

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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PONDERA COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

**BOARD OF COUNTY COMMISSIONERS**

Joseph Christiaens  
Sandra J. Broesder  
Janice Hoppes

Chairperson  
Commissioner  
Commissioner

**COUNTY OFFICIALS**

Mary Ann Ries  
Jeanne Moon  
Kody L. Farkell  
Audrey Brown  
Josephine Stone  
Thomas A Kuka

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

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2013-2014 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 \$.42 per hour and health insurance contribution remained at 100% of employee premium.
- Pondera County's interest revenue for the fiscal year totaled \$9,920. While this amount is only 14% lower than last 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, the Northern Transit Inter-Local, and the Brady County Water and Sewer District through a CDBG grant.
- Stabilized fuel cost combined with improved warranty agreements provided constancy in the Road Department as well as Public Safety. There were some equipment updates in both departments.
- We sold five lots in the Town of Valier that were not necessary for the operations of the County and have eleven lots remaining for sale in Valier.
- A major upgrade to 3.6 miles of the East Lake Road was resurfaced in anticipation of adding chip seal in FY2014-15. Total cost for this upgrade over the two fiscal years is approximately \$ 146,000. We intend to resurface 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.
- The County purchased new election counting equipment as a capital purchase during FY2012-13 at a cost of \$22,575. The prior equipment had become obsolete.
- 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.
- The phone system in the courthouse had become obsolete and was replaced at a cost of \$39,642.
- During FY2013-14, the County Superintendent of Schools resigned her elected position. The position was combined with the County Treasurer's position. The combined position continues with additional compensation for the Superintendent of Schools position and the Treasurer will not be receiving additional compensation for Treasurer's duties as is allowed in Montana law.

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

**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 Assets and the Statement of Activities**

The Statement of Net Assets 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 assets and changes in them. Net assets are 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 assets are 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.

**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 Assets 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.

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

The largest portion of the County's net assets 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.

**GOVERNMENTAL ACTIVITIES**

The cost of all governmental activities this year was \$5,776,730 compared to \$5,368,294 for fiscal year 2012-13 as found in the Statement of Activities.

The amount that our taxpayers ultimately financed for these activities through county taxes was \$3,157,733, up by \$142,915 from \$3,014,818 in fiscal year 2012-13. 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:

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

**Table 1 - Net Position**

|                                  | <b>Governmental<br/>Activities</b> |                      |                             |
|----------------------------------|------------------------------------|----------------------|-----------------------------|
|                                  | <b>FY14</b>                        | <b>FY13</b>          | <b>Change<br/>Inc (Dec)</b> |
|                                  |                                    |                      |                             |
| Current and other assets         | \$ 5,014,004                       | \$ 4,616,663         | \$ 397,341                  |
| Capital assets                   | 6,111,682                          | 6,000,431            | 111,251                     |
| Total assets                     | <u>\$ 11,125,686</u>               | <u>\$ 10,617,094</u> | <u>\$ 508,592</u>           |
| Long-term debt outstanding       | \$ 2,600,195                       | \$ 2,544,340         | \$ 55,855                   |
| Other liabilities                | 203,975                            | 62,731               | 141,244                     |
| Total liabilities                | <u>\$ 2,804,170</u>                | <u>\$ 2,607,071</u>  | <u>\$ 197,099</u>           |
| Net investment in capital assets | \$ 3,939,616                       | \$ 3,923,741         | \$ 15,875                   |
| Restricted                       | 3,540,347                          | 3,449,613            | 90,734                      |
| Unrestricted (deficit)           | 841,553                            | 636,669              | 204,884                     |
| Total net position               | <u>\$ 8,321,516</u>                | <u>\$ 8,010,023</u>  | <u>\$ 311,493</u>           |

**Table 2 - Changes in Net Position**

|   | <b>Governmental<br/>Activities</b> |                     |                             |
|---|------------------------------------|---------------------|-----------------------------|
|   | <b>FY14</b>                        | <b>FY13</b>         | <b>Change<br/>Inc (Dec)</b> |
|   |                                    |                     |                             |
| <b>Revenues</b>   |                                    |                     |                             |
| <i>Program revenues (by major source):</i>                  |                                    |                     |                             |
| Charges for services  | \$ 422,139                         | \$ 578,273          | \$ (156,134)                |
| Operating grants and contributions                          | 1,124,318                          | 178,258             | 946,060                     |
| Capital grants and contributions                            | 228,772                            | 43,923              | 184,849                     |
| <i>General revenues (by major source):</i>                  |                                    |                     |                             |
| Property taxes for general purposes                         | 3,157,733                          | 3,014,818           | 142,915                     |
| Video poker apportionment                                   | 2,600                              | 2,250               | 350                         |
| Miscellaneous   | 53,885                             | 46,202              | 7,683                       |
| PILT  | 220,473                            | 196,745             | 23,728                      |
| Interest/investment earnings                                | 9,920                              | 12,722              | (2,802)                     |
| Montana oil and gas production tax                          | 188,541                            | 198,094             | (9,553)                     |
| State entitlement   | 577,742                            | 449,393             | 128,349                     |
| Grants and entitlements not restricted to specific programs | 28,021                             | 58,733              | (30,712)                    |
| Intergovernmental Agreement                                 | 21,626                             | 14,963              | 6,663                       |
| Royalties   | 4,483                              | 8,727               | (4,244)                     |
| Intergovernmental Transfer                                  | -                                  | 540,532             | (540,532)                   |
| Total revenues  | <u>\$ 6,040,253</u>                | <u>\$ 5,343,633</u> | <u>\$ 696,620</u>           |
| <b>Program expenses</b>                                     |                                    |                     |                             |
| General government  | \$ 1,560,869                       | \$ 1,509,247        | \$ 51,622                   |
| Public safety   | 1,005,842                          | 953,611             | 52,231                      |
| Public works  | 1,645,281                          | 1,476,143           | 169,138                     |
| Public health   | 1,054,157                          | 963,723             | 90,434                      |
| Social and economic services                                | 120,139                            | 128,510             | (8,371)                     |
| Culture and recreation                                      | 159,350                            | 158,069             | 1,281                       |
| Housing and community development                           | 14,963                             | -                   | 14,963                      |
| Debt service - interest                                     | 61,268                             | 22,001              | 39,267                      |
| Miscellaneous   | 154,861                            | 156,990             | (2,129)                     |
| Total expenses  | <u>\$ 5,776,730</u>                | <u>\$ 5,368,294</u> | <u>\$ 408,436</u>           |
| Excess (deficiency) before<br>special items and transfers   | 263,523                            | (24,661)            | 288,184                     |
| Gain (loss) on sale of capital assets                       | 14,170                             | -                   | 14,170                      |
| <b>Increase (decrease) in net position</b>                  | <u>\$ 277,693</u>                  | <u>\$ (24,661)</u>  | <u>\$ 302,354</u>           |

**Pondera County, Montana  
Management Discussion and Analysis (MD&A)  
Fiscal Year 2013-14**

**Fund Balance Analysis (Major Funds)**

|                                   | <u>General</u> | <u>Road</u> | <u>County<br/>Hospital</u> |
|-----------------------------------|----------------|-------------|----------------------------|
| Fund Balance – Current Year       | 1,208,757      | 729,286     | 92,791                     |
| Fund Balance – Prior Year         | 1,039,809      | 654,227     | 108,390                    |
| Change in unassigned fund balance | 168,948        | 75,059      | -15,599                    |
| % change in fund balance          | 13.98%         | 10.30%      | -14.39%                    |

  

|                             | <u>Public<br/>Safety</u> | <u>Noxious<br/>Weed Grant</u> | <u>DES (EP)<br/>Grant</u> |
|-----------------------------|--------------------------|-------------------------------|---------------------------|
| Fund Balance – Current Year | 630,148                  | 1,988                         | 32,767                    |
| Fund Balance – Prior Year   | 632,216                  | 9,274                         | 28,437                    |
| Change in fund balance      | -2,068                   | -7,286                        | 4,330                     |
| % change in fund balance    | -1.99%                   | -72.72%                       | 13.22%                    |

The increase in the fund balance in the General Fund is due to an increased allocation of mills levied, increase in Entitlement funds, and increase of Sale of Assets (county owned lots in Valier).

The increase in the Road Fund is a result of increased tax revenue, increased oil and gas production, and increased Sale of Surplus Property.

The decrease in the County Hospital Fund is a result of an increase in expenditures from an increase in an Intercap loan payment.

While there was an increase in the Public Safety Fund revenues, there was also an increase in operating expenses (training, maintenance, etc), as well as an increase in prisoner care (food, medical), resulting in a net decrease for the fiscal year.

The decrease in the Noxious Weed Grant Fund is the result of an audit adjustment for deferred revenue (\$7,286).

The increase in the EP (DES) Grant is due to receipt of grant funding which added to the fund balance carried forward and spending at prior levels.

**Revenue Budget to Actual Variances:**

| <u>General Fund: Budgeted</u> | <u>Actual</u> | <u>Variance</u> | <u>% Variance</u> |
|-------------------------------|---------------|-----------------|-------------------|
| 1,333,702                     | 1,396,430     | 62,728          | 4.50%             |

There was a variance between the final budget amount and actual amount of revenue received in the General Fund of (\$62,728) for a (4.50%) variance. Intergovernmental Revenues and Charges for Services were higher than budgeted.

| <u>Road Fund: Budgeted</u> | <u>Actual</u> | <u>Variance</u> | <u>% Variance</u> |
|----------------------------|---------------|-----------------|-------------------|
| 661,637                    | 763,899       | 102,262         | 13.52%            |



**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of \$102,262 for and 13.52% variance due to the County under-budgeting federal funds received for disaster (flooding) aid.

