

Sweet Grass County
Big Timber, Montana 59011

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Sweet Grass County
Sweet Grass County
Big Timber, Montana 59011

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

Bill Wallace	Chair
Susan Mosness	Commissioner
Bob Faw	Commissioner

ELECTED OFFICIALS

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

**Sweet Grass County
FY 2015
Management Discussion and Analysis**

As management of Sweet Grass County (the County), we offer readers of Sweet Grass County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year, June 30, 2015, by \$10,564,902 (*total net position*). Of this amount, -\$1,007,059 represents a deficit unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). This deficit should in no way reflect the ability of the County to pay its obligations to its creditors.
- At the close of the current fiscal year, Sweet Grass County's governmental funds reported combined fund balances of \$7,826,440, an increase of \$747,285 in comparison with the restated prior year. Approximately 24% of this amount (\$1,915,722) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$1,917,381, or approximately 77% of the total general fund expenditures (\$1,493,026).
- Sweet Grass County's total outstanding long-term debt decreased by \$59,945.64 during the fiscal year due to no new debt being issued and the pay down of the current debt. A State of Montana Inter-cap loan for a skid steer/mower/grader was paid in full during FY 15. A new Inter-cap loan was approved in FY15 for \$289,397 to purchase a gravel crusher and loader; however, no draw-down occurred on it until FY 16. Other post-employment benefits for the County decreased by \$171,074 due to a change in the method of calculation based on early implementation method of GASB-75. Compensated absence liability increased by \$15,344.70. Overall the change to long term outstanding debt decreased by \$215,674.94.
- Pioneer Medical Center (PMC) is a combined long-term care facility, medical clinic, assisted living facility, and critical access hospital and ambulance service. The PMC is accounted for on the County books as a business-type activity.
- PMC assets for FY15 exceeded its liabilities by \$1,468,046 (*total net position*). Of this amount -\$640,315 represents unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS). It should in no way reflect the ability of the PMC to pay its obligations to its creditors.
- The PMC is currently operating with a county-wide 25 mill tax levy, originally voted on in the spring of 2009 and effective from FY10 – FY14. In the spring of 2014 voters approved another 5-year 25-mill levy that will be effective from FY14 - FY19 (June 30, 2019).
- Sweet Grass County is home to Stillwater Mining Company - East Boulder Mine (SMC). The company mines two ores: platinum and palladium. SMC real estate and gross proceed taxes comprise 41% of the total real estate taxes collected by Sweet Grass County. This gives the mine the distinction of being the largest taxpayer in the county.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Sweet Grass County, assets and deferred outflows of resources exceeded liabilities by \$10,564,902 at June 30, 2015 as compared to \$11,833,045 at June 30, 2014; a decrease of \$1,268,143.

Net Position	Governmental Activities			Business-type Activities		
	FY14	FY15	Change Inc(Dec)	FY14	FY15	Change Inc(Dec)
Current & other assets	\$ 7,499,915	\$ 8,004,349	\$ 504,434	\$ 3,340,823	\$ 3,096,038	\$ (244,785)
Restricted Assets				\$ 259,181	\$ 260,928	\$ 1,747
Capital assets	\$ 5,788,488	\$ 5,712,715	\$ (75,773)	\$ 3,458,462	\$ 3,237,058	\$ (221,404)
Total assets	\$ 13,288,403	\$ 13,717,064	\$ 428,661	\$ 7,058,466	\$ 6,594,024	\$ (464,442)
DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ 151,971	\$ 151,971	\$ -	\$ 156,317	\$ 156,317
Current Liabilities	\$ 530,070	\$ 164,102	\$ (365,968)	\$ 778,836	\$ 679,633	\$ (99,203)
Long Term Liabilities	\$ 875,288	\$ 2,454,744	\$ 1,579,456	\$ 2,537,139	\$ 4,101,669	\$ 1,564,530
Total Liabilities	\$ 1,405,358	\$ 2,618,846	\$ 1,213,488	\$ 3,315,975	\$ 4,781,302	\$ 1,465,327
Deferred Inflows of Resources						
Unavailable	\$ -	\$ 685,284	\$ 685,284	\$ -	\$ 500,993	\$ 500,993
Net Position:						
Net investment in capital assets	\$ 5,677,071	\$ 5,661,243	\$ (15,828)	\$ 1,880,214	\$ 1,869,045	\$ (11,169)
Restricted	\$ 5,240,350	\$ 5,910,718	\$ 670,368	\$ 240,380	\$ 239,316	\$ (1,064)
Unrestricted (deficit)	\$ 965,624	\$ (1,007,059)	\$ (1,972,683)	\$ 1,621,897	\$ (640,315)	\$ (2,262,212)
Total Net Position	\$ 11,883,045	\$ 10,564,902	\$ (1,318,143)	\$ 3,742,491	\$ 1,468,046	\$ (2,274,445)
Changes in Net Position						
Revenues						
<i>Program revenues (by major source)</i>						
Charges for services	\$ 431,351	\$ 492,318	\$ (60,967)	\$ 8,328,156	\$ 8,839,141	\$ 510,985
Operating grants & contributions	\$ 1,005,537	\$ 1,148,373	\$ (142,836)	\$ -	\$ 86,049	\$ 86,049
Capital grants and contributions	\$ 285,785	\$ -	\$ 285,785	\$ -	\$ -	\$ -
<i>General revenues (by major source)</i>			\$ -			\$ -
Property taxes for general purposes	\$ 2,920,468	\$ 3,095,173	\$ (174,705)	\$ 430,037	\$ 432,624	\$ 2,587
Local option tax	\$ 178,389	\$ 183,967	\$ (5,578)			\$ -
Licenses and permits	\$ 368	\$ 1,516	\$ (1,148)			\$ -
Federal/State Shared Revenues	\$ 770,210	\$ 1,172,439				\$ -
Miscellaneous	\$ 224,180	\$ 277,639	\$ (53,459)	\$ 140,426	\$ -	\$ (140,426)
Gain/Loss on Sale of Assets	\$ -	\$ 2,389	\$ (2,389)			\$ -
Interest/investment earnings	\$ 19,985	\$ 30,037	\$ (10,052)	\$ 7,070	\$ 2,554	\$ (4,516)
Total revenues	\$ 5,836,273	\$ 6,403,851	\$ (165,348)	\$ 8,905,689	\$ 9,360,368	\$ 454,679
Program expenses						
General government	\$ 1,685,329	\$ 1,464,640	\$ 220,689			
Public safety	\$ 1,562,878	\$ 1,396,808	\$ 166,070			
Public works	\$ 1,984,054	\$ 2,192,933	\$ (208,879)			
Public health	\$ 131,968	\$ 157,542	\$ (25,574)			
Social and economic services	\$ 95,974	\$ 93,496	\$ 2,478			
Culture and recreation	\$ 447,944	\$ 154,574	\$ 293,370			
Housing and community development	\$ 23,893	\$ 48,424	\$ (24,531)			
Miscellaneous	\$ 21,798	\$ 16,549	\$ 5,249			
Debt service - interest	\$ 2,703	\$ 1,675	\$ 1,028			
PMC				\$ 9,057,207	\$ 9,289,251	\$ 232,044
Total expenses	\$ 5,956,541	\$ 5,526,642	\$ 429,899	\$ 9,057,207	\$ 9,289,251	\$ 232,044
Increase (decrease) in net position	\$ (120,268)	\$ 877,208	\$ -	\$ (151,518)	\$ 71,117	\$ 222,635

By far, the largest portion of Sweet Grass County's net position (53%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. Sweet Grass County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Sweet Grass County's net position (56%) represents resources that are subject to external restrictions on how they may be used. Of this amount, -\$1,007,059 represents a deficit unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). It should in no way reflect the ability of the County to pay its obligations to its creditors.

