Equipment	5 – 100 years
Infrastructure	20 years

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 2015 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					Balance
	July 1, 2014	Additions	Deletions	Restatements	Transfers	June 30, 2015
Capital assets not being depreciated:						
Land	\$ 265,409	\$ -	\$ -	\$ -	\$ -	\$ 265,409
Pondera Medical Center Land	20,000	-	-	-	-	20,000
Construction in progress	73,175	-	-	-	(73,175)	-
Total capital assets not being depreciated	<u>\$ 358,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,175)</u>	<u>\$ 285,409</u>
Other capital assets:						
Buildings	\$ 4,224,440	\$ 50,393	\$ -	\$ -	\$ 73,175	\$ 4,348,008
Improvements other than buildings	3,101,661	85,570	-	-	-	3,187,231
Machinery and equipment	5,081,287	505,391	(15,000)	-	-	5,571,678
Infrastructure	144,327	24,500	-	-	-	168,827
Pondera Medical Center	6,597,447	206,964	-	-	-	6,804,411
Total other capital assets at historical cost	<u>\$ 19,149,162</u>	<u>\$ 872,818</u>	<u>\$ (15,000)</u>	<u>\$ -</u>	<u>\$ 73,175</u>	<u>\$ 20,080,155</u>
Less: accumulated depreciation	<u>\$ (13,396,064)</u>	<u>\$ (714,510)</u>	<u>\$ 15,000</u>	<u>\$ 14,125</u>	<u>\$ -</u>	<u>\$ (14,081,449)</u>
Total	<u>\$ 6,111,682</u>	<u>\$ 158,308</u>	<u>\$ -</u>	<u>\$ 14,125</u>	<u>\$ -</u>	<u>\$ 6,284,115</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 69,800
Public safety	82,484
Public works	320,765
Public Health	235,250
Social and economic services	5,585
Housing and community development	626
Total governmental activities depreciation expense	<u>\$ 714,510</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2015</u>	Due Within <u>One Year</u>
General obligation bonds \$	290,000	-	\$ (140,000)	-	\$ 150,000	\$ 150,000
Compensated absences	236,876	-	(6,588)	-	230,288	141,585
Intercap loans	543,340	236,575	(119,969)	-	659,946	141,382
Capital leases	1,338,726	-	(82,630)	-	1,256,096	85,274
Net pension liability *	-	-	(910,956)	\$ 2,625,631	1,714,675	-
Other post-employment benfits**	191,253	65,727	-	-	256,980	-
Total	<u>\$ 2,600,195</u>	<u>\$ 302,302</u>	<u>\$ (1,260,143)</u>	<u>\$ 2,625,631</u>	<u>\$ 4,267,985</u>	<u>\$ 518,241</u>

*See Note 9

**See Note 7

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

General Obligation Bonds - The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding as of June 30, 2015 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>Annual Payment</u>	<u>Balance June 30, 2015</u>
Tax supported hospital and nursing home	4/15/04	3.85%	11 yrs	8/1/2015	\$ <u>1,415,000</u>	Varies	\$ <u>150,000</u>

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>150,000</u>	\$ <u>2,888</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 16th 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Inter-cap loans outstanding as of June 30, 2015 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, 2015</u>
Building for Senior Center	7/3/08	1.0-4.85%	10 yrs	8/15/18	\$ 89,550	\$ 35,132
Building for senior center – remodel	8/12/11	1.0-4.85%	15 yrs	8/15/26	113,841	92,304
Hospital equipment	5/30/14	1.0-4.85%	3 yrs	8/15/17	<u>622,578</u>	<u>532,510</u>
Total					<u>\$ 825,969</u>	<u>\$ 659,946</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 141,382	\$ 8,617
2017	223,257	5,120
2018	220,358	2,834
2019	12,451	937
2020	7,820	781
2021	7,975	683
2022	8,130	584
2023	8,289	482
2024	8,452	379
2025	8,616	273
2026	8,784	165
2027	4,432	55
Total	<u>\$ 659,946</u>	<u>\$ 20,911</u>