County Hospital and

| <u>Nursing</u>    | <u>Budgeted</u> | <u>Actual</u> | <u>Variance</u> | <u>% Variance</u> |
|-------------------|-----------------|---------------|-----------------|-------------------|
| <u>Home Fund:</u> | 688,705         | 687,362       | -1,343          | -0.20%            |

There was a variation between the final budget amount and actual amount of revenue received in the County Hospital and Nursing Home Fund of \$1,343 for a 0.20% variance.

Public Safety

| <u>Fund:</u> | <u>Budgeted</u> | <u>Actual</u> | <u>Variation</u> | <u>% Variance</u> |
|--------------|-----------------|---------------|------------------|-------------------|
|              | 844,922         | 850,732       | 5,810            | 0.69%             |

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

Noxious Weed

| <u>Grant Fund:</u> | <u>Budgeted</u> | <u>Actual</u> | <u>Variation</u> | <u>% Variance</u> |
|--------------------|-----------------|---------------|------------------|-------------------|
|                    | 9,786           | 3,452         | -6,334           | -5.09%            |

County over-budgeted for grant award amount.

DES Grants

| <u>Fund:</u> | <u>Budgeted</u> | <u>Actual</u> | <u>Variation</u> | <u>% Variance</u> |
|--------------|-----------------|---------------|------------------|-------------------|
|              | 25,143          | 39,137        | 13,994           | 35.76%            |

County under-budgeted the grant award amount.

**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. Additional information can be obtained in the Notes to the Financial Statements.

**Long Term Debt**

During the fiscal year, the County decreased its long term debt by \$55,855.

**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, 2014 of \$6,111,682.

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.

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2013-14**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The FY2015 Taxable Valuation decreased in Pondera County from \$13,912,163 to \$13,016,011, decreasing the value of a county-wide mill from \$13,912 to \$13,016. The FY15 budget did not allow for the reservation of any floated mills; all were levied.

We were required to replace a bridge in the County early in FY15 at a cost of approximately \$129,000. This unanticipated expense was funded through the Road and Bridget Capital Improvement Fund which may impact budgeted equipment purchases.

The cost of fuel will need to be monitored for impacts on future budgets, especially in the areas of Road, Bridge, and Public Safety.

In November of 2014, the taxpayers approved a requested mill levy to fund a capital improvement program for the Pondera Medical Center. The impact of this levy will be in the 2015 tax year.

A 2.49% COLA and wage increase (2.1% cost of living adjustment plus .39% wage increase), equal to \$.50 per hour, was approved for elected officials. Hourly employees received an equal increase of \$.50 per hour.

For the past 40 plus years, Pondera County has levied funds as part of our aggregate for operating the two city/county libraries in the County. The libraries received additional funding from a voted levy. In 2012, the libraries asked the voters to approve a larger voted levy that would provide sufficient funding to operate the two libraries which would replace the aggregate mills as well as the expiring voted levy. The voters approved the levy with its first levy year being in tax year 2014. The aggregate mills previously levied for library services are available for other funds.

While aiming for a 33% reserve in all funds, reserve amounts range from 17.7% (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 4<sup>th</sup> Ave SW, Ste 202  
Conrad, MT 59425-2340  
Or e-mail to: clerkrec@3rivers.net

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
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, 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 40 through 45, and 46 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, 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.

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

June 15, 2015

**Pondera County**  
**Statement of Net Position**  
**June 30, 2014**

|   |    | <b>Governmental<br/>Activities</b> |
|---|----|------------------------------------|
| <b>ASSETS</b>                                       |    |                                    |
| Current assets:                                     |    |                                    |
| Cash and investments                                | \$ | 4,650,996                          |
| Taxes and assessments receivable, net               |    | 201,710                            |
| Accounts receivable - net                           |    | 45                                 |
| Due from other governments                          |    | 23,735                             |
| Inventories   |    | 137,518                            |
| Total current assets                                | \$ | 5,014,004                          |
| Noncurrent assets                                   |    |                                    |
| Capital assets - land                               | \$ | 285,409                            |
| Capital assets - construction in progress           |    | 73,175                             |
| Capital assets - depreciable, net                   |    | 5,753,098                          |
| Total noncurrent assets                             | \$ | 6,111,682                          |
| Total assets  | \$ | 11,125,686                         |
| <b>LIABILITIES</b>                                  |    |                                    |
| Current liabilities                                 |    |                                    |
| Warrants payable                                    | \$ | 608                                |
| Accounts payable                                    |    | 59,558                             |
| Accrued payroll                                     |    | 35,643                             |
| Due to other governments                            |    | 515                                |
| Revenues collected in advance                       |    | 106,823                            |
| Current portion of long-term capital liabilities    |    | 325,044                            |
| Current portion of compensated absences payable     |    | 141,279                            |
| Total current liabilities                           | \$ | 670,298                            |
| Noncurrent liabilities                              |    |                                    |
| Noncurrent portion of long-term liabilities         | \$ | 191,253                            |
| Noncurrent portion of long-term capital liabilities |    | 1,847,022                          |
| Noncurrent portion of compensated absences          |    | 95,597                             |
| Total noncurrent liabilities                        | \$ | 2,133,872                          |
| Total liabilities                                   | \$ | 2,804,170                          |
| <b>NET POSITION</b>                                 |    |                                    |
| Net investment in capital assets                    | \$ | 3,939,616                          |
| Restricted for special projects                     |    | 2,819,862                          |
| Restricted for other purposes                       |    | 3,782                              |
| Restricted for debt services                        |    | 173,506                            |
| Restricted for capital projects                     |    | 543,197                            |
| Unrestricted  |    | 841,553                            |
| Total net position                                  | \$ | 8,321,516                          |

See accompanying Notes to the Financial Statements

**Pondera County**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

| <u>Functions/Programs</u>                                   | <u>Expenses</u> | <u>Program Revenues</u>         |   |   | <u>Net (Expenses) Revenues and<br/>Changes in Net Position</u> |
|---|-----------------|---------------------------------|---|---|--|
| <u>Primary government:</u>                                  |                 | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary Government</u>                                      |
| <u>Governmental activities:</u>                             |                 |                                 |   |   | <u>Governmental<br/>Activities</u>                             |
| General government  | \$ 1,560,869    | \$ 202,605                      | \$ 623  | \$ -  | \$ (1,357,641)   |
| Public safety   | 1,005,842       | 101,606                         | 279,201   | -   | (625,035)  |
| Public works  | 1,645,281       | 23,223                          | 172,167   | 135,079   | (1,314,812)  |
| Public health   | 1,054,157       | 73,004                          | 672,327   | -   | (308,826)  |
| Social and economic services                                | 120,139         | 21,701                          | -   | 93,693  | (4,745)  |
| Culture and recreation                                      | 159,350         | -                               | -   | -   | (159,350)  |
| Housing and community development                           | 14,963          | -                               | -   | -   | (14,963)   |
| Debt service - interest                                     | 61,268          | -                               | -   | -   | (61,268)   |
| Miscellaneous   | 154,861         | -                               | -   | -   | (154,861)  |
| Total primary government                                    | \$ 5,776,730    | \$ 422,139                      | \$ 1,124,318                                      | \$ 228,772                                      | \$ (4,001,501)   |
| General Revenues:   |                 |                                 |   |   |  |
| Property taxes for general purposes                         |                 |                                 |   | \$  | 3,157,733  |
| Video poker apportionment                                   |                 |                                 |   |   | 2,600  |
| Miscellaneous   |                 |                                 |   |   | 53,885   |
| PILT  |                 |                                 |   |   | 220,473  |
| Interest/investment earnings                                |                 |                                 |   |   | 9,920  |
| Montana oil and gas production tax                          |                 |                                 |   |   | 188,541  |
| State entitlement   |                 |                                 |   |   | 577,742  |
| Grants and entitlements not restricted to specific programs |                 |                                 |   |   | 28,021   |
| Intergovernmental Agreement                                 |                 |                                 |   |   | 21,626   |
| Royalties   |                 |                                 |   |   | 4,483  |
| Gain (loss) on sale of capital assets                       |                 |                                 |   |   | 14,170   |
| Total general revenues, special items and transfers         |                 |                                 |   | \$  | 4,279,194  |
| Change in net position                                      |                 |                                 |   | \$  | 277,693  |
| Net position - beginning                                    |                 |                                 |   | \$  | 8,010,023  |
| Restatements  |                 |                                 |   |   | 33,800   |
| Net position - beginning - restated                         |                 |                                 |   | \$  | 8,043,823  |
| Net position - end  |                 |                                 |   | \$  | 8,321,516  |