The PMC has 47% of its net position invested in net capital assets (land, buildings and machinery less accumulated depreciation and related debt balances). A small percentage (6%) of PMC net position are restricted by bond agreements. The remaining balance -\$640,315 represents unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS). It should in no way reflect the ability of the PMC to pay its obligations to its creditors.

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

Sweet Grass County's overall net position decreased \$1,318,143 from the prior fiscal year, primarily due to the recording of the County's share of the State's pension liability shortfall.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased from \$11,883,045 in FY14 to \$10,564,902, a decrease of \$1,318,143.

Governmental revenues increased between FY14 and FY 15 by \$567,578.

Capital grant revenue decreased between FY 14 and FY15 due to a reclassification of the revenues from capital to operating. However, to offset that change there were several increases to governmental revenues that include:

1. Video apportionment funds received from the state have increased dramatically after it was discovered that one business with numerous video poker machines had changed its designation in 2012 from out of city limits to in city limits. The county is owed approximately \$9,400 from the city for back apportionment. The state will withhold revenues from the city until the money is repaid. At the end of FY15 the amount still owing was \$6,225.
2. State entitlement money increased \$47,000 from FY14 to FY15.
3. The Search and Rescue Team was reimbursed from the Montana Department of Military Affairs for \$11,000 for a several searches conducted during FY15.
4. Increases in metal prices have increased the metal mine tax paid by Stillwater Mine – East Boulder to the State of Montana which has translated into an increase of \$35,400 in the share sent to the county.

Expenditures, decreased by \$429,899. Changes in expenses from FY 2014 to FY 2015 came from the following sources:

1. Fund 2790 Community Events Center was closed out in FY14 and \$318,920 was returned to donors who had donated to fund the re-building of a metal building that had been donated to the county several years earlier. When it became obvious that the project was not going to go forward the steel was sold and the donors were given the option of having their donation returned or donated to the capital improvement fund for the Fairgrounds. Donors allowed \$128,011 to be transferred from the evenets center to the fairgrounds for capital improvements.
2. Also reducing expenditures in the Fair fund between FY14 and FY15 was the replacement of the grandstands done in FY 14 for \$127,510.
3. Debt service in the Road and Bridge Funds was reduced between FY 14 and FY15 as the loan for the skidsteer/mower/grader was paid down and off.
4. On the flip side, miscellaneous expenditures increased due to some local donations being made from Fund 2860, Metal Mines Planning and Economic Development. A donation was made to the Community Thrift Store for \$15,000 to help offset the cost of moving the store and \$10,000 to the Sweet Grass County Chamber of Commerce to support Sweet Grass Fest (an annual event held in conjunction with the rodeo in June).

Business-type Activities. For Sweet Grass County's business-type activity (Pioneer Medical Center), the results for the current fiscal year were positive in that overall revenues increased by \$454,679. However, net position decreased due to the recording of both pension liability and the change in the OPEB expense. The total decrease in net position between FY 14 and FY15 was -\$2,274,445.

Financial Analysis of Governmental Funds

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

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

At June 30, 2015, Sweet Grass County's governmental funds reported combined funds balances of \$7,826,440, an increase of \$747,285 in comparison with the adjusted fund balance from FY14. Approximately 24% of this amount (\$1,915,722) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable or restricted* to indicate that it is 1) not in spendable form (\$236,102), or 2) restricted for a particular purpose (\$5,674,616).

The general fund is the chief operating fund of Sweet Grass County. At the end of FY15, unassigned fund balance of the general fund was \$1,917,381. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 77% of total general fund expenditures, while total fund balance represents approximately 71% of the same amount.

The fund balance of Sweet Grass County's general fund decreased by \$71,006 during FY15.

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

Unrestricted net position of Pioneer Medical Center (PMC) at the end of the current fiscal year was -\$640,315. The total decrease in net position from FY14 was -\$2,274,445 due to the decrease in OPEB liability and the recording of pension liability.

General Fund Budgetary Highlights

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

1. The county budgeted \$200 in video machine apportionment of which \$0 was received. While this in itself is not a significant difference, the research that uncovered why we had gone from \$2000, in years past, to zero is. An establishment which had always had twenty video gambling machines had dropped off the county roll to receive apportionment from. When their gambling license was renewed the establishment marked a box that read "are you in the city limits" with a yes. The apportionment then began going to the city. The Gambling Division with the State of Montana has made a correction to this and the county will begin receiving the apportionment that they should have received (\$9,400) for the past four years plus the current amount being paid out.
2. The county received a refund from our worker compensation provider for \$23,814.
3. An accident occurred on Interstate 90 which resulted in the housing of a prisoner on a long term basis (over 1 year). Since the accident occurred on the interstate in Sweet Grass County, the County received reimbursement from Montana Highway Patrol for housing the prisoner. This caused a \$21,000 increase in our prisoner room and board revenue over the budgeted amount of \$1,500.
4. Actual expenditures did not exceed budgeted amounts.

Capital Asset and Debt Administration

Capital assets. Sweet Grass County's investment in capital assets (net of accumulated depreciation) is \$5,712,715. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The following are key highlights to capital assets for FY 2015:

There are several construction in progress projects. They will not be depreciated until they are completed and, therefore, are accounted for separately from depreciable fixed assets

- A Western Federal Lands Highway grant (\$7,600,000) has been awarded jointly to Park and Sweet Grass County for repairs and bridge replacements on seven miles of road on the Main Boulder Road. This is a long term grant due to the preliminary work that must be completed before the actual work can take place. The grant is split in half for each county and each county is responsible for 50% of the match. The match per county is \$509,960. In FY14 we paid \$28,500; in FY14 we paid \$19,000 towards the total match. The remainder of the match (\$462,460) is due in FY16. It is anticipated that the project will not begin in FY16.
- The senior citizen building (a.k.a Hospitality House) is undergoing remodeling work in stages. In FY15 \$16,350 was spent. In FY16 the remodel budget is \$17,500.
- A V600H Linear Crusher is being built for the Road Department. A down payment of \$175,000 has been paid, with an addition \$175,000 due when the crusher is complete.

Machinery and Equipment that was purchased includes:

Kyocera Copier was purchased for the extension/planning side of the annex for \$7,964. The previous copier was moved to the county administration side of the building and the copier that had been there was moved into the records room in the Clerk and Recorder office.