Capital Leases

The County has entered into a lease which meets 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, 2015 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Term</u>	<u>Maturity</u>	<u>Principle Amount</u>	<u>Balance June 30, 2015</u>
8 New Caterpillar Motor Graders	11/26/13	3.10	5 yrs	8/1/2015	\$1,418,794	<u>\$1,256,096</u>

Annual requirement to amortize debt:

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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For Fiscal Year Ended	Principal	Interest
2016	\$ 85,274	\$ 40,195
2017	88,003	37,466
2018	1,082,819	34,650
Total	<u>\$ 1,256,096</u>	<u>\$ 112,311</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.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$ 573,104
Actuarial value of plan assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 573,104</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,873,708
UAAL as a percentage of covered payroll	30.59%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	65,727
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	65,727
Contributions made	\$	-
Increase in net OPEB obligation	\$	65,727
Net OPEB obligation - beginning of year	\$	191,253
Net OPEB obligation - end of year	\$	256,980

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.66%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and after	6.90%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015, was as follows:

<u>Purpose</u>	Due to/from other funds:		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Clear negative cash balance	General – Major Governmental	Predatory Animal – Non-major Governmental	\$ 2,067
Clear negative cash balance	General – Major Governmental	Buckle Up Montana – Non-major Governmental	5,138
Clear negative cash balance	General – Major Governmental	WIC Grant – Non-major Governmental	1,444
Clear negative cash balance	General – Major Governmental	Tobacco Use Prevention Grant – Non-major Governmental	<u>1,677</u>
			<u>\$ 10,326</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2015:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Administration costs	General – Major Governmental	District Court – Non-major Governmental	\$ 30
Operating transfer	Road – Major Governmental	PILT* – Major Governmental	54,000
Operating transfer	Bridge – Non-major Governmental	PILT* – Major Governmental	17,000
Residual equity transfer	Health Insurance – Non-major Governmental	Permissive Medical Levy – Non-major Governmental	56,827
Operating transfer	Land Use Planning – Non-major Governmental	Oil and Gas Service Accelerated Tax – Non-major Governmental	6,500
Operating transfer	Northern Transit Interlocal – Non-major Governmental	PILT* – Major Governmental	22,000
Capital improvements and equipment	Public Safety Capital – Non-major Governmental	Public Safety – Major Governmental	15,000
Capital improvements and equipment	Public Safety Capital – Non-major Governmental	Public Safety – Major Governmental	14,000
Capital improvements and equipment	Public Safety Capital – Non-major Governmental	Public Safety – Major Governmental	15,000
Capital improvements and equipment	Public Safety Capital – Non-major Governmental	Public Safety – Major Governmental	14,000
Capital improvements and equipment	Ambulance Capital Improvement – Non-major Governmental	Ambulance – Non-major Governmental	15,000

PONDERA COUNTY, MONTANA
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Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	General – Major Governmental	41,000
Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	General – Major Governmental	12,000
Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	Extension Service – Non-major Governmental	5,500
Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	General – Major Governmental	5,000
Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	Extension Service – Non-major Governmental	5,500
Capital improvements and equipment	General Fund Capital Improvement – Non-major Governmental	General – Major Governmental	50,000
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	Road – Major Governmental	43,425
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	Bridge – Non-major Governmental	12,500
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	PILT* – Major Governmental	80,070
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	PILT* – Major Governmental	37,500
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	Road – Major Governmental	112,575
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	Bridge – Non-major Governmental	12,500
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	Gas Apportionment Tax – Non-major Governmental	24,500
Capital improvements and equipment	Road/Bridge Equipment – Non-major Governmental	PILT* – Major Governmental	<u>37,500</u>
			<u>\$ 708,927</u>

*Reported with the General Fund as part of GASB 54 requirement.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 9. NET PENSION LIABILITY

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

SRS

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

PERS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months; Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit

PONDERA COUNTY, MONTANA
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Service retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service;
or Any age, 30 years of membership
service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting
5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

SRS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months. Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service, actuarially reduced.