See accompanying Notes to the Financial Statements

**Pondera County  
Balance Sheet  
Governmental Funds  
June 30, 2014**

|                                       | <u>General</u>      | <u>Road</u>       | <u>County Hospital<br/>&amp; Nursing Home</u> | <u>Public Safety<br/>(Law<br/>Enforcement)</u> | <u>Noxious<br/>Weed Grant</u> | <u>EP (DES)<br/>Grants</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|---------------------|-------------------|---|--|-------------------------------|----------------------------|---|---|
| <b>ASSETS</b>                         |                     |                   |   |  |                               |                            |   |   |
| Current assets:                       |                     |                   |   |  |                               |                            |   |   |
| Cash and investments                  | \$ 1,176,330        | \$ 644,689        | \$ 152,349                                    | \$ 639,511                                     | \$ 56,544                     | \$ 79,664                  | \$ 1,901,909                            | \$ 4,650,996                            |
| Taxes and assessments receivable, net | 60,925              | 28,485            | 9,780   | 23,849   | -                             | -                          | 78,671                                  | 201,710                                 |
| Accounts receivable - net             | -                   | -                 | -   | -  | -                             | -                          | 45                                      | 45                                      |
| Due from other governments            | 23,735              | -                 | -   | -  | -                             | -                          | -                                       | 23,735                                  |
| Inventories                           | -                   | 89,713            | -   | -  | -                             | -                          | 47,805                                  | 137,518                                 |
| Total current assets                  | <u>\$ 1,260,990</u> | <u>\$ 762,887</u> | <u>\$ 162,129</u>                             | <u>\$ 663,360</u>                              | <u>\$ 56,544</u>              | <u>\$ 79,664</u>           | <u>\$ 2,028,430</u>                     | <u>\$ 5,014,004</u>                     |
| Noncurrent assets:                    |                     |                   |   |  |                               |                            |   |   |
| Advances to other funds               | \$ 23,706           | \$ -              | \$ -  | \$ -   | \$ -                          | \$ -                       | \$ -                                    | \$ 23,706                               |
| Total assets                          | <u>\$ 1,284,696</u> | <u>\$ 762,887</u> | <u>\$ 162,129</u>                             | <u>\$ 663,360</u>                              | <u>\$ 56,544</u>              | <u>\$ 79,664</u>           | <u>\$ 2,028,430</u>                     | <u>\$ 5,037,710</u>                     |
| Current liabilities:                  |                     |                   |   |  |                               |                            |   |   |
| Warrants payable                      | \$ 182              | \$ -              | \$ -  | \$ -   | \$ -                          | \$ -                       | \$ 426                                  | \$ 608                                  |
| Accounts payable                      | -                   | -                 | 59,558  | -  | -                             | -                          | -                                       | 59,558                                  |
| Accrued payroll                       | 14,317              | 5,116             | -   | 9,363  | -                             | -                          | 6,847                                   | 35,643                                  |
| Due to other governments              | 515                 | -                 | -   | -  | -                             | -                          | -                                       | 515                                     |
| Revenues collected in advance         | -                   | -                 | -   | -  | 48,722                        | 55,946                     | 2,155                                   | 106,823                                 |
| Total current liabilities             | <u>\$ 15,014</u>    | <u>\$ 5,116</u>   | <u>\$ 59,558</u>                              | <u>\$ 9,363</u>                                | <u>\$ 48,722</u>              | <u>\$ 55,946</u>           | <u>\$ 9,428</u>                         | <u>\$ 203,147</u>                       |
| Noncurrent liabilities:               |                     |                   |   |  |                               |                            |   |   |
| Advances payable                      | \$ -                | \$ -              | \$ -  | \$ -   | \$ -                          | \$ -                       | \$ 23,706                               | \$ 23,706                               |
| Total liabilities                     | <u>\$ 15,014</u>    | <u>\$ 5,116</u>   | <u>\$ 59,558</u>                              | <u>\$ 9,363</u>                                | <u>\$ 48,722</u>              | <u>\$ 55,946</u>           | <u>\$ 33,134</u>                        | <u>\$ 226,853</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                   |   |  |                               |                            |   |   |
| Deferred inflows of resources         | \$ 60,925           | \$ 28,485         | \$ 9,780                                      | \$ 23,849                                      | \$ 5,834                      | \$ (9,049)                 | \$ 81,885                               | \$ 201,709                              |
| <b>FUND BALANCES</b>                  |                     |                   |   |  |                               |                            |   |   |
| Nonspendable                          | \$ -                | \$ 89,713         | \$ -  | \$ -   | \$ -                          | \$ -                       | \$ 51,576                               | \$ 141,289                              |
| Restricted                            | -                   | 639,573           | 92,791  | 630,148  | 1,988                         | 32,767                     | 1,343,156                               | 2,740,423                               |
| Committed                             | -                   | -                 | -   | -  | -                             | -                          | 543,086                                 | 543,086                                 |
| Unassigned fund balance               | <u>1,208,757</u>    | <u>-</u>          | <u>-</u>                                      | <u>-</u>                                       | <u>-</u>                      | <u>-</u>                   | <u>(24,407)</u>                         | <u>1,184,350</u>                        |
| Total fund balance                    | <u>\$ 1,208,757</u> | <u>\$ 729,286</u> | <u>\$ 92,791</u>                              | <u>\$ 630,148</u>                              | <u>\$ 1,988</u>               | <u>\$ 32,767</u>           | <u>\$ 1,913,411</u>                     | <u>\$ 4,609,148</u>                     |

See accompanying Notes to the Financial Statements

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

|   |                            |
|---|----------------------------|
| <b>Total fund balances - governmental funds</b>   | \$ 4,609,148               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 6,111,682                  |
| 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. | 200,881                    |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.   | (2,600,195)                |
| <b>Total net position - governmental activities</b>   | <b>\$ <u>8,321,516</u></b> |

See accompanying Notes to the Financial Statements



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

|   | General             | Road              | County Hospital<br>& Nursing Home | Public Safety<br>(Law<br>Enforcement) | Noxious<br>Weed<br>Grant | EP (DES)<br>Grants | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-------------------|-----------------------------------|---------------------------------------|--------------------------|--------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                   |                                   |                                       |                          |                    |                                |                                |
| Taxes and assessments                                       | \$ 785,367          | \$ 417,134        | \$ 99,736                         | \$ 648,200                            | \$ -                     | \$ -               | \$ 1,237,794                   | \$ 3,188,231                   |
| Licenses and permits  | -                   | 335,710           | -                                 | -                                     | -                        | -                  | -                              | 335,710                        |
| Intergovernmental   | 557,542             | -                 | 20,620                            | 102,751                               | 3,452                    | 39,137             | 769,977                        | 1,493,479                      |
| Charges for services  | 185,964             | -                 | -                                 | 97,144                                | -                        | -                  | 31,989                         | 315,097                        |
| Fines and forfeitures                                       | 60,716              | -                 | -                                 | -                                     | -                        | -                  | 5,051                          | 65,767                         |
| Miscellaneous   | 23,534              | 11,055            | 567,006                           | 2,637                                 | -                        | -                  | 61,152                         | 665,384                        |
| Investment earnings   | 8,107               | -                 | -                                 | -                                     | -                        | -                  | 1,911                          | 10,018                         |
| Total revenues  | <u>\$ 1,621,230</u> | <u>\$ 763,899</u> | <u>\$ 687,362</u>                 | <u>\$ 850,732</u>                     | <u>\$ 3,452</u>          | <u>\$ 39,137</u>   | <u>\$ 2,107,874</u>            | <u>\$ 6,073,686</u>            |
| <b>EXPENDITURES</b>   |                     |                   |                                   |                                       |                          |                    |                                |                                |
| General government  | \$ 1,030,037        | \$ -              | \$ -                              | \$ -                                  | \$ -                     | \$ -               | \$ 400,939                     | \$ 1,430,976                   |
| Public safety   | 51,492              | -                 | -                                 | 743,000                               | -                        | 39,137             | 95,246                         | 928,875                        |
| Public works  | -                   | 592,371           | -                                 | -                                     | 3,452                    | -                  | 742,477                        | 1,338,300                      |
| Public health   | 140,279             | -                 | 640,883                           | -                                     | -                        | -                  | 133,418                        | 914,580                        |
| Social and economic services                                | 10,215              | -                 | -                                 | -                                     | -                        | -                  | 105,734                        | 115,949                        |
| Culture and recreation                                      | 667                 | -                 | -                                 | -                                     | -                        | -                  | 158,683                        | 159,350                        |
| Housing and community development                           | 14,963              | -                 | -                                 | -                                     | -                        | -                  | -                              | 14,963                         |
| Debt service - principal                                    | 15,875              | 80,068            | 48,910                            | -                                     | -                        | -                  | 135,000                        | 279,853                        |
| Debt service - interest                                     | 1,557               | 45,401            | 609                               | -                                     | -                        | -                  | 13,701                         | 61,268                         |
| Miscellaneous   | -                   | -                 | -                                 | -                                     | -                        | -                  | 154,861                        | 154,861                        |
| Capital outlay  | 6,820               | -                 | 387,788                           | -                                     | -                        | -                  | 292,902                        | 687,510                        |
| Total expenditures  | <u>\$ 1,271,905</u> | <u>\$ 717,840</u> | <u>\$ 1,078,190</u>               | <u>\$ 743,000</u>                     | <u>\$ 3,452</u>          | <u>\$ 39,137</u>   | <u>\$ 2,232,961</u>            | <u>\$ 6,086,485</u>            |
| Excess (deficiency) of revenues over expenditures           | <u>\$ 349,325</u>   | <u>\$ 46,059</u>  | <u>\$ (390,828)</u>               | <u>\$ 107,732</u>                     | <u>\$ -</u>              | <u>\$ -</u>        | <u>\$ (125,087)</u>            | <u>\$ (12,799)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                     |                   |                                   |                                       |                          |                    |                                |                                |
| Proceeds of general long term debt                          | \$ -                | \$ -              | \$ 375,229                        | \$ -                                  | \$ -                     | \$ -               | \$ -                           | \$ 375,229                     |
| Proceeds from the sale of general capital asset disposition | 13,970              | -                 | -                                 | 200                                   | -                        | -                  | -                              | 14,170                         |
| Transfers in  | 4,935               | 54,000            | -                                 | -                                     | -                        | -                  | 472,949                        | 531,884                        |
| Transfers out   | (253,502)           | (25,000)          | -                                 | (110,000)                             | -                        | -                  | (143,382)                      | (531,884)                      |
| Total other financing sources (uses)                        | <u>\$ (234,597)</u> | <u>\$ 29,000</u>  | <u>\$ 375,229</u>                 | <u>\$ (109,800)</u>                   | <u>\$ -</u>              | <u>\$ -</u>        | <u>\$ 329,567</u>              | <u>\$ 389,399</u>              |
| Net Change in Fund Balance                                  | <u>\$ 114,728</u>   | <u>\$ 75,059</u>  | <u>\$ (15,599)</u>                | <u>\$ (2,068)</u>                     | <u>\$ -</u>              | <u>\$ -</u>        | <u>\$ 204,480</u>              | <u>\$ 376,600</u>              |
| Fund balances - beginning                                   | \$ 1,094,029        | \$ 654,227        | \$ 108,390                        | \$ 632,216                            | \$ 1,988                 | \$ 32,767          | \$ 1,708,931                   | \$ 4,232,548                   |
| Fund balance - ending                                       | <u>\$ 1,208,757</u> | <u>\$ 729,286</u> | <u>\$ 92,791</u>                  | <u>\$ 630,148</u>                     | <u>\$ 1,988</u>          | <u>\$ 32,767</u>   | <u>\$ 1,913,411</u>            | <u>\$ 4,609,148</u>            |