- ✓ Eager Beaver 20 Ton Tag Trailer was purchased for the Bridge Department for \$7,500
- ✓ 2015 Ford F350 Pickup was purchased for the weed department as a new, outfitted, spray truck for a total of \$54,612. The old spray truck was sold in FY 16 to Prairie County Weed Department.
- ✓ A new AWOS system was purchased for the airport to replace the previous system which failed. \$33,420
- ✓ 2014 Ford F150 Supercrew 4x4, outfitted, purchased to replace old Fire 4 for total of \$96,712
- ✓ A Tornado (water) monitor system was purchased for the fire department for \$7,756
- ✓ John Deere Model 644K Loader purchased by the Road Department for \$113,237.20
- ✓ 2005 Peterbilt Model 385 Semi Truck was purchased for the road department for \$20,000
- ✓ 2014 Dodge Ram 1500 was purchased by law enforcement for \$34,245
- ✓ Walker Mower was purchased by the cemetery, \$11,398
- ✓ Case 580 M Series II Backhoe purchased by cemetery for \$36,000

Two assets became out of service - one was wrecked and the other quit working. They are being written off as they are no longer being used:

- ✓ 1991 Kenworth Truck wrecked and sold for salvage, received \$4,000. It was not fully depreciated when it was sold.
- ✓ AWOS system at the airport quit working and needed to be replaced. It was fully depreciated.

Long-term debt. As of June 30, 2015 the County had total outstanding debt of \$51,472. Compensated Absences was \$198,405. Other Post-Employment Benefits (OPEB) were \$780,435 in FY14. In FY15 employees on health insurance were below 100 and we chose to use the alternate method of calculation and also to implement GASB-75 early. The new total for OPEB is \$609,361. According to GASB 67 and 68 we're now required to report our pension liability. The amount has been calculated by the State of Montana to be \$1,684,814. There was no new debt incurred during FY15.

The PMC total outstanding debt was \$1,368,013. Compensated Absence Liability is \$274,815. Other Post-Employment Benefits (OPEB) is \$850,974. It was also recalculated. According to GASB 67 and 68 we're now required to report our pension liability. The amount has been calculated by the State of Montana to be \$1,938,067. There was no new debt incurred during FY15.

The following statistics are from the most recent data cited:

- The latest unemployment rate as of October 2015 for Sweet Grass County is 2.16% compared to a state-wide average of 3.7%.
- The major employers in the county are Stillwater Mine, local government, and the high school and grade school districts.
- The economy is primarily agriculture, tourism, and mining.
- The average earnings per year in Sweet Grass County is \$36,835 according to the Montana Department of Labor and Industry.
- Average wages statewide in Montana is \$39,880 according to the Montana Department of Labor and Industry.
- Inflationary trends in the County compare favorably to national indices.
- All these factors were considered in the preparation of Sweet Grass County's budget for the 2015 fiscal year.
- The FY 2015 budget reflects 2015 mills and the inflationary increases allowed by statute.

Contacting the County's Financial Management

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sweet Grass County
Big Timber, Montana 59011

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County (County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); 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 GAAP and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with GAAP.

Change in Accounting Principle

As described in Note 1 and 15 to the financial statements, in year ended June 30, 2015, the Sweet Grass County adopted GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information (RSI)

GAAP requires that the management's discussion and analysis (pages 3 - 8), and the schedule of funding for other post-employment benefits other than pensions (page 44), and schedule of proportionate share of net pension liability (page 45), and Schedule of Contributions to Montana Retirement Systems (page 46), and budgetary comparison information (pages 47 - 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 GAAP, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sweet Grass County's basic financial statements. The accompanying schedule of expenditures of federal awards (pages 53) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of Sweet Grass County internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sweet Grass County internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
December 8, 2015

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,204,380	\$ 1,703,182	\$ 8,907,562
Taxes receivable	103,112	18,780	121,892
Accounts receivable - net	-	1,239,260	1,239,260
Due from other governments	460,061	-	460,061
Other current assets	695	5,696	6,391
Inventories	236,102	108,534	344,636
Prepaid expenses	-	20,586	20,586
Total current assets	<u>8,004,350</u>	<u>3,096,038</u>	<u>11,100,388</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	260,928	260,928
Capital assets:			
Land	61,056	101,667	162,723
Construction in progress	238,850	28,491	267,341
Net depreciable assets	<u>5,412,808</u>	<u>3,106,900</u>	<u>8,519,708</u>
Total noncurrent assets	<u>5,712,714</u>	<u>3,497,986</u>	<u>9,210,700</u>
Total assets	<u>13,717,064</u>	<u>6,594,024</u>	<u>20,311,088</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Employer pension plan activities	<u>151,971</u>	<u>156,317</u>	<u>308,288</u>
Total deferred outflows of resources	<u>151,971</u>	<u>156,317</u>	<u>308,288</u>
Total assets and deferred outflows of resources	<u>13,869,035</u>	<u>6,750,341</u>	<u>20,619,376</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	-	38,164	38,164
Deposits payable	-	8,000	8,000
Due to other governments	-	38,304	38,304
Accrued payroll	74,795	264,965	339,760
Current portions compensated absences	74,042	110,338	184,380
Current portion long-term capital obligations	<u>19,524</u>	<u>219,862</u>	<u>239,386</u>
Total current liabilities	<u>168,361</u>	<u>679,633</u>	<u>847,994</u>
Noncurrent liabilities:			
Long-term obligations	2,294,175	2,789,041	5,083,216
Compensated absences	124,363	164,477	288,840
Long-term capital obligations	<u>31,947</u>	<u>1,148,151</u>	<u>1,180,098</u>
Total noncurrent liabilities	<u>2,450,485</u>	<u>4,101,669</u>	<u>6,552,154</u>
Total liabilities	<u>2,618,846</u>	<u>4,781,302</u>	<u>7,400,148</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable employer pension plan	<u>685,284</u>	<u>500,993</u>	<u>1,186,277</u>
Total deferred inflows of resources	<u>685,284</u>	<u>500,993</u>	<u>1,186,277</u>
NET POSITION:			
Net investment in capital assets	5,661,243	1,869,045	7,530,288
Restricted	5,990,487	239,316	6,229,803
Unrestricted (Deficit)	<u>(1,086,825)</u>	<u>(640,315)</u>	<u>(1,727,140)</u>
Total Net Position	<u>10,564,905</u>	<u>1,468,046</u>	<u>12,032,951</u>
Total liabilities, deferred inflows and net position	<u>\$ 13,869,035</u>	<u>\$ 6,750,341</u>	<u>\$ 20,619,376</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
GOVERNMENT OPERATIONS						
General government	\$ 1,464,640	\$ 164,417	\$ 11,526	\$ (1,288,697)		\$ (1,288,697)
Public safety	1,396,804	249,933	154,207	(992,664)		(992,664)
Public works	2,192,684	26,121	968,232	(1,198,331)		(1,198,331)
Public health	157,541	4,200	12,550	(140,791)		(140,791)
Social and economic services	93,497	2,309	968	(90,220)		(90,220)
Culture and recreation	154,574	-	892	(153,682)		(153,682)
Housing and community development	48,425	-	-	(48,425)		(48,425)
Miscellaneous	16,549	-	-	(16,549)		(16,549)
Interest and other charges	1,676	-	-	(1,676)		(1,676)
Total Governmental Activities	<u>5,526,390</u>	<u>446,980</u>	<u>1,148,375</u>	<u>(3,931,035)</u>		<u>(3,931,035)</u>
BUSINESS-TYPE ACTIVITIES						
Pioneer Medical Center	9,289,251	8,839,141	86,049		(364,061)	(364,061)
Total Business-type activities	<u>9,289,251</u>	<u>8,839,141</u>	<u>86,049</u>		<u>(364,061)</u>	<u>(364,061)</u>
Total Primary Government	<u>\$ 14,815,641</u>	<u>\$ 9,286,121</u>	<u>\$ 1,234,424</u>	<u>\$ (3,931,035)</u>	<u>\$ (364,061)</u>	<u>\$ (4,295,096)</u>
GENERAL REVENUES						
Taxes/Assessments				3,095,173	432,624	3,527,797
Local Option Taxes				183,967	-	183,967
Licenses and Permits				1,516	-	1,516
Federal/State Shared Revenues				1,202,908	-	1,202,908
Miscellaneous				292,510	-	292,510
Investment and Royalty Earnings				30,035	2,554	32,589
Gain loss on Sale of Assets				2,389	-	2,389
Total General Revenues				<u>4,808,498</u>	<u>435,178</u>	<u>5,243,676</u>
Change in Net Position				877,463	71,117	948,580
Net Position						
Beginning of the Year				11,883,045	3,742,491	15,625,536
Prior Period Adjustments				(2,195,603)	(2,345,562)	(4,541,165)
End of the Year				<u>\$ 10,564,905</u>	<u>\$ 1,468,046</u>	<u>\$ 12,032,951</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	MAJOR			
	General	Road	Law Enforcement	Hard Rock
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,701,415	\$ 668,898	\$ 297,680	\$ 1,354,893
Taxes receivable	23,346	15,047	19,107	-
Interfund receivable	215,176	-	-	-
Due from other governments	25,590	-	84,692	-
Other current assets	695	-	-	-
Inventories	-	236,102	-	-
Total assets	<u>1,966,222</u>	<u>920,047</u>	<u>401,479</u>	<u>1,354,893</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>1,966,222</u>	<u>920,047</u>	<u>401,479</u>	<u>1,354,893</u>
LIABILITIES:				
Current liabilities:				
Interfund payable	-	-	-	-
Accrued payroll	25,495	6,264	17,533	-
Total liabilities	<u>25,495</u>	<u>6,264</u>	<u>17,533</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable property taxes receivable	23,346	15,047	19,107	-
Total deferred inflows of resources	<u>23,346</u>	<u>15,047</u>	<u>19,107</u>	<u>-</u>
FUND BALANCE (DEFICITS):				
Nonspendable	-	236,102	-	-
Restricted	-	662,634	364,839	1,354,893
Unassigned	1,917,381	-	-	-
Total fund balance	<u>1,917,381</u>	<u>898,736</u>	<u>364,839</u>	<u>1,354,893</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,966,222</u>	<u>\$ 920,047</u>	<u>\$ 401,479</u>	<u>\$ 1,354,893</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above