Vesting

5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Total number of members (employees) covered by benefit terms as of June 30, 2015:

- Active plan members: 1,336
- Inactive members entitled to but not yet receiving benefits or a refund: Vested: 81
Non-vested: 342
- Inactive members and beneficiaries currently receiving benefits: Service
Retirements: 523
Disability Retirements: 32
Survivor Benefits: 22

Overview of Contributions

PERS

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members' compensation.
 - b. School district employers contributed 7.90% of members' compensation.
 - c. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund

SRS

1. Rates are specified by state law for periodic employer and employee contributions
The State legislature has the authority to establish and amend contribution rates to the plan.

2. Member contributions to the system
 - i. Plan members are required to contribute 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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3. Employer contributions to the system:
 - i. The employers are required to contribute 9.825% of members' compensation.
 - ii. Effective July 1, 2013, employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Stand-Alone Statements

The PERS, and SRS, stand-alone financial statements, actuarial valuations and experience studies can be found online at <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System(PERS), and Sheriffs' Retirement System (SRS) Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS and SRS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	PERS NPL as of 6/30/13	PERS NPL as of 6/30/14	Percent of Collective NPL	SRS NPL as of 6/30/13	SRS NPL as of 6/30/14	Percent of Collective NPL	Total NPL as of 6/30/13	Total NPL as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 1,784,886	\$ 1,387,023	0.1113%	\$ 840,745	\$ 327,652	0.7873%	\$ 2,625,631	\$ 1,714,675	0.8986%
State of Montana Proportionate Share associated with Employer	21,796	16,938	0.1414%	-	-	0.0000%	21,796	16,938	0.1414%
Total	<u>\$ 1,806,682</u>	<u>\$ 1,403,961</u>	<u>0.2527%</u>	<u>\$ 840,745</u>	<u>\$ 327,652</u>	<u>0.7873%</u>	<u>\$ 2,647,427</u>	<u>\$ 1,731,613</u>	<u>1.0400%</u>

PONDERA COUNTY, MONTANA
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At June 30, 2015, the employer recorded a liability of \$1,714,675 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS and SRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS and SRS participating employers. At June 30, 2014, the employer's proportion was 0.8986 percent.

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS.

SRS

Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. The plan did report a change in assumption because there was an increase in the discount rate resulting in a decrease in the Liability. There were no other changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Pension Expense as of 6/30/14

	PERS	SRS	Total
Proportionate Share	\$ 68,162	\$ 18,306	\$ 86,468
State of Montana			
Proportionate Share	39,219	-	39,219
associated with the			
Employer			
Total	\$ 107,381	\$ 18,306	\$ 125,687

At June 30, 2015, the employer recognized a Pension Expense of \$125,687 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$39,219 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$160,094.

PONDERA COUNTY, MONTANA
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Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of PERS and SRS deferred outflows of resources and deferred inflows of resources related to PERS and SRS from the following sources:

	<u>PERS Deferred Outflows of Resources</u>	<u>PERS Deferred Inflows of Resources</u>	<u>SRS Deferred Outflows Resources</u>	<u>SRS Deferred Inflows of Resources</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ -	\$ -	\$ -	\$ 334,327	\$ -	\$ 334,327
Difference between projected and actual investment earnings	-	358,384	-	144,407	-	502,791
Difference between actual and expected contributions	-	212	-	-	-	212
*Contributions paid subsequent to the measurement date - FY 2015 Contributions	113,574	-	52,491	-	166,065	-
Total	<u>\$ 113,574</u>	<u>\$ 358,596</u>	<u>\$ 52,491</u>	<u>\$ 478,734</u>	<u>\$ 166,065</u>	<u>\$ 837,330</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows and Outflows

<u>PERS: Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense</u>
2016	\$ -	\$ 89,667	\$ (89,667)
2017	\$ -	\$ 89,667	\$ (89,667)
2018	\$ -	\$ 89,667	\$ (89,667)
2019	\$ -	\$ 89,596	\$ (89,596)
<u>SRS: Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense</u>
2016	\$ -	\$ 91,823	\$ (91,823)
2017	\$ -	\$ 91,823	\$ (91,823)
2018	\$ -	\$ 91,823	\$ (91,823)
2019	\$ -	\$ 91,823	\$ (91,823)
2020	\$ -	\$ 55,721	\$ (55,721)
Thereafter	\$ -	\$ 55,721	\$ (55,721)

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases - PERS 0% to 6%
- Merit Increases – SRS 0% to
- Investment Return 7.75%
- Postretirement Benefit Increases
 - 3% for members hired **prior to** July 1, 2007
 - 1.5% for members hired **on or after** July 1, 2007

PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

SRS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

*At this time as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS, the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly.