See accompanying Notes to the Financial Statements

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

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

|  |                                 |
|--|---------------------------------|
| <b>Net change in fund balances - total governmental funds</b>  | \$ 376,600                      |
| 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   | 687,510                         |
| - Depreciation expense   | (589,480)                       |
| In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets: |                                 |
| - Proceeds from the sale of capital assets   | (6,409)                         |
| - Gain on the sale of capital assets   | (14,170)                        |
| 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)   | (12,854)                        |
| The change in compensated absences is shown as an expense in the Statement of Activities   |                                 |
|  | (2,401)                         |
| 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  | 279,853                         |
| 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   | (375,229)                       |
| 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)                        |
| <b>Change in net position - Statement of Activities</b>  | <b>\$ <u><u>277,693</u></u></b> |

See accompanying Notes to the Financial Statements

**Pondera County**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

|                                 | <u>Investment<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|---------------------------------|-----------------------------------|-------------------------|
| <b>ASSETS</b>                   |                                   |                         |
| Cash and short-term investments | \$ 8,542,211                      | \$ 771,336              |
| Taxes receivable                | -                                 | 424,176                 |
| Total assets                    | <u>\$ 8,542,211</u>               | <u>\$ 1,195,512</u>     |
| <b>LIABILITIES</b>              |                                   |                         |
| Warrants payable                | \$ -                              | \$ 370,814              |
| Due to others                   | -                                 | 824,698                 |
| Total liabilities               | <u>\$ -</u>                       | <u>\$ 1,195,512</u>     |
| <b>NET POSITION</b>             |                                   |                         |
| Assets held in trust            | <u>\$ 8,542,211</u>               |                         |

See accompanying Notes to the Financial Statements

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

|  |    | <u>Investment Trust<br/>Funds</u> |
|--|----|-----------------------------------|
| <b>ADDITIONS</b>                                 |    |                                   |
| Contributions:                                   |    |                                   |
| Contributions to Investment Trust Fund           | \$ | <u>5,026,386</u>                  |
| Total contributions                              | \$ | <u>5,026,386</u>                  |
| Investment earnings:                             |    |                                   |
| Interest and change in fair value of investments | \$ | <u>29,395</u>                     |
| Net investment earnings                          | \$ | <u>29,395</u>                     |
| Total additions                                  | \$ | <u>5,055,781</u>                  |
| <b>DEDUCTIONS</b>                                |    |                                   |
| Distributions from investment trust fund         | \$ | <u>5,981,895</u>                  |
| Change in net position                           | \$ | <u>(926,114)</u>                  |
| Net Position - Beginning of the year             | \$ | 9,468,325                         |
| Net Position - End of the year                   | \$ | <u><u>8,542,211</u></u>           |

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**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.

*Change in Reporting Entity*

During 2014, Pondera County, Montana, changed its definition of the reporting entity. In the prior year Pondera Medical Center was included as a component unit. According to GASB 61, Pondera Medical Center no longer qualifies as a component unit of Pondera County.

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

**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, 2014

**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, 2014

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 Fund* – A special revenue fund used for revenues received and expended for public safety purposes.

*Noxious Weed Fund* – A special revenue fund that accounts for control of noxious weeds in the county.

*DES Grants Fund* – A special revenue fund that accounts for emergency preparedness.

***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, 2014

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

**Cash Composition**

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

|   | <u>Primary<br/>Government</u> |
|---|-------------------------------|
| <u>Cash on hand and deposits:</u>       |                               |
| Cash on hand                            |                               |
| Petty Cash                              | \$ 300                        |
| <u>Cash in banks:</u>                   |                               |
| Demand deposits                         | 413,592                       |
| Savings deposits                        | 10,918,313                    |
| Time deposits                           | 900,000                       |
| <u>Investments:</u>                     |                               |
| State Short-Term Investment Pool (STIP) | 2,338                         |
| U.S. Government Securities              | 1,730,000                     |
| Total                                   | \$ 13,964,543                 |

**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.

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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, 2014:

| <u>Security Investment Type</u>                   | <u>Amortized Cost</u>       | <u>Credit<br/>Quality<br/>Rating</u> | <u>Weighted<br/>Average<br/>Maturity</u> |
|---|-----------------------------|--------------------------------------|--|
| Asset Backed Commercial Paper                     | \$ 777,417,680              | A1                                   | 30                                       |
| Corporate Commercial Paper                        | 138,958,389                 | A1                                   | 39                                       |
| Corporate Variable-Rate                           | 658,894,083                 | A1                                   | 38                                       |
| Certificates of Deposit Fixed Rate                | 100,000,000                 | A1                                   | 219                                      |
| Certificates of Deposit Variable-Rate             | 391,996,239                 | A1+                                  | 32                                       |
| Other Asset Backed                                | 38,440,281                  | NR                                   | NA                                       |
| U.S. Government Agency Fixed                      | 75,003,275                  | A1+                                  | 194                                      |
| U.S. Government Agency Variable -Rate             | 200,003,406                 | A1+                                  | 31                                       |
| Money Market Funds (Unrated)                      | 133,439,814                 | NR                                   | 1  |
| Money Market Funds (Rated)                        | 21,000,000                  | A1+                                  | 1  |
| <br>Total Investments                             | <br><u>\$ 2,535,153,167</u> | <br>A1                               | <br><u>43</u>                            |
| <br>Securities Lending Collateral Investment Pool | <br><u>\$ 1,861,748</u>     | <br>NR                               | <br>*                                    |

“\*As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of 41 days and an average weighted final maturity of 114 days for U.S. dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 548 days for U.S. dollar collateral.”

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

**Custodial Credit Risk**

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

|   | June 30, 2014        |
|---|----------------------|
|   | <u>Balance</u>       |
| <u>Depository Account</u>   |                      |
| Insured   | \$ 1,440,622         |
| - Collateral held by the pledging bank's trust department but not in the County's name. | 10,768,333           |
| Uninsured   | <u>1,558</u>         |
| Total deposits and investments  | <u>\$ 12,210,513</u> |

Deposit Security

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

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

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

**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, 2014 alone with their related interest rates and maturity dates.

| <u>Investment</u>                           | <u>Interest Rate</u> | <u>Maturity Dates</u> | <u>Amount</u>       |
|---|----------------------|-----------------------|---------------------|
| STIP  | 0.114%               | N/A                   | \$ 2,338            |
| Federal Home Loan Mortgage Corporation Bond | 1.100%               | 5/22/2017             | 180,000             |
| Federal Home Loan Bank Bond                 | 1.125%               | 6/27/2018             | 450,000             |
| Federal Home Loan Banks Bond                | 1.000%               | 1/28/2019             | 500,000             |
| Federal Home Loan Banks Debenture Bond      | 1.500%               | 3/20/2019             | 300,000             |
| Federal Home Loan Banks Debenture Bond      | 1.000%               | 4/16/2019             | <u>300,000</u>      |
|   |                      |                       | <u>\$ 1,732,338</u> |

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**Cash and Investment Pool**

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

**Investment in the Treasurer's Pools**

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

The County has one pooled investment trust fund invested in STIP (State Short-term Investment Pool), 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, 2014 to support the value of the shares in the pool.

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

**Investment Income**

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

**Condensed statements of investments pools**

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

PONDERA COUNTY, MONTANA  
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**Statement of Net Assets**

|   |                      |
|---|----------------------|
| Net assets held in trust for all pool participants: |                      |
| Equity of internal pool participants                | \$ 4,416,304         |
| Equity of external pool participants                | 8,542,211            |
| Total equity  | <u>\$ 12,958,515</u> |

**Condensed Statement of Changes in Net Assets**

|                                 | <u>External</u>     | <u>Internal</u>     |
|---------------------------------|---------------------|---------------------|
| Investment earnings             | \$ 29,395           | \$ 12,127           |
| Contributions to trust          | 5,026,386           | 2,601,700           |
| Distributions paid              | <u>(5,981,895)</u>  | <u>(1,954,341)</u>  |
| Net change in net assets        | \$ (926,114)        | \$ 659,486          |
| Net assets at beginning of year | <u>9,468,325</u>    | <u>3,756,818</u>    |
| Net assets at end of year       | <u>\$ 8,542,211</u> | <u>\$ 4,416,304</u> |

**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**

Inventories are valued using the First In First Out (FIFO) method.