Governmental Capital Assets

Employer pension plan activities

Long-term Liabilities

Long-Term Obligations

Compensated Absences

Long-Term Capital Obligations

Unavailable employer pension plan

Unavailable property taxes receivable

Net Position of Governmental Activities

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	MAJOR		Total
	Disaster	Other Governmental Funds	Governmental Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,181,494	\$ 7,204,380
Taxes receivable	-	45,612	103,112
Interfund receivable	-	-	215,176
Due from other governments	336,760	13,019	460,061
Other current assets	-	-	695
Inventories	-	-	236,102
Total assets	336,760	3,240,125	8,219,526
DEFERRED OUTFLOWS OF RESOURCES:			
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	336,760	3,240,125	8,219,526
LIABILITIES:			
Current liabilities:			
Interfund payable	210,479	4,697	215,176
Accrued payroll	-	25,503	74,795
Total liabilities	210,479	30,200	289,971
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property taxes receivable	-	45,612	103,112
Total deferred inflows of resources	-	45,612	103,112
FUND BALANCE (DEFICITS):			
Nonspendable	-	-	236,102
Restricted	126,281	3,165,972	5,674,619
Unassigned	-	(1,659)	1,915,722
Total fund balance	126,281	3,164,313	7,826,443
Total liabilities, deferred inflows of resources, and fund balance	\$ 336,760	\$ 3,240,125	\$ 8,219,526

RECONCILIATION TO THE STATEMENT OF NET POSIT

Total fund balance reported above	\$ 7,826,443
Governmental Capital Assets	5,712,714
Employer pension plan activities	151,971
Long-term Liabilities	
Long-Term Obligations	(2,294,175)
Compensated Absences	(198,405)
Long-Term Capital Obligations	(51,471)
Unavailable employer pension plan	(685,284)
Unavailable property taxes receivable	103,112
Net Position of Governmental Activities	\$ 10,564,905