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%
Total	100.00%	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease	Current	1.0% Increase
	-6.75%	Discount Rate	-8.75%
PERS	\$ 2,206,611	\$ 1,387,023	\$ 695,782
SRS	\$ 689,593	\$ 327,652	\$ 28,940

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 10. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Entity employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. 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.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ 44,500	Inventory
All Other Aggregate:		
	35,606	Inventory
	3,808	Other purposes
	<u>\$ 83,914</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$584,924	Road maintenance
County Hospital and nursing home	139,416	Medical and dental services
Public Safety	681,790	Law enforcement services
All Other Aggregate:		
	45,576	Civilian healthcare
	13,965	Culture and recreation services
	159,664	Debt service
	64,980	Employer contributions
	18,049	Equipment
	66,688	Extension services
	59,873	General government services
	270,439	Insurance
	533,517	Law enforcement and emergency services
	27,348	Miscellaneous
	413,497	Road and bridge maintenance
	136,129	Weed control
Total	<u>\$3,115,855</u>	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Committed Fund Balance		
<u>All Other Aggregate:</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
	\$ 186,057	Machinery and equipment
	<u>140,964</u>	Courthouse improvements
Total	\$ <u><u>327,021</u></u>	

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Predatory Animal	\$ 2,067	Interfund payable and no assets to cover	Taxes receivable
District Court	455	Interfund payable and no assets to cover	Taxes receivable
WIC	<u>271</u>	Interfund payable and no assets to cover	Due from other governments
Total	\$ <u><u>2,794</u></u>		

NOTE 13. 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>
Breast and Cervical Screening	\$ 2,983	Removal of deferred inflows and recognition of revenues in prior periods
EP (DES) Grants	46,896	Removal of deferred inflows and recognition of revenues in prior periods
Noxious Weed Grant	48,722	Removal of deferred inflows and recognition of revenues in prior periods
General	(21,914)	Reverse a prior year revenue accrual
Governmental	14,124	Depreciation adjustment
Governmental	<u>(2,465,537)</u>	Net pension liability pertaining to prior years
	\$ <u><u>(2,374,726)</u></u>	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE: 14 RELATED ORGANIZATIONS

The Pondera County Medical Center operates independently of the County and the County does not have a voting majority of the Medical Center Board. The Medical Center building and equipment is owned by the County totaling about \$6.8M respectively and the County allows the Medical Center to utilize these assets in order for medical services to be provided to the citizens within the County.

NOTE 15. 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.

Law Enforcement Services

The County participated in a law enforcement service agreement with the Town of Valier for the fiscal year ended June 30, 2015. The County was paid \$56,000, respectively, for providing law enforcement services for the fiscal year ended June 30, 2015.

The County participated in a law enforcement service agreement for dispatch services and operation of an emergency telephone system with the City of Conrad for fiscal year ended June 30, 2015. The County was paid \$13,506 for these services for the fiscal year ended June 30, 2015.

NOTE 16. SERVICES PROVIDED TO OTHER GOVERNMENTS

Pondera 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 17. 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Insurance Pools:

County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, has entered into an agreement with a private management firm to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Joint Powers Insurance Trust.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 810,317	\$ 810,317	\$ 828,052	\$ 17,735
Licenses and permits	-	-	30	30
Intergovernmental	428,531	428,531	365,623	(62,908)
Charges for services	171,891	171,891	157,450	(14,441)
Fines and forfeitures	46,195	46,195	43,286	(2,909)
Miscellaneous	27,725	28,025	33,798	5,773
Investment earnings	-	-	19,920	19,920
Amounts available for appropriation	\$ <u>1,484,659</u>	\$ <u>1,484,959</u>	\$ <u>1,448,159</u>	\$ <u>(36,800)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,260,887	\$ 1,265,887	\$ 1,072,430	\$ 193,457
Public safety	72,891	72,891	51,433	21,458
Public health	152,790	152,890	127,177	25,713
Social and economic services	12,500	12,500	7,495	5,005
Culture and recreation	1,800	1,800	1,900	(100)
Housing and community development	14,963	14,963	-	14,963
Debt service - principal	15,790	16,400	16,394	6
Debt service - interest	1,445	1,445	1,397	48
Miscellaneous	-	-	14,963	(14,963)
Total charges to appropriations	\$ <u>1,533,066</u>	\$ <u>1,538,776</u>	\$ <u>1,293,189</u>	\$ <u>245,587</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 29	\$ 29
Transfers out	(159,963)	(159,963)	(108,000)	51,963
Total other financing sources (uses)	\$ <u>(159,963)</u>	\$ <u>(159,963)</u>	\$ <u>(107,971)</u>	\$ <u>51,992</u>
Net change in fund balance			\$ <u>46,999</u>	
Fund balance - beginning of the year			\$ 762,349	
Restatements			(21,914)	
Fund balance - beginning of the year - restated			\$ <u>740,435</u>	
Fund balance - end of the year			\$ <u><u>787,434</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 460,897	\$ 460,897	\$ 470,578	\$ 9,681
Intergovernmental	238,544	238,544	269,364	30,820
Miscellaneous	3,130	3,130	2,376	(754)
Amounts available for appropriation	<u>\$ 702,571</u>	<u>\$ 702,571</u>	<u>\$ 742,318</u>	<u>\$ 39,747</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 795,444	\$ 795,444	\$ 614,711	\$ 180,733
Debt service - principal	125,470	125,470	82,630	42,840
Debt service - interest	42,840	42,840	42,839	1
Total charges to appropriations	<u>\$ 963,754</u>	<u>\$ 963,754</u>	<u>\$ 740,180</u>	<u>\$ 223,574</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 54,000	\$ 54,000	\$ 54,000	\$ -
Transfers out	(156,000)	(156,000)	(156,000)	-
Total other financing sources (uses)	<u>\$ (102,000)</u>	<u>\$ (102,000)</u>	<u>\$ (102,000)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (99,862)</u>	
Fund balance - beginning of the year			<u>\$ 729,286</u>	
Fund balance - end of the year			<u><u>\$ 629,424</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

County Hospital & Nursing Home

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
			(BUDGETARY	BUDGET
			BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 116,793	\$ 116,793	\$ 119,041	\$ 2,248
Intergovernmental	27,210	27,210	24,219	(2,991)
Miscellaneous	567,005	567,005	567,196	191
Amounts available for appropriation	<u>\$ 711,008</u>	<u>\$ 711,008</u>	<u>\$ 710,456</u>	<u>\$ (552)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public health	698,471	682,471	586,600	95,871
Debt service - principal	62,724	325,673	103,575	222,098
Debt service - interest	2,713	3,113	3,266	(153)
Capital outlay	-	-	206,965	(206,965)
Total charges to appropriations	<u>\$ 763,908</u>	<u>\$ 1,011,257</u>	<u>\$ 900,406</u>	<u>\$ 110,851</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	<u>\$ 64,471</u>	<u>\$ 170,601</u>	<u>\$ 236,575</u>	<u>\$ 65,974</u>
Net change in fund balance			<u>\$ 46,625</u>	
Fund balance - beginning of the year			<u>\$ 92,791</u>	
Fund balance - end of the year			<u><u>\$ 139,416</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