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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 - 10 years  |
| Infrastructure | 20 years      |

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2014 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<br><u>July 1, 2013</u> | <u>Additions</u>        | <u>Deletions</u>          | <u>Adjustments</u>      | Balance<br><u>June 30, 2014</u> |
|---|--------------------------------|-------------------------|---------------------------|-------------------------|---------------------------------|
| Capital assets not being depreciated:         |                                |                         |                           |                         |                                 |
| Land  | \$ 228,609                     | \$ -                    | \$ (15,500)               | \$ 52,300               | \$ 265,409                      |
| Pondera Medical Center                        | 20,000                         | -                       | -                         | -                       | 20,000                          |
| Construction in progress                      | -                              | 73,175                  | -                         | -                       | 73,175                          |
| Total capital assets not being depreciated    | <u>\$ 248,609</u>              | <u>\$ 73,175</u>        | <u>\$ (15,500)</u>        | <u>\$ 52,300</u>        | <u>\$ 358,584</u>               |
| Other capital assets:                         |                                |                         |                           |                         |                                 |
| Buildings                                     | \$ 4,224,440                   | \$ -                    | \$ -                      | \$ -                    | \$ 4,224,440                    |
| Improvements other than buildings             | 3,101,661                      | -                       | -                         | -                       | 3,101,661                       |
| Machinery and equipment                       | 4,890,408                      | 226,547                 | (35,668)                  | -                       | 5,081,287                       |
| Infrastructure                                | 144,327                        | -                       | -                         | -                       | 144,327                         |
| Pondera Medical Center                        | 6,209,659                      | 387,788                 | -                         | -                       | 6,597,447                       |
| Total other capital assets at historical cost | <u>\$ 18,570,495</u>           | <u>\$ 614,335</u>       | <u>\$ (35,668)</u>        | <u>\$ -</u>             | <u>\$ 19,149,162</u>            |
| Less: accumulated depreciation                | <u>\$ (12,818,673)</u>         | <u>\$ (589,480)</u>     | <u>\$ 30,589</u>          | <u>\$ (18,500)</u>      | <u>\$ (13,396,064)</u>          |
| Total   | <u><u>\$ 6,000,431</u></u>     | <u><u>\$ 98,030</u></u> | <u><u>\$ (20,579)</u></u> | <u><u>\$ 33,800</u></u> | <u><u>\$ 6,111,682</u></u>      |

PONDERA COUNTY, MONTANA  
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Governmental activities depreciation expense was charged to functions as follows:

|  |                   |
|--|-------------------|
| Governmental Activities:                           |                   |
| General government                                 | \$ 61,765         |
| Public safety                                      | 76,967            |
| Public works                                       | 306,981           |
| Public Health                                      | 139,578           |
| Social and economic services                       | <u>4,189</u>      |
| Total governmental activities depreciation expense | <u>\$ 589,480</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.

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

Governmental Activities:

|                                 | Balance<br>July 1, 2013 | Additions         | Deletions           | Balance<br>June 30, 2014 | Due Within<br>One Year |
|---------------------------------|-------------------------|-------------------|---------------------|--------------------------|------------------------|
| General obligation bonds        | \$ 425,000              | \$ -              | \$ (135,000)        | \$ 290,000               | \$ 140,000             |
| Compensated absences            | 234,475                 | 2,401             | -                   | 236,876                  | 141,279                |
| Intercap loans                  | 232,896                 | 375,229           | (64,785)            | 543,340                  | 102,414                |
| Capital leases                  | 1,418,794               | -                 | (80,068)            | 1,338,726                | 82,630                 |
| Other post-employment benefits* | <u>125,526</u>          | <u>65,727</u>     | -                   | <u>191,253</u>           | -                      |
| Total                           | <u>\$ 2,436,691</u>     | <u>\$ 443,357</u> | <u>\$ (279,853)</u> | <u>\$ 2,600,195</u>      | <u>\$ 466,323</u>      |

\*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, 2014 were as follows:

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| <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, 2014</u> |
|--|-------------------------|----------------------|-------------|----------------------|-------------------------|-----------------------|------------------------------|
| Tax-supported hospital and nursing home revenue refunding bonds, series 2004 | 4/15/04                 | 1.7-3.85%            | 11 yrs      | 8/1/15               | \$ <u>1,415,000</u>     | Varies                | \$ <u>290,000</u>            |

Annual requirement to amortize debt:

| <u>For Fiscal Year Ended</u> | <u>Principal</u>         | <u>Interest</u>         |
|------------------------------|--------------------------|-------------------------|
| 2015                         | \$ 140,000               | \$ 8,366                |
| 2016                         | 150,000                  | 2,888                   |
| <b>Total</b>                 | <b>\$ <u>290,000</u></b> | <b>\$ <u>11,254</u></b> |

**Intercap Loans**

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

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

| <u>Purpose</u>                     | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u>  | <u>Balance June 30, 2014</u> |
|------------------------------------|-------------------------|----------------------|-------------|----------------------|--------------------------|------------------------------|
| Heat ventilation-AC system-Draw 1  | 5/28/04                 | 1.0-4.85%            | 10 yrs      | 8/15/14              | \$ 101,656               | \$ 5,758                     |
| Heat ventilation-AC system-Draw 2  | 6/25/04                 | 1.0-4.85%            | 9 yrs       | 8/15/14              | 56,483                   | 2,930                        |
| Heat ventilation-AC system-Draw 3  | 7/16/04                 | 1.0-4.85%            | 9 yrs       | 8/15/14              | 45,702                   | 2,460                        |
| Heat ventilation-AC system-Draw 4  | 9/3/04                  | 1.0-4.85%            | 9 yrs       | 8/15/14              | 96,526                   | 5,297                        |
| Heat ventilation-AC system-Draw 5  | 10/15/04                | 1.0-4.85%            | 9 yrs       | 8/15/14              | 15,487                   | 789                          |
| Heat ventilation-AC system-Draw 6  | 10/29/04                | 1.0-4.85%            | 9 yrs       | 8/15/14              | 50,159                   | 2,967                        |
| Heat ventilation-AC system-Draw 7  | 12/10/04                | 1.0-4.85%            | 9 yrs       | 8/15/14              | 68,987                   | 4,081                        |
| Building for senior center         | 7/3/08                  | 1.0-4.85%            | 10 yrs      | 8/15/18              | 72,478                   | 44,429                       |
| Building for senior center-remodel | 8/12/11                 | 1.0-4.85%            | 15 yrs      | 8/15/26              | 113,841                  | 99,400                       |
| Hospital equipment-Draw 1          | 5/30/14                 | 1.0-4.85%            | 3 yrs       | 8/15/17              | <u>375,229</u>           | <u>375,229</u>               |
| <b>Total</b>                       |                         |                      |             |                      | <b>\$ <u>996,548</u></b> | <b>\$ <u>543,340</u></b>     |



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Annual requirement to amortize debt:

| <u>For Fiscal<br/>Year Ended</u> | <u>Principal</u>  | <u>Interest</u>  |
|----------------------------------|-------------------|------------------|
| 2015                             | \$ 102,421        | \$ 4,785         |
| 2016                             | 141,382           | 4,417            |
| 2017                             | 143,189           | 2,958            |
| 2018                             | 81,399            | 1,480            |
| 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>\$ 543,340</u> | <u>\$ 17,979</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, 2014 were as follows:

| <u>Purpose</u>                     | <u>Origination<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Term</u> | <u>Maturity<br/>Date</u> | <u>Principal<br/>Amount</u> | <u>Balance<br/>June 30, 2014</u> |
|------------------------------------|-----------------------------|--------------------------|-------------|--------------------------|-----------------------------|----------------------------------|
| New 8 Caterpillar<br>Motor Graders | 11/26/13                    | 3.10%                    | 5 yrs       | 8/1/2015                 | \$ <u>1,418,794</u>         | \$ <u>1,338,726</u>              |

Annual requirement to amortize debt:

| <u>For Fiscal<br/>Year Ended</u> | <u>Principal</u>    | <u>Interest</u>   |
|----------------------------------|---------------------|-------------------|
| 2015                             | \$ 82,630           | \$ 42,839         |
| 2016                             | 85,274              | 40,195            |
| 2017                             | 88,003              | 37,466            |
| 2018                             | 1,082,819           | 34,650            |
| Total                            | <u>\$ 1,338,726</u> | <u>\$ 155,150</u> |

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**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, 2014, was as follows:

|   |    |           |
|---|----|-----------|
| Actuarial Accrued Liability (AAL)                 | \$ | 573,104   |
| Actuarial value of plan assets                    | \$ | -         |
| Unfunded Actuarial Accrued Liability (UAAL)       | \$ | 573,104   |
| Funded ratio (actuarial value of plan assets/AAL) |    | 0 %       |
| Covered payroll (active plan members)             | \$ | 1,339,810 |
| UAAL as a percentage of covered payroll           |    | 43%       |

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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 | \$ | 125,526 |
| Net OPEB obligation - end of year       | \$ | 191,253 |

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

|  |  |                            |
|--|--|----------------------------|
| Actuarial cost method  |  | Unit Credit Cost<br>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>          |
| 2014   |  | 6.60%                      |
| 2015   |  | 6.70%                      |
| 2016   |  | 7.00%                      |
| 2017   |  | 6.80%                      |
| 2018   |  | 6.80%                      |
| 2019 and after   |  | 6.60%                      |

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**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