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	MAJOR			
	General	Road	Law Enforcement	Hard Rock
Revenues:				
Taxes/assessments	\$ 822,277	\$ 464,217	\$ 576,689	\$ -
Licenses and permits	521	225	-	-
Intergovernmental revenues	602,979	276,061	61,410	271,284
Charges for services	132,719	-	201,546	-
Fines and forfeitures	37,103	-	-	-
Miscellaneous	44,441	4,729	2,927	-
Investment and royalty earnings	13,158	-	1,119	5,434
Total revenues	<u>1,653,198</u>	<u>745,232</u>	<u>843,691</u>	<u>276,718</u>
Expenditures:				
Current:				
General government	1,201,312	-	-	-
Public safety	62,690	-	767,199	-
Public works	67,864	438,776	-	-
Public health	31,052	-	-	-
Social and economic services	1,820	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Miscellaneous	16,549	-	-	-
Debt Service				
Principal	3,643	35,840	13,430	-
Interest and other charges	732	268	514	-
Capital outlay	107,364	100,000	-	-
Total expenditures	<u>1,493,026</u>	<u>574,884</u>	<u>781,143</u>	<u>-</u>
Excess (deficiency) of revenues Over expenditures	<u>160,172</u>	<u>170,348</u>	<u>62,548</u>	<u>276,718</u>
Other financing sources/uses:				
Sale of capital assets	-	4,000	-	-
Insurance proceeds	-	7,500	-	-
Change in reserve for inventories	-	(115,779)	-	-
Fund transfers in	-	-	-	-
Fund transfers (out)	(231,178)	(75,000)	(48,153)	-
Total other financial sources/uses	<u>(231,178)</u>	<u>(179,279)</u>	<u>(48,153)</u>	<u>-</u>
Net changes in fund balances	<u>(71,006)</u>	<u>(8,931)</u>	<u>14,395</u>	<u>276,718</u>
Fund balance:				
Beginning of the year	1,988,387	907,667	350,444	1,078,175
Prior period adjustments	-	-	-	-
End of the year	<u>\$ 1,917,381</u>	<u>\$ 898,736</u>	<u>\$ 364,839</u>	<u>\$ 1,354,893</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	<u>MAJOR</u>		
	Disaster	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes/assessments	\$ -	\$ 1,494,231	\$ 3,357,414
Licenses and permits	-	770	1,516
Intergovernmental revenues	595,132	472,183	2,279,049
Charges for services	-	70,302	404,567
Fines and forfeitures	-	5,310	42,413
Miscellaneous	-	225,541	277,638
Investment and royalty earnings	-	10,324	30,035
Total revenues	<u>595,132</u>	<u>2,278,661</u>	<u>6,392,632</u>
Expenditures:			
Current:			
General government	-	216,444	1,417,756
Public safety	-	505,427	1,335,316
Public works	595,132	619,094	1,720,866
Public health	-	126,489	157,541
Social and economic services	-	89,912	91,732
Culture and recreation	-	125,865	125,865
Housing and community development	-	48,425	48,425
Miscellaneous	-	-	16,549
Debt Service			
Principal	-	7,033	59,946
Interest and other charges	-	162	1,676
Capital outlay	-	395,616	602,980
Total expenditures	<u>595,132</u>	<u>2,134,467</u>	<u>5,578,652</u>
Excess (deficiency) of revenues			
Over expenditures	-	144,194	813,980
Other financing sources/uses:			
Sale of capital assets	-	-	4,000
Insurance proceeds	-	37,839	45,339
Change in reserve for inventories	-	-	(115,779)
Fund transfers in	143,469	459,912	603,381
Fund transfers (out)	-	(249,050)	(603,381)
Total other financial sources/uses	<u>143,469</u>	<u>248,701</u>	<u>(66,440)</u>
Net changes in fund balances	143,469	392,895	747,540
Fund balance:			
Beginning of the year	(108,008)	2,771,418	6,988,083
Prior period adjustments	90,820	-	90,820
End of the year	<u>\$ 126,281</u>	<u>\$ 3,164,313</u>	<u>\$ 7,826,443</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Net Changes in Fund Balance		\$	747,540
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(78,274)
State Pension Aid			41,767
Revenues reported in the governmental funds statement not included in the Statement of Activities			
Sale of Fixed Assets	<u>4,000</u>		(4,000)
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(677,143)		
Accuarial Pension Expense	26,529		
(Increase) decrease in Other Post Employment Benefits	171,074		
(Increase) decrease in compensated absence liability	<u>(15,345)</u>		(494,885)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays	602,980		
Gain loss on sale of assets	2,389		
Principal payments on bonds	<u>59,946</u>	<u>665,315</u>	
Change in net position reported on the Statement of Activities		<u>\$</u>	<u>877,463</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	<u>MAJOR</u>
	<u>Pioneer Medical Center</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 1,703,182
Taxes receivable	18,780
Accounts receivable - net	1,239,260
Other current assets	5,696
Inventories	108,534
Prepaid expenses	20,586
Total current assets	<u>3,096,038</u>
Noncurrent assets:	
Restricted cash and cash equivalents	260,928
Capital assets:	
Land	101,667
Construction in progress	28,491
Net depreciable assets	<u>3,106,900</u>
Total noncurrent assets	<u>3,497,986</u>
Total assets	<u>6,594,024</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Employer pension plan activities	<u>156,317</u>
Total deferred outflows of resources	<u>156,317</u>
Total assets and deferred outflows of resources	<u>6,750,341</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	38,164
Deposits payable	8,000
Due to other governments	38,304
Accrued payroll	264,965
Current portions compensated absences	110,338
Current portion long-term capital obligations	<u>219,862</u>
Total current liabilities	<u>679,633</u>
Noncurrent liabilities:	
Long-term obligations	2,789,041
Compensated absences	164,477
Long-term capital obligations	<u>1,148,151</u>
Total noncurrent liabilities	<u>4,101,669</u>
Total liabilities	<u>4,781,302</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable employer pension plan	<u>500,993</u>
Total deferred inflows of resources	<u>500,993</u>
NET POSITION:	
Net investment in capital assets	1,869,045
Restricted for debt service	236,889
Restricted for patient services	2,427
Unrestricted (Deficit)	<u>(640,315)</u>
Total Net Position	<u>1,468,046</u>
Total liabilities, deferred inflows and net position	<u>\$ 6,750,341</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2015

	MAJOR
	Pioneer Medical Center
OPERATING REVENUES:	
Charges for services	8,758,677
Miscellaneous	80,464
Total Operating Revenues	8,839,141
OPERATING EXPENSES:	
Personal services	3,354,907
Supplies	391,109
Purchased services	2,648,713
Fixed charges	214,941
Loss/bad debt expense	2,249,501
Depreciation	359,035
Total Operating Expense	9,218,206
OPERATING INCOME (LOSS)	(379,065)
NONOPERATING REVENUES (EXPENSES)	
Taxes/assessment revenue	432,624
Intergovernmental revenue	86,049
Interest revenue	2,554
Debt service interest expense	(71,045)
Total nonoperating revenue (expenses)	450,182
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	
CHANGE IN NET POSITION	71,117
NET POSITION:	
Beginning of the Year	3,742,491
Prior Period Adjustments	(2,345,562)
End of the Year	\$ 1,468,046

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds
	<u>MAJOR</u>
	<u>Pioneer Medical Center</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 6,784,288
Payments to Employees	(3,573,995)
Payments to Suppliers	<u>(3,360,671)</u>
Net Cash Provided (Used) by Operating Activities	<u>(150,378)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Subsidies from Other Governments	473,741
Subsidies from Taxes Assessments	<u>446,817</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>920,558</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(137,631)
Principal Paid on Capital Debt	(210,235)
Interest Paid on Capital Debt	<u>(71,045)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(418,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	<u>2,575</u>
Net Cash Provided (Used) by Investing Activities	<u>2,575</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>353,844</u>
BALANCE:	
Beginning of the Year	<u>1,610,266</u>
End of the Year	<u>\$ 1,964,110</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (379,065)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	359,035
OPEB expense	(236,246)
GASB 68 pension expense	(6,954)
Changes In Assets and Liabilities:	
Accounts Receivable	159,806
Other current assets	(5,562)
Inventories	(11,043)
Accounts Payable	(90,775)
Prepaid expenses	(4,090)
Compensated Absences	(23,632)
Accrued payables	47,744
Deposits and refunds payable	2,100
Due to Other Governments	<u>38,304</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (150,378)</u>
Supplemental schedule of noncash activities	
GASB 68 State contribution	<u>\$ 54,800</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Investment Trust	
	Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,975,382	\$ 1,072,215
Taxes receivable	-	214,655
Workman's Compensation	-	48,670
Total Assets	<u>2,975,382</u>	<u>1,335,540</u>
LIABILITIES:		
Current liabilities:		
Warrants payable	-	422,607
Due to others	-	889,986
Other current liabilities	-	22,947
Total Liabilities	<u>-</u>	<u>1,335,540</u>
NET POSITION:		
Held in trust for pooled investments	<u>2,975,382</u>	
Total Net Position	<u>\$ 2,975,382</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2015

	Investment Trust
	Funds
ADDITIONS:	
Contributions to investment trust	\$ 2,010,604
Investment and royalty earnings	14,363
Total Additions	<u>2,024,967</u>
DEDUCTIONS:	
Expenses of investment funds	<u>1,412,238</u>
Total Deductions	<u>1,412,238</u>
CHANGE IN NET POSITION	612,729
NET POSITION:	
Beginning of the year	<u>2,362,653</u>
End of the year	<u>\$ 2,975,382</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the year-ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Sweet Grass County (County) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2015 the County adopted the following:

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the County to expand its pension foot note disclosures and report pension liabilities that have not been reported in prior years.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The County is not merging with another County or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement changes the hierarchy of generally accepted accounting principles (GAAP). The statement is applicable for fiscal year 2016, however the County implemented this statement in fiscal year 2015.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The County elected to early implement during fiscal year ended June 30, 2015.