Public Safety (Law Enforcement)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 701,209	\$ 647,243	\$ 672,575	\$ 25,332
Intergovernmental	147,523	147,523	111,561	(35,962)
Charges for services	99,806	99,806	124,473	24,667
Miscellaneous	500	500	3,361	2,861
Amounts available for appropriation	<u>\$ 949,038</u>	<u>\$ 895,072</u>	<u>\$ 911,970</u>	<u>\$ 16,898</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	<u>\$ 1,093,133</u>	<u>\$ 1,095,133</u>	<u>\$ 802,328</u>	<u>\$ 292,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (60,000)</u>	<u>\$ (58,000)</u>	<u>\$ (58,000)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 51,642</u>	
Fund balance - beginning of the year			<u>\$ 630,148</u>	
Fund balance - end of the year			<u><u>\$ 681,790</u></u>	

**Pondera 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>County Hospital & Nursing Home</u>	<u>Public Safety (Law Enforcement)</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,448,159	\$ 742,318	\$ 710,456	\$ 911,970
Combined funds (GASBS 54) revenues	207,972	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,656,131</u>	<u>\$ 742,318</u>	<u>\$ 710,456</u>	<u>\$ 911,970</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,293,189	\$ 740,180	\$ 900,406	\$ 802,328
Combined funds (GASBS 54) expenditures	5,641	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,298,830</u>	<u>\$ 740,180</u>	<u>\$ 900,406</u>	<u>\$ 802,328</u>

Pondera County
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

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, 2012	\$ -	\$ 573,104	\$ 573,104	0%	\$ 1,873,708	30.6%

Pondera County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	<u>PERS</u>	<u>SRS</u>
	<u>2015</u>	<u>2015</u>
Employer's proportion of the net pension liability	\$ 1,387,023	327,652
Employer's proportionate share of the net pension liability associated with the Employer	0.111317%	0.787303%
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 16,938	\$ -
Total	<u>\$ 1,403,961</u>	<u>327,652</u>
Employer's covered-employee payroll	\$ 1,260,108	\$ 509,169
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	\$ 110.072%	\$ 87.200%
Plan fiduciary net position as a percentage of the total pension liability	79.9%	87.2%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Pondera County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2015

Schedule of Contributions	<u>PERS</u>	<u>SRS</u>
	<u>2015</u>	<u>2015</u>
Contractually required contributions	\$ 107,429	52,665
Contributions in relation to the contractually required contributions	\$ 107,429	52,665
District's covered-employee payroll	\$ 1,260,108	509,169
Contributions as a percentage of covered-employee payroll	8.525%	10.343%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2015

Public Employees' Retirement System of Montana(PERS)

Changes of assumptions:

Assumptions related to future member contribution rates have been updated based on revised projections, which incorporate Plan experience over the year ending on the valuation date.

Assumptions related to the Guaranteed Annual Benefit Adjustment (GABA) for members hired on or after July 1, 2013 have been added, given new guidance on the GABA applicable to these members.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent

Sheriffs' Retirement System of Montana (SRS)

Changes of assumptions: None

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open Remaining
amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

SINGLE AUDIT SECTION

Pondera County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure June 30, 2013
<u>U.S. Department of Agriculture</u>			
<i>Passed through Montana Department of Administration</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 58,833
<i>Passed through Montana Department of Health and Human Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	507
<i>Passed through Teton County Health Department</i>			
Summer Food Program	10.557	08-07-3-31-027-0	23,189
Total U.S. Department of Agriculture			\$ 82,529
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Department of Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	16-07-6-11-038-0	\$ 45,985
Immunization Cooperative Agreement	93.268	14-07-4-31-133-0	1,958
Immunization Cooperative Agreement	93.268	15-07-4-31-100-0	2,432
<i>PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds</i>			
Medical Assistance Program	93.539	14-07-4-31-174-0	3,150
Medical Assistance Program	93.778	N/A	507
Maternal and Child Health Services Block Grants to States	93.994	14-07-5-01-037-0	1,452
Maternal and Child Health Services Block Grants to States	93.994	15-07-5-01-037-0	4,940
<i>Passed through Teton County Health Department</i>			
Centers for Disease Control and Prevention Investigations and Technical Assistance	92.283	11-07-3-01-012-0	7,235
Total U.S. Department of Health and Human Services			\$ 67,659
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grant/Entitlement Grants	14.228	MT-CDBG-11PF-07	\$ 378,307
Community Development Block Grant/Entitlement Grants	14.225	MT-CDBG-EDPG13-06	7,218
Total U.S. Department of Housing and Urban Development			\$ 385,525
<u>U.S. Department of the Interior</u>			
<i>Passed through U.S. Fish Wildlife Service</i>			
FWS National Wildlife Refuge Fund	15.659	71209866	\$ 1,704
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation</i>			
State and Community Highway Safety	20.600	107256	\$ 17,444
State and Community Highway Safety	20.602	107885	19,948
Total U.S. Department of Transportation			\$ 37,392
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	\$ 13,882
Emergency Management Performance Grants	97.042	EMW-2014-EP-00006	16,325
Total U.S. Department of Housing and Urban Development			\$ 30,207
Total Federal Financial Assistance			\$ 605,016