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

| <u>Purpose</u>             | <u>Receivable Fund</u>  | <u>Payable Fund</u>                             | <u>Amount</u> |
|----------------------------|---|---|---------------|
| Budgetary funding transfer | Land Use Planning – Nonmajor Governmental                         | General – Major Governmental                    | \$ 3,966      |
| Budgetary funding transfer | Gen. Fund Cap. Improvement – Nonmajor Governmental                | General – Major Governmental                    | 6,400         |
| Budgetary funding transfer | Gen. Fund Cap. Improvement – Nonmajor Governmental                | General – Major Governmental                    | 11,160        |
| Budgetary funding transfer | Gen. Fund Cap. Improvement – Nonmajor Governmental                | General – Major Governmental                    | 10,000        |
| Budgetary funding transfer | Gen. Fund Cap. Improvement – Nonmajor Governmental                | General – Major Governmental                    | 70,630        |
| Future capital purchases   | Road/Bridge Equipment Purchase – Nonmajor Governmental            | Road – Major Governmental                       | 25,000        |
| Future capital purchases   | Road/Bridge Equipment Purchase – Nonmajor Governmental            | Bridge – Nonmajor Governmental                  | 21,000        |
| Future capital purchases   | Weed District Capital Improvements – Nonmajor Governmental        | Weed – Nonmajor Governmental                    | 5,400         |
| Future capital purchases   | Weed District Capital Improvements – Nonmajor Governmental        | Weed – Nonmajor Governmental                    | 5,400         |
| Budgetary funding transfer | General – Major Governmental                                      | District – Nonmajor Governmental                | 443           |
| Budgetary funding transfer | General – Major Governmental                                      | District – Nonmajor Governmental                | 1,992         |
| Future capital purchases   | Ambulance Cap. Improvement – Nonmajor Governmental                | Ambulance – Nonmajor Governmental               | 10,000        |
| Future capital purchases   | Ambulance Cap. Improvement – Nonmajor Governmental                | Ambulance – Nonmajor Governmental               | 8,000         |
| Future capital purchases   | Public Safety Capital Improvement – Nonmajor Governmental         | Public Safety – Nonmajor Governmental           | 60,000        |
| Health Insurance           | Health Insurance – Employer Contributions – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 50,000        |
| Health Insurance           | Health Insurance – Employer Contributions – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 38,647        |
| Budgetary funding transfer | General – Major Governmental                                      | PILT – Nonmajor Governmental                    | 7,000         |
| Budgetary funding transfer | Gen Fund Cap Improvement – Nonmajor Governmental                  | PILT – Nonmajor Governmental                    | 39,642        |
| Budgetary funding transfer | General – Nonmajor Governmental                                   | PILT – Nonmajor Governmental                    | 54,000        |
| Budgetary funding transfer | Gen Fund Cap Improvement – Nonmajor Governmental                  | PILT – Nonmajor Governmental                    | 50,000        |

PONDERA COUNTY, MONTANA  
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|                            |   |                                       |                   |
|----------------------------|---|---------------------------------------|-------------------|
| Budgetary funding transfer | Homeland Security – Narrowband – Nonmajor Governmental    | General – Nonmajor Governmental       | 705               |
| Budgetary funding transfer | General – Nonmajor Governmental                           | Junk Vehicle – Nonmajor Governmental  | 2,500             |
| Future capital purchase    | Public Safety Capital Improvement – Nonmajor Governmental | Public Safety – Nonmajor Governmental | <u>50,000</u>     |
|                            |   |                                       | <u>\$ 531,884</u> |

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

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

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

|          | <u>PERS**</u> | <u>SRS</u> |
|----------|---------------|------------|
| Employer | 8.07%         | 10.115%    |
| Employee | 7.90%*        | 9.245%     |
| State    | 0.10%         | -          |

\* For PERS members hired before 7/1/2011 that rate is 6.9%

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

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

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling: Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

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

|      | <u>PERS</u> | <u>SRS</u> |
|------|-------------|------------|
| 2012 | \$ 91,153   | \$ 48,370  |
| 2013 | \$ 98,201   | \$ 47,892  |
| 2014 | \$ 112,272  | \$ 51,502  |

**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 County 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**

For committed fund balance the government's highest level of decision-making authority is and the formal action that is required to be taken to establish, modify or rescind a fund balance commitment is required to be set at a board meeting.

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                 | \$ 89,713         | Public works               |
| All other aggregate: |                   |                            |
|                      | 47,805            | Public works               |
|                      | <u>3,771</u>      | Other purposes             |
|                      | <u>\$ 141,289</u> |                            |

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

**Restricted Fund Balance**

| <u>Major Fund</u>               | <u>Amount</u>       | <u>Purpose of Restriction</u> |
|---------------------------------|---------------------|-------------------------------|
| County Hospital & Nursing Home  | \$ 92,791           | Public safety                 |
| Road                            | 639,573             | Public works                  |
| Public Safety (Law Enforcement) | 630,148             | Public safety                 |
| Noxious Weed Grant              | 1,988               | Public works                  |
| EP (DES) Grant                  | 32,767              | Public safety                 |
| All other aggregate:            |                     |                               |
|                                 | 478,350             | Public works                  |
|                                 | 177,180             | Public safety                 |
|                                 | 50,055              | Public health                 |
|                                 | 10,416              | Culture and recreation        |
|                                 | 239,253             | General government            |
|                                 | 198,475             | Other purposes                |
|                                 | 75,535              | Economic development          |
|                                 | <u>165,357</u>      | Debt service                  |
|                                 | <u>\$ 2,740,423</u> |                               |

**Committed Fund Balance**

| <u>Major Fund</u>    | <u>Amount</u>     | <u>Purpose of Commitment</u> |
|----------------------|-------------------|------------------------------|
| All other aggregate: | \$ 252,886        | Public safety                |
|                      | 202,661           | Public works                 |
|                      | <u>87,539</u>     | General government           |
|                      | <u>\$ 543,086</u> |                              |

**NOTE 12. 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>                |
|--------------|------------------|---|
| Governmental | \$ <u>33,800</u> | Adjust beginning of the year capital assets |

**NOTE 13. 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 and the Town of Superior for the fiscal year ended June 30, 2014. The County was paid \$61,809 for providing law enforcement for the fiscal year ended June 30, 2014.

PONDERA COUNTY, MONTANA  
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June 30, 2014

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 the fiscal year ended June 30, 2013. County was paid \$107,327 for providing law enforcement for the fiscal year ended June 30, 2014.

**NOTE 14. 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 15. 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.

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.



PONDERA COUNTY, MONTANA  
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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**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>General</b>          |                     |   |                              |
|---|-------------------------|---------------------|---|------------------------------|
|   | <b>BUDGETED AMOUNTS</b> |                     | <b>ACTUAL</b>                                       | <b>VARIANCE</b>              |
|   | <b>ORIGINAL</b>         | <b>FINAL</b>        | <b>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>WITH FINAL<br/>BUDGET</b> |
| <b>RESOURCES (INFLOWS):</b>                                 |                         |                     |   |                              |
| Taxes and assessments                                       | \$ 797,202              | \$ 797,202          | \$ 785,367  | \$ (11,835)                  |
| Licenses and permits  | 50                      | 50                  | -   | (50)                         |
| Intergovernmental   | 287,286                 | 287,286             | 332,742   | 45,456                       |
| Charges for services  | 163,182                 | 163,182             | 185,964   | 22,782                       |
| Fines and forfeitures                                       | 41,356                  | 41,356              | 60,716  | 19,360                       |
| Miscellaneous   | 30,820                  | 30,820              | 23,534  | (7,286)                      |
| Investment earnings   | 13,806                  | 13,806              | 8,107   | (5,699)                      |
| Amounts available for appropriation                         | <u>\$ 1,333,702</u>     | <u>\$ 1,333,702</u> | <u>\$ 1,396,430</u>                                 | <u>\$ 62,728</u>             |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |                         |                     |   |                              |
| General government  | \$ 1,181,219            | \$ 1,183,185        | \$ 1,025,037  | \$ 158,148                   |
| Public safety   | 74,516                  | 74,516              | 51,492  | 23,024                       |
| Public works  | -                       | -                   | -   | -                            |
| Public health   | 166,123                 | 166,123             | 140,279   | 25,844                       |
| Social and economic services                                | 12,500                  | 12,500              | 10,215  | 2,285                        |
| Culture and recreation                                      | 1,800                   | 1,800               | 667   | 1,133                        |
| Housing and community development                           | 14,963                  | 14,963              | 14,963  | -                            |
| Debt service - principal                                    | 30,000                  | 30,000              | 15,875  | 14,125                       |
| Debt service - interest                                     | 4,541                   | 4,541               | 1,557   | 2,984                        |
| Capital outlay  | -                       | -                   | 6,820   | (6,820)                      |
| Total charges to appropriations                             | <u>\$ 1,485,662</u>     | <u>\$ 1,487,628</u> | <u>\$ 1,266,905</u>                                 | <u>\$ 220,723</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                         |                     |   |                              |
| Proceeds of general long term debt                          | \$ -                    | \$ -                | \$ -  | \$ -                         |
| Proceeds from the sale of general capital asset disposition | 51,500                  | 51,500              | 13,970  | (37,530)                     |
| Transfers in  | -                       | -                   | 4,935   | 4,935                        |
| Transfers out   | (117,119)               | (117,119)           | (102,861)   | 14,258                       |
| Total other financing sources (uses)                        | <u>\$ (65,619)</u>      | <u>\$ (65,619)</u>  | <u>\$ (83,956)</u>                                  | <u>\$ (18,337)</u>           |
| Net change in fund balance                                  |                         |                     | <u>\$ 45,569</u>                                    |                              |
| Fund balance - beginning of the year                        |                         |                     | <u>\$ 716,780</u>                                   |                              |
| <b>Fund balance - end of the year</b>                       |                         |                     | <u><u>\$ 762,349</u></u>                            |                              |