The following are a listing of GASB statements which have been issued and the County assessment of effects to the financial statements.

- GASB Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has not early implemented, but anticipates this to be only a terminology change in the notes to the financial statements.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement provides guidance on non-employer entity pension plans. This statement appears to be applicable to the State of Montana and may have no effect on the County. The County is reviewing this statement further to ensure proper reporting in fiscal year 2016, if applicable.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement is effective for FY 2017 and the County has determined it will have no effect on its financial reporting.

The County provides a full range of governmental services to the citizens of the County. These services include but are not limited to construction, reconstruction, maintenance and repair of roads, parks and recreation, public safety, criminal justice, and other government services. The Pioneer Medical Center (PMC) is committed to providing quality health care to the visitors and residents of Sweet Grass County and is accounted for in an Enterprise Fund of the County. The Board of County Commissioners are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

The Sweet Grass County was incorporated under the laws of the State of Montana and as required by GAAP, the financial statements of the reporting entity include those of the Sweet Grass County (the primary government) and any component units. The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the County's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the County. Based on those criteria the County has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds (primary government). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The statement of activities reports the direct expenses or segments of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Operating grants that are restricted to a particular functional or segment.

Property taxes, investment earnings, entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The investment trust fund is displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period, anything collected after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

Proprietary, trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the PMC funds is charges to customers for sales and services. Operating expenses for enterprise funds and include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the County and accounts for all revenues and expenditures of the County not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements the general fund also includes the activities of the PILT fund and the federal mineral royalty fund since the restrictions on those funds are similar to the general fund.
- Road Fund – This fund is used to account for the construction, maintenance, or improvement of public highways in the county. County levies for the road fund that are assessed and collected must be deposited into this fund.
- Law Enforcement – This fund is used to account for providing the public safety of citizens. County levies must be used to support county law enforcement services and to maintain county detention centers and must be deposited into this fund.
- Hard Rock – This fund is used to account for state remittance of metalliferous mine license taxes. Funds can only be spent when an impact plan for a large-scale mineral development approved pursuant to MCA 90-6-307 identifies a jurisdictional revenue disparity.
- Disaster – This fund is used to account for a declared emergency by the county commissioner and State and Federal grant funding relating to a presidential declaration of a major disaster or emergency. Any fund remaining in the fund after the declared emergency stay in the fund and can be used for future emergencies.

The County reports the following major enterprise funds:

- Pioneer Medical Center (PMC) – This fund is used to account for financing the activities of the critical access hospital with 25 acute care/swing beds, a 25 bed nursing home, rural health clinic, hospice, ambulance service, public health and assisted living facility.

1. b. 3. OTHER FUND TYPES

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government. This accounting reflects the County's trust relationship with the other investing parties.

Agency Funds – Account for assets that the County holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the County's payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the County trustee to pay a particular sum of money to a payee (person or entity) from funds in the County treasury which are or may become available. This fund primarily consists of revenues collected by the County on behalf of other governments.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)
1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank or credit union which is FDIC or NCUA insured; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value. For purposes of the Statement of Cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash accounts of the Enterprise Fund are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds representing a liability to the enterprise funds. These restricted cash accounts are used to repay current debt, establish a reserve for future debt and to establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

1. c. 2. TAXES AND SPECIAL ASSESSMENTS

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

Property taxes and special assessments are collected by the County Treasurer who credits to the County funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The County receives its share of the sale proceeds of any such auction.

Taxes and special assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3. INVENTORIES

Materials and supplies inventory are valued at first-in/first-out (FIFO) method and are subsequently charged to expenses when consumed rather than when purchased. In governmental funds, however, the cost of inventories are recorded as an expenditure when purchased. At year-end the change in inventory is reported as a change in reserves for inventories.

1. c. 4. CAPITAL ASSETS

The County's property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, lighting, and similar items) with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The County considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	10 - 75 years
Improvements other than buildings	10 - 75 years
Machinery and Equipment	3 - 30 years
Infrastructure	20 - 50 years

1.c. 5. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension Liability– Deferred outflow/inflow

The County recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, or as deferred inflows of resources, or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Property Taxes/Special Assessments – Deferred outflow

The County reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet they are reported as unavailable from property taxes and special assessments.

1. c. 6. VACATION AND SICK LEAVE

Classified County employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified County employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified County employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is out of governmental activities is \$124,363 and it is generally paid out of the general fund. The amount expected to be paid within one year is out of business-type activities is \$164,477 and is paid out of the PMC.

1. c. 7. NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2015, fund balance components other than unassigned fund balance consist of the following:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

<u>Purpose</u>	<u>Non-spendable</u>	<u>Restricted</u>
General government	\$ -	\$ 1,511,412
Public safety	-	996,724
Public works	236,102	1,304,869
Public health	-	615,227
Social and economic services	-	29,382
Culture and recreation	-	98,713
Housing and community development	-	246,294
Future Capital Costs	-	871,667
Debt service	-	331
Total	<u>\$ 236,102</u>	<u>\$ 5,674,619</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the County considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2015, the summary of cash, cash equivalents for governmental and business-type activities, and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 7,204,380	\$ 1,703,182	\$ 4,047,597	\$ 12,955,159
Restricted Assets	-	260,928	-	260,928
Total	<u>\$ 7,204,380</u>	<u>\$ 1,964,110</u>	<u>\$ 4,047,597</u>	<u>\$ 13,216,087</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2015, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 48,682
Demand Accounts	2,615,278
Time/Saving Deposits	8,783,930
STIP	1,768,197
Total	<u>\$ 13,216,087</u>

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$8,103,400 of the County's bank balance of \$11,549,703 was exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value</u>
Collateral held by the pledging bank's trust department but not in the Entity's name.	7,009,629
Uninsured and uncollateralized	1,093,771
Total	<u>\$ 8,103,400</u>

Interest Rate Risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The County's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the County's investment portfolio is made up of securities whose maturities are less than 3 years.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

2. a. SHORT TERM INVESTMENT POOL (STIP)

STIP is an external investment pool of the State of Montana. Although the STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company STIP has policy that it will be consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The County's participant unit price is fixed at \$1 for both buys and sells.

The STIP investment portfolio consists of securities with a maximum maturity of 397 days or less unless they are a variable rate security. The portfolio is carried at amortized cost or book value.

The STIP portfolio includes asset-backed and variable rate securities. Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government agency and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate).

Because of the pooled funds concept, cash held in STIP cannot be categorized as to custodial risk. For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001

2. b. RESTRICTED ASSETS

The following Restricted Cash was held by the County Treasurer as of June 30, 2015:

<u>Fund Name</u>	<u>PMC</u>
Restricted for Patient Trust Accounts	\$ 2,427
Restricted for Bond Repayment	<u>258,501</u>
Total	<u>\$ 260,928</u>

2. c. EXTERNAL INVESTMENT POOL

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. There is only one type of investment trust fund reported by the County, pooled investment trust funds.