N/A = Not Applicable or Not Available

PONDERA COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pondera 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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**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
Pondera County
Conrad, 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, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pondera County's basic financial statements and have issued our report thereon dated March 30, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pondera 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 Pondera County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Pondera 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 statements will not be prevented, or detected and corrected on a timely basis. *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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pondera 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 in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

Pondera County's Response to Findings

Pondera County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pondera 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.

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

March 30, 2016

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 ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of County Commissioners
Pondera County
Conrad, Montana

Report on Compliance for Each Major Federal Program

We have audited Pondera 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 Pondera County's major federal programs for the year ended June 30, 2015. 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 Pondera 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, Pondera 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, 2015.

Report on Internal Control Over Compliance

Management of Pondera 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Pondera County, Montana's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pondera County, Montana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

March 30, 2016

PONDERA COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal year Ended June 30, 2015

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?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
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>
14.228	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2015-001 Mill Levy Limitations for the Road Fund

Condition:

The client exceeded the mill levy limitations for the road fund by 4.52 mills or \$48,215.

Context:

A recalculation of the mill levy limitations for the road fund was performed as part of the audit to test for compliance. It was found that the client entered in the FY15 SB 96 Reimbursement through State Entitlement as a positive number instead of a negative numbers as indicated on the calculation sheet. This resulted in an error in their calculation. It was also noted that the client rounded the taxable value per mill and newly taxable property per mill values which also resulted in slight differences.

Criteria:

MCA, 15-10-420 A governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years.

Effect:

The County is not in compliance with MCA 15-10-420 resulting in an over levy of 4.52 mills or \$48,215.

Cause:

The client had errors in their calculation resulting in an incorrect authorized mill levy amount.

Recommendation:

The County should review their calculation for accuracy and ensure that the actual numbers, not rounded numbers, are used in the calculation to ensure accuracy in the calculation. Furthermore, we recommend that the County lower their mill levy for FY16 by \$48,215.

Views of Responsible Officials and Planned Corrective Action:

The County will make the appropriate adjustment when levying taxes for the 2016-2017 fiscal year since taxes have already been levied for the 2015-2016 fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2015-002 Exceeding Budgetary Authority

Condition:

The County exceeded its budget authority in the following funds:

Permissive Medical Levy \$1,767

DUI Prevention \$1,090

Land Use Planning \$17,681

State Allocated Federal Mineral Royalties \$5,641

Context:

As part of compliance testing conducted during the audit, a schedule of budget versus actual expenditures was prepared per fund. After the budget amendments were taken into account, the Permissive Medical Levy, DUI Prevention, Land Use Planning, and State Allocated Federal Mineral Royalty funds were found to be out of compliance.

Criteria:

MCA 7-6-4005. Expenditures limited to appropriations. (1) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.

(2) A local government official who violates subsection (1) is liable for the amount of the excess disbursement, expenditure, or obligation personally.

(3) The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability.

Effect:

The County is not in compliance with MCA 7-6-4005.

Cause:

An error occurred in the monitoring of these funds.

Recommendation:

We recommend that the County limit expenditures to the amount budgeted.

Views of Responsible Officials and Planned Corrective Action:

The County will limit expenditures to the amount budgeted.

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
Pondera County
Conrad, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Justice Court Internal Controls	Implemented

Denning, Downey and Associates, CPAs, P.C.

March 30, 2016