**Pondera County**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>Road</b>             |                   |                          |                   |
|---|-------------------------|-------------------|--------------------------|-------------------|
|   | <b>BUDGETED AMOUNTS</b> |                   | <b>ACTUAL</b>            | <b>VARIANCE</b>   |
|   | <b>ORIGINAL</b>         | <b>FINAL</b>      | <b>(BUDGETARY</b>        | <b>WITH FINAL</b> |
|   |                         |                   | <b>BASIS) See Note A</b> | <b>BUDGET</b>     |
| <b>RESOURCES (INFLOWS):</b>                                 |                         |                   |                          |                   |
| Taxes and assessments                                       | \$ 423,893              | \$ 423,893        | \$ 417,134               | \$ (6,759)        |
| Licenses and permits  | 225,501                 | 225,501           | 335,710                  | 110,209           |
| Intergovernmental   | -                       | -                 | -                        | -                 |
| Charges for services  | -                       | -                 | -                        | -                 |
| Fines and forfeitures                                       | -                       | -                 | -                        | -                 |
| Miscellaneous   | 12,243                  | 12,243            | 11,055                   | (1,188)           |
| Investment earnings   | -                       | -                 | -                        | -                 |
| Amounts available for appropriation                         | <u>\$ 661,637</u>       | <u>\$ 661,637</u> | <u>\$ 763,899</u>        | <u>\$ 102,262</u> |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |                         |                   |                          |                   |
| General government  | \$ -                    | \$ -              | \$ -                     | \$ -              |
| Public safety   | -                       | -                 | -                        | -                 |
| Public works  | 767,038                 | 767,038           | 592,371                  | 174,667           |
| Public health   | -                       | -                 | -                        | -                 |
| Social and economic services                                | -                       | -                 | -                        | -                 |
| Culture and recreation                                      | -                       | -                 | -                        | -                 |
| Housing and community development                           | -                       | -                 | -                        | -                 |
| Debt service - principal                                    | 120,067                 | 120,067           | 80,068                   | 39,999            |
| Debt service - interest                                     | 70,401                  | 70,401            | 45,401                   | 25,000            |
| Capital outlay  | -                       | -                 | -                        | -                 |
| Total charges to appropriations                             | <u>\$ 957,506</u>       | <u>\$ 957,506</u> | <u>\$ 717,840</u>        | <u>\$ 239,666</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                         |                   |                          |                   |
| Proceeds of general long term debt                          | \$ -                    | \$ -              | \$ -                     | \$ -              |
| Proceeds from the sale of general capital asset disposition | -                       | -                 | -                        | -                 |
| Transfers in  | 54,000                  | 54,000            | 54,000                   | -                 |
| Transfers out   | <u>(25,000)</u>         | <u>(25,000)</u>   | <u>(25,000)</u>          | <u>-</u>          |
| Total other financing sources (uses)                        | <u>\$ 29,000</u>        | <u>\$ 29,000</u>  | <u>\$ 29,000</u>         | <u>\$ -</u>       |
| Net change in fund balance                                  |                         |                   | <u>\$ 75,059</u>         |                   |
| Fund balance - beginning of the year                        |                         |                   | <u>\$ 654,227</u>        |                   |
| <b>Fund balance - end of the year</b>                       |                         |                   | <u><u>\$ 729,286</u></u> |                   |

**Pondera County**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

**County Hospital & Nursing Home**

|   | <b>BUDGETED AMOUNTS</b> |                     | <b>ACTUAL</b>                                       | <b>VARIANCE<br/>WITH FINAL<br/>BUDGET</b> |
|---|-------------------------|---------------------|---|---|
|   | <b>ORIGINAL</b>         | <b>FINAL</b>        | <b>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> |   |
|   |                         |                     |   |   |
| <b>RESOURCES (INFLOWS):</b>                                 |                         |                     |   |   |
| Taxes and assessments                                       | \$ 101,443              | \$ 101,443          | \$ 99,736   | \$ (1,707)                                |
| Licenses and permits  | -                       | -                   | -   | -   |
| Intergovernmental   | 20,257                  | 20,257              | 20,620  | 363                                       |
| Charges for services  | -                       | -                   | -   | -   |
| Fines and forfeitures                                       | -                       | -                   | -   | -   |
| Miscellaneous   | 540,000                 | 567,005             | 567,006   | 1   |
| Investment earnings   | -                       | -                   | -   | -   |
| Amounts available for appropriation                         | <u>\$ 661,700</u>       | <u>\$ 688,705</u>   | <u>\$ 687,362</u>                                   | <u>\$ (1,343)</u>                         |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |                         |                     |   |   |
| General government  | \$ -                    | \$ -                | \$ -  | \$ -                                      |
| Public safety   | -                       | -                   | -   | -   |
| Public works  | -                       | -                   | -   | -   |
| Public health   | 513,504                 | 1,254,715           | 640,883   | 613,832                                   |
| Social and economic services                                | -                       | -                   | -   | -   |
| Culture and recreation                                      | -                       | -                   | -   | -   |
| Housing and community development                           | -                       | -                   | -   | -   |
| Debt service - principal                                    | 73,194                  | 73,194              | 48,910  | 24,284                                    |
| Debt service - interest                                     | 1,392                   | 1,392               | 609   | 783                                       |
| Capital outlay  | -                       | -                   | 387,788   | (387,788)                                 |
| Total charges to appropriations                             | <u>\$ 588,090</u>       | <u>\$ 1,329,301</u> | <u>\$ 1,078,190</u>                                 | <u>\$ 251,111</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                         |                     |   |   |
| Proceeds of general long term debt                          | \$ -                    | \$ 622,578          | \$ 375,229  | \$ (247,349)                              |
| Proceeds from the sale of general capital asset disposition | -                       | -                   | -   | -   |
| Transfers in  | -                       | -                   | -   | -   |
| Transfers out   | -                       | -                   | -   | -   |
| Total other financing sources (uses)                        | <u>\$ -</u>             | <u>\$ 622,578</u>   | <u>\$ 375,229</u>                                   | <u>\$ (247,349)</u>                       |
| Net change in fund balance                                  |                         |                     | <u>\$ (15,599)</u>                                  |   |
| Fund balance - beginning of the year                        |                         |                     | <u>\$ 108,390</u>                                   |   |
| <b>Fund balance - end of the year</b>                       |                         |                     | <u><u>\$ 92,791</u></u>                             |   |

**Pondera County**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>Public Safety (Law Enforcement)</b> |                     |   |                              |
|---|--|---------------------|---|------------------------------|
|   | <b>BUDGETED AMOUNTS</b>                |                     | <b>ACTUAL</b>                                       | <b>VARIANCE</b>              |
|   | <b>ORIGINAL</b>                        | <b>FINAL</b>        | <b>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>WITH FINAL<br/>BUDGET</b> |
| <b>RESOURCES (INFLOWS):</b>                                 |  |                     |   |                              |
| Taxes and assessments                                       | \$ 640,893                             | \$ 640,893          | \$ 648,200  | \$ 7,307                     |
| Licenses and permits  | -                                      | -                   | -   | -                            |
| Intergovernmental   | 99,877                                 | 99,877              | 102,751   | 2,874                        |
| Charges for services  | 102,907                                | 102,907             | 97,144  | (5,763)                      |
| Fines and forfeitures                                       | -                                      | -                   | -   | -                            |
| Miscellaneous   | 1,245                                  | 1,245               | 2,637   | 1,392                        |
| Investment earnings   | -                                      | -                   | -   | -                            |
| Amounts available for appropriation                         | <u>\$ 844,922</u>                      | <u>\$ 844,922</u>   | <u>\$ 850,732</u>                                   | <u>\$ 5,810</u>              |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |  |                     |   |                              |
| General government  | \$ -                                   | \$ -                | \$ -  | \$ -                         |
| Public safety   | 952,662                                | 952,662             | 743,000   | 209,662                      |
| Public works  | -                                      | -                   | -   | -                            |
| Public health   | -                                      | -                   | -   | -                            |
| Social and economic services                                | -                                      | -                   | -   | -                            |
| Culture and recreation                                      | -                                      | -                   | -   | -                            |
| Housing and community development                           | -                                      | -                   | -   | -                            |
| Debt service - principal                                    | -                                      | -                   | -   | -                            |
| Debt service - interest                                     | -                                      | -                   | -   | -                            |
| Capital outlay  | 110,000                                | 110,000             | -   | 110,000                      |
| Total charges to appropriations                             | <u>\$ 1,062,662</u>                    | <u>\$ 1,062,662</u> | <u>\$ 743,000</u>                                   | <u>\$ 319,662</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |  |                     |   |                              |
| Proceeds of general long term debt                          | \$ -                                   | \$ -                | \$ -  | \$ -                         |
| Proceeds from the sale of general capital asset disposition | -                                      | -                   | 200   | 200                          |
| Transfers in  | -                                      | -                   | -   | -                            |
| Transfers out   | (60,000)                               | (60,000)            | (110,000)   | (50,000)                     |
| Total other financing sources (uses)                        | <u>\$ (60,000)</u>                     | <u>\$ (60,000)</u>  | <u>\$ (109,800)</u>                                 | <u>\$ (49,800)</u>           |
| Net change in fund balance                                  |  |                     | <u>\$ (2,068)</u>                                   |                              |
| Fund balance - beginning of the year                        |  |                     | <u>\$ 632,216</u>                                   |                              |
| <b>Fund balance - end of the year</b>                       |  |                     | <u><u>\$ 630,148</u></u>                            |                              |