The County has one pooled investment trust fund which is invested in STIP, CDRS, CDs and NOW accounts. The pooled funds are carried at fair value. Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2015 to support the value of shares in the pool. 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.

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2015:

Statement of Net Position:		
Equity of Internal pool participants	\$ 7,298,726	
Equity of External pool participants	<u>2,975,382</u>	
Total net position	<u>\$ 10,274,108</u>	
Statement of Changes in Net Position		
	<u>Internal</u>	<u>External</u>
Investment earnings	\$ 35,233	\$ 14,363
Participant Investment in Pool	4,932,090	2,010,604
Distribution to Participants	<u>(3,877,786)</u>	<u>(1,412,238)</u>
Change in Net Position	1,089,537	612,729
Net Position – Beginning	<u>6,209,189</u>	<u>2,362,653</u>
Net Position – Ending	<u>\$ 7,298,726</u>	<u>\$ 2,975,382</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

NOTE 3. TAXES/ASSESSMENTS RECEIVABLE

The County is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2014, upon which the levy for the 2015 fiscal year was based, was \$17,451,289 for the entity wide and \$13,986,927 for the Road. The tax rates assessed for the year ended June 30, 2015 to finance County operations and applicable taxes receivable follows:

<u>County General Levies</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>	<u>County General Levies</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	35.54	23,346	Alcohol Rehab	0.67	230
Bridge	23.99	12,350	Maf Skg/Int	0	5
Weed	6.73	3,894	<u>Voted Mills</u>		
Fair	2.88	1,593	Permissive Insurance Levy	14.06	7,314
Airport	2.05	1,440	Pioneer Medical Center*	25.00	18,780
District Court	5.34	3,164	<u>County Rural (Road)</u>		
Cemetery	4.53	2,200	Road*	32.57	15,047
Planning	3.36	2,243	Library	3.44	1,547
Emergency Disaster	0.00	83	Fire	10.61	4,341
Mental Health	0.08	95	<u>Special Assessments</u>		
Senior Citizens	0.69	276	Predatory Animal Sheep	N/A	202
Extension Services	2.90	1,805	Predatory Animal Cattle	N/A	1,202
Law Enforcement	32.42	19,107	Total	<u>211.80</u>	<u>\$ 121,892</u>
Website & Technology	4.94	1,628	* Denotes Major Funds		

NOTE 4. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the County for costs incurred but not reimbursed by third party grantors. The amounts reported and the organization due from are noted below:

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
General*	\$ 12,090	City of Big Timber	City court interlocal agreement reimbursement
General*	2,500	City of Big Timber	Sanitarian interlocal agreement reimbursement
General*	11,000	Montana Department of Military Affairs	Emergency Management Performance Grants reimbursements
Planning	7,880	City Big Timber	Planning interlocal agreement reimbursement
Law Enforcement	81,617	City Big Timber	Law enforcement interlocal agreement reimbursement
Law Enforcement	3,075	City Big Timber	Police training interlocal agreement reimbursement
Alcohol Rehab	2,100	City Big Timber	Addictive disorder reimbursement
MDA Urban Project	2,776	Montana Department of Agriculture	MDA - Urban Projects grant fund reimbursement
Deer & Bridger Creek	175	Montana Department of Agriculture	Grant fund reimbursement
Law Enforcement RAC	88	U.S. Department of Agriculture	Grant fund reimbursement
Disaster	336,760	Montana Department of Military Affairs	FEMA grant reimbursement for flooded roads
Total	<u>\$ 460,061</u>		

* Denotes Major Funds

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable represent the outstanding balances of amounts billed for services the County has provided for the pioneer medical center. An allowance for doubtful accounts has been established

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectable</u>	<u>Allowance for Uncollectable - Medicare</u>	<u>Allowance for Uncollectable - Insurance</u>	<u>Net Accounts Receivable</u>
Pioneer Medical Center*	<u>\$ 1,843,298</u>	<u>\$ (318,066)</u>	<u>\$ (161,640)</u>	<u>\$ (124,331)</u>	<u>\$ 1,239,260</u>

* Denotes Major Funds

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

NOTE 6. INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables represent loan resources from one fund to another fund experiencing a temporary cash shortage. Each fund is a separate fiscal entity and therefore presents Interfund borrowing on fund level financial statements. Liabilities arising from Interfund borrowing do not constitute general long-term debt. The amounts reported and the purpose of the Interfund borrowing are noted below:

<u>Interfund Receivable</u>	<u>Amount</u>	<u>Interfund Payable</u>	<u>Purpose of the Transfer</u>
PILT*	\$ 210,479	FEMA Flood	Cover negative cash balances
PILT*	282	Emergency Disaster	Cover negative cash balances
PILT*	174	DBWG	Cover negative cash balances
PILT*	1,377	Sheriff Garnishments	Cover negative cash balances
PILT*	88	Law RAS	Cover negative cash balances
PILT*	2,776	Urban Spurge Weed Grant	Cover negative cash balances
Total	<u>\$ 215,176</u>		

* Denotes Major Funds

NOTE 7. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

7. a. At June 30, 2015, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u>		<u>Balance</u>	
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Non-depreciable:</u>				
Land	\$ 61,056	\$ -	\$ -	\$ 61,056
Construction in progress	28,500	210,350	-	238,850
Total Non-depreciable	<u>\$ 89,556</u>	<u>\$ 210,350</u>	<u>\$ -</u>	<u>\$ 299,906</u>
<u>Depreciable:</u>				
Buildings	\$ 4,368,188	\$ 24,400	\$ -	\$ 4,392,588
Machinery and equipment	4,938,148	368,230	(238,189)	5,068,189
Infrastructure	2,256,121	-	-	2,256,121
Total Depreciable	<u>\$ 11,562,457</u>	<u>\$ 392,630</u>	<u>\$ (238,189)</u>	<u>\$ 11,716,898</u>
<u>Accumulated Depreciation:</u>				
Buildings	\$ (2,270,180)	\$ (237,278)	\$ -	\$ (2,507,458)
Machinery and equipment	(2,947,756)	(343,498)	227,390	(3,063,864)
Infrastructure	(645,589)	(96,367)	9,188	(732,768)
Total Depreciation	<u>\$ (5,863,525)</u>	<u>\$ (677,143)</u>	<u>\$ 236,578</u>	<u>\$ (6,304,090)</u>
Net Depreciable Assets	<u>5,698,932</u>	<u>(284,513)</u>	<u>(1,611)</u>	<u>5,412,808</u>
Net General Capital Assets	<u>\$ 5,788,488</u>	<u>\$ (74,163)</u>	<u>\$ (1,611)</u>	<u>\$ 5,712,714</u>

7. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
General government	\$ 132,913
Public safety	156,239
Public works	357,280
Social and economic services	1,888
Culture and recreation	28,823
Total Depreciation Expense	<u>\$ 677,143</u>

7. c. At June 30, 2015, the schedule of changes in business-type activities capital assets follows:

<u>Business-type Activities:</u>	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>June 30, 2015</u>
<u>Non-depreciable:</u>			
Land	\$ 101,667	\$ -	\$ 101,667
Construction in progress	-	28,491	28,491
Total Non-depreciable	<u>\$ 101,667</u>	<u>\$ 28,491</u>	<u>\$ 130,158</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