**Pondera County**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>Noxious Weed Grant</b> |                     |   |                              |
|---|---------------------------|---------------------|---|------------------------------|
|   | <b>BUDGETED AMOUNTS</b>   |                     | <b>ACTUAL</b>                                       | <b>VARIANCE</b>              |
|   | <b><u>ORIGINAL</u></b>    | <b><u>FINAL</u></b> | <b>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>WITH FINAL<br/>BUDGET</b> |
| <b>RESOURCES (INFLOWS):</b>                                 |                           |                     |   |                              |
| Taxes and assessments                                       | \$ -                      | \$ -                | \$ -  | \$ -                         |
| Licenses and permits  | -                         | -                   | -   | -                            |
| Intergovernmental   | 9,786                     | 9,786               | 3,452   | (6,334)                      |
| Charges for services  | -                         | -                   | -   | -                            |
| Fines and forfeitures                                       | -                         | -                   | -   | -                            |
| Miscellaneous   | -                         | -                   | -   | -                            |
| Investment earnings   | -                         | -                   | -   | -                            |
| Amounts available for appropriation                         | <u>\$ 9,786</u>           | <u>\$ 9,786</u>     | <u>\$ 3,452</u>                                     | <u>\$ (6,334)</u>            |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |                           |                     |   |                              |
| General government  | \$ -                      | \$ -                | \$ -  | \$ -                         |
| Public safety   | -                         | -                   | -   | -                            |
| Public works  | 60,061                    | 60,061              | 3,452   | 56,609                       |
| Public health   | -                         | -                   | -   | -                            |
| Social and economic services                                | -                         | -                   | -   | -                            |
| Culture and recreation                                      | -                         | -                   | -   | -                            |
| Housing and community development                           | -                         | -                   | -   | -                            |
| Debt service - principal                                    | -                         | -                   | -   | -                            |
| Debt service - interest                                     | -                         | -                   | -   | -                            |
| Capital outlay  | -                         | -                   | -   | -                            |
| Total charges to appropriations                             | <u>\$ 60,061</u>          | <u>\$ 60,061</u>    | <u>\$ 3,452</u>                                     | <u>\$ 56,609</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                           |                     |   |                              |
| Proceeds of general long term debt                          | \$ -                      | \$ -                | \$ -  | \$ -                         |
| Proceeds from the sale of general capital asset disposition | -                         | -                   | -   | -                            |
| Transfers in  | -                         | -                   | -   | -                            |
| Transfers out   | -                         | -                   | -   | -                            |
| Total other financing sources (uses)                        | <u>\$ -</u>               | <u>\$ -</u>         | <u>\$ -</u>   | <u>\$ -</u>                  |
| Net change in fund balance                                  |                           |                     | <u>\$ -</u>   |                              |
| Fund balance - beginning of the year                        |                           |                     | <u>\$ 1,988</u>                                     |                              |
| <b>Fund balance - end of the year</b>                       |                           |                     | <u><u>\$ 1,988</u></u>                              |                              |

**Pondera County**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

|   | <b>EP (DES) Grants</b>  |                     |   |                              |
|---|-------------------------|---------------------|---|------------------------------|
|   | <b>BUDGETED AMOUNTS</b> |                     | <b>ACTUAL</b>                                       | <b>VARIANCE</b>              |
|   | <b><u>ORIGINAL</u></b>  | <b><u>FINAL</u></b> | <b>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>WITH FINAL<br/>BUDGET</b> |
| <b>RESOURCES (INFLOWS):</b>                                 |                         |                     |   |                              |
| Taxes and assessments                                       | \$ -                    | \$ -                | \$ -  | \$ -                         |
| Licenses and permits  | -                       | -                   | -   | -                            |
| Intergovernmental   | 25,143                  | 25,143              | 39,137  | 13,994                       |
| Charges for services  | -                       | -                   | -   | -                            |
| Fines and forfeitures                                       | -                       | -                   | -   | -                            |
| Miscellaneous   | -                       | -                   | -   | -                            |
| Investment earnings   | -                       | -                   | -   | -                            |
| Amounts available for appropriation                         | <u>\$ 25,143</u>        | <u>\$ 25,143</u>    | <u>\$ 39,137</u>                                    | <u>\$ 13,994</u>             |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>                |                         |                     |   |                              |
| General government  | \$ -                    | \$ -                | \$ -  | \$ -                         |
| Public safety   | 113,856                 | 114,756             | 39,137  | 75,619                       |
| Public works  | -                       | -                   | -   | -                            |
| Public health   | -                       | -                   | -   | -                            |
| Social and economic services                                | -                       | -                   | -   | -                            |
| Culture and recreation                                      | -                       | -                   | -   | -                            |
| Housing and community development                           | -                       | -                   | -   | -                            |
| Debt service - principal                                    | -                       | -                   | -   | -                            |
| Debt service - interest                                     | -                       | -                   | -   | -                            |
| Capital outlay  | -                       | -                   | -   | -                            |
| Total charges to appropriations                             | <u>\$ 113,856</u>       | <u>\$ 114,756</u>   | <u>\$ 39,137</u>                                    | <u>\$ 75,619</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                         |                     |   |                              |
| Proceeds of general long term debt                          | \$ -                    | \$ -                | \$ -  | \$ -                         |
| Proceeds from the sale of general capital asset disposition | -                       | -                   | -   | -                            |
| Transfers in  | -                       | -                   | -   | -                            |
| Transfers out   | -                       | -                   | -   | -                            |
| Total other financing sources (uses)                        | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ -</u>   | <u>\$ -</u>                  |
| Net change in fund balance                                  |                         |                     | <u>\$ -</u>   |                              |
| Fund balance - beginning of the year                        |                         |                     | <u>\$ 32,767</u>                                    |                              |
| <b>Fund balance - end of the year</b>                       |                         |                     | <u><u>\$ 32,767</u></u>                             |                              |



**Pondera County  
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<br/>Hospital &amp;<br/>Nursing Home</u> | <u>Public Safety<br/>(Law<br/>Enforcement)</u> | <u>Noxious<br/>Weed<br/>Grant</u> | <u>EP (DES)<br/>Grants</u> |
|--|---------------------|-------------------|---|--|-----------------------------------|----------------------------|
| <b>Sources/Inflows of resources</b>  |                     |                   |   |  |                                   |                            |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule                        | \$ 1,396,430        | \$ 763,899        | \$ 687,362  | \$ 850,732                                     | \$ 3,452                          | \$ 39,137                  |
| Combined funds (GASBS 54) revenues   | 224,800             | -                 | -   | -  | -                                 | -                          |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.       | <u>\$ 1,621,230</u> | <u>\$ 763,899</u> | <u>\$ 687,362</u>                                 | <u>\$ 850,732</u>                              | <u>\$ 3,452</u>                   | <u>\$ 39,137</u>           |
| <b>Uses/Outflows of resources</b>  |                     |                   |   |  |                                   |                            |
| Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule                    | \$ 1,266,905        | \$ 717,840        | \$ 1,078,190                                      | \$ 743,000                                     | \$ 3,452                          | \$ 39,137                  |
| Combined funds (GASBS 54) expenditures   | 5,000               | -                 | -   | -  | -                                 | -                          |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 1,271,905</u> | <u>\$ 717,840</u> | <u>\$ 1,078,190</u>                               | <u>\$ 743,000</u>                              | <u>\$ 3,452</u>                   | <u>\$ 39,137</u>           |

**PONDERA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2013**

| Actuarial<br>Valuation Date | Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>Unit Credit Cost Method<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/(c)) |
|-----------------------------|-------------------------------------|---|------------------------------------|--------------------------|---------------------------|---|
| July 1, 2012                | \$ -                                | \$ 573,104  | \$ 573,104                         | 0%                       | \$ 1,873,708              | 31.0%   |

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

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

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**INDEPENDENT AUDITOR'S REPORT ON 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, 2014, 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 June 15, 2015.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item 2014-001.

**2014-001      Justice Court Internal Controls (repeat of prior years finding 13-1)**

**Condition:**

The Justice Court had the following internal control weaknesses:

1. Handwritten receipts were used instead of the unapplied receipt function in Full Court
2. A large number of outstanding checks that are more than a year old
3. Daily and monthly reconciliations are not being signed by a second person
4. The County was holding 8 bonds that were more than a year old

**Context:**

We assessed the internal controls at various County departments by assessing the results of interviews, observations, document inspections, and transaction walkthroughs.

**Criteria:**

Strong internal controls should prevent or detect and correct misstatements.

**Effect:**

Internal controls are weak as outlined above.

**Recommendation:**

1. The Justice Court should begin using the Unapplied Receipts function in its “Full Court” accounting system, therefore eliminating hand written receipts.
2. The Justice Court should remove the outstanding checks from its records and send them to the Montana Department of Revenue.
3. The Justice Court should have the Justice Court Clerk review and signoff on the monthly bank reconciliation.
4. The County should close all bonds older than a year.

**Auditee Response:**

Conditions #2, #3 and #4 have all been corrected since November 2014.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Pondera County's response to the findings identified in our audit is described above. 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 compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 15, 2015

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of County Commissioners  
Pondera County  
Conrad, Montana

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

| <u>Recommendation</u>           | <u>Action Taken</u> |
|---------------------------------|---------------------|
| Justice Court Internal Controls | Repeated            |
| Exceeding Budgetary Authority   | Implemented         |

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

June 15, 2015