<u>Business-type Activities:</u>	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>June 30, 2015</u>
<u>Depreciable:</u>			
Buildings	\$ 6,948,895	\$ -	\$ 6,948,895
Improvements other than buildings	23,439	-	23,439
Machinery and equipment	<u>1,964,744</u>	<u>109,140</u>	<u>2,073,884</u>
Total Depreciable	<u>\$ 8,937,078</u>	<u>\$ 109,140</u>	<u>\$ 9,046,218</u>
<u>Accumulated Depreciation:</u>			
Buildings	\$ (4,165,887)	\$ (204,277)	\$ (4,370,164)
Improvements other than buildings	(1,931)	(1,894)	(3,825)
Machinery and equipment	<u>(1,412,465)</u>	<u>(152,864)</u>	<u>(1,565,329)</u>
Total Depreciation	<u>\$ (5,580,283)</u>	<u>\$ (359,035)</u>	<u>\$ (5,939,318)</u>
Net Depreciable Assets	<u>3,356,795</u>	<u>(249,895)</u>	<u>3,106,900</u>
Net Business-type Capital Assets	<u>\$ 3,458,462</u>	<u>\$ (221,404)</u>	<u>\$ 3,237,058</u>

NOTE 8. CHANGES IN LONG-TERM DEBT

8. a. At June 30, 2015, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>New Debt</u>	<u>Principal</u>	<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2014</u>	<u>and Other</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>One Year</u>
		<u>Additions</u>	<u>and Other</u>		
			<u>Reductions</u>		
<u>Bonds and Notes Payable:</u>					
Capital Lease	\$ 8,803	\$ -	\$ (3,643)	\$ 5,160	\$ 4,259
Intercap Loans	<u>102,614</u>	<u>-</u>	<u>(56,303)</u>	<u>46,311</u>	<u>15,265</u>
Total Notes Payable	<u>\$ 111,417</u>	<u>\$ -</u>	<u>\$ (59,946)</u>	<u>\$ 51,471</u>	<u>\$ 19,524</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 183,060	\$ 15,345	\$ -	\$ 198,405	\$ 74,042
Accrued Pension	-	1,684,814	-	1,684,814	-
Other Post-Employment Benefits (OPEB)	<u>780,435</u>	<u>-</u>	<u>(171,074)</u>	<u>609,361</u>	<u>-</u>
Total Other Liabilities	<u>\$ 963,495</u>	<u>\$ 1,700,159</u>	<u>\$ (171,074)</u>	<u>\$ 2,492,580</u>	<u>\$ 74,042</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 1,074,912</u>	<u>\$ 1,700,159</u>	<u>\$ (231,020)</u>	<u>\$ 2,544,051</u>	<u>\$ 93,566</u>

8. b. LOANS

The County entered into an Intercap loan in prior years. Total payments made in fiscal year 2015 were \$57,247 which included \$944 of interest. The loans were issued for the terms and payment schedule indicated below.

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u>	<u>Length of</u>	<u>Maturity</u>	<u>Amount</u>	<u>Outstanding</u>
		<u>Rate</u>	<u>Loan</u>	<u>Date</u>	<u>Issued</u>	<u>June 30,</u>
						<u>2015</u>
Airport master plan	3/5/2013	1.63%	5 years	2/1/2018	\$ 8,333	\$ 5,005
Equipment	3/5/2010	1.0-4.75%	5 years	2/15/2015	200,000	0
Patrol cars	2/15/2013	1.0-4.75%	5 years	2/15/2018	<u>68,000</u>	<u>41,306</u>
					<u>\$ 276,333</u>	<u>\$ 46,311</u>

Debt service requirements to maturity for principal and interest for all long term obligations are as follows:

<u>For the year</u>	<u>Airport Master Plan</u>		<u>Patrol Cars</u>	
<u>ended 6/30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,667	\$ 82	\$ 13,598	\$ 516
2017	1,694	55	13,768	346
2018	<u>1,644</u>	<u>27</u>	<u>13,940</u>	<u>174</u>
Totals	<u>\$ 5,005</u>	<u>\$ 164</u>	<u>\$ 41,306</u>	<u>\$ 1,036</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

*Intercept loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans. The intercept loan was paid in full in fiscal year 2015 and has \$0 outstanding balance.

8. c. CAPITAL LEASES

A lease purchase agreement was entered into between Terrels Office Machine and Sweet Grass County. This lease-purchase agreement provided a method of financing courthouse copy machine for the County. The amount due on this lease purchase is reflected as a liability on the financial statements of the County in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is 7,295. The principal amount paid as of June 30, 2015 was 5,464.

For the year ended 6/30:	Future Minimum Lease Payments
2016	\$ 1,951
Less - interest	<u>(120)</u>
Present value	<u>\$ 1,831</u>

A lease purchase agreement was entered into between Terrels Office Machine and Sweet Grass County. This lease-purchase agreement provided a method of financing courthouse annex copy machine for the County. The amount due on this lease purchase is reflected as a liability on the financial statements of the County in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is 10,399. The principal amount paid as of June 30, 2015 was 7,070.

For the year ended 6/30:	Future Minimum Lease Payments
2016	\$ 2,652
2017	<u>920</u>
Total	<u>3,572</u>
Less - interest	<u>(243)</u>
Present value	<u>\$ 3,329</u>

8. d. At June 30, 2015, the schedule of changes in long-term debt of the business-type activities follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
Revenue Bonds	\$ 1,382,948	\$ -	\$ (147,847)	\$ 1,235,101	\$ 157,474
Contracted Debt	<u>195,300</u>	<u>-</u>	<u>(62,388)</u>	<u>132,912</u>	<u>62,388</u>
Total Bonds and Notes Payable	<u>\$ 1,578,248</u>	<u>\$ -</u>	<u>\$ (210,235)</u>	<u>\$ 1,368,013</u>	<u>\$ 219,862</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 298,447	\$ -	\$ (23,632)	\$ 274,815	\$ 110,338
Accrued Pension	-	1,938,067	-	1,938,067	-
Other Post-Employment Benefits (OPEB)	<u>1,087,220</u>	<u>217,444</u>	<u>(453,690)</u>	<u>850,974</u>	<u>-</u>
Total Other Liabilities	<u>\$ 1,385,667</u>	<u>\$ 2,155,511</u>	<u>\$ (477,322)</u>	<u>\$ 3,063,856</u>	<u>\$ 110,338</u>
Total - Long-Term Debt:	<u>\$ 2,963,915</u>	<u>\$ 2,155,511</u>	<u>\$ (687,557)</u>	<u>\$ 4,431,869</u>	<u>\$ 330,200</u>

8. e. REVENUE BONDS

Revenue Bonds constitute special obligations of the County solely secured by a lien on and pledge of the net revenues of the PMC. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length</u> <u>of Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2015</u>
2001 Assisted living facility revenue bond #1	5/1/2001	6.15%	20 years	7/1/2020	\$ 935,000	\$ 335,000
2001 Assisted living facility revenue bond #2	5/1/2001	4.75%	30 years	5/14/1931	500,000	348,677
1996 Pioneer Medical Center - revenue bond	7/2/1996	4.89%	25 years	5/31/2021	<u>1,550,000</u>	<u>551,424</u>
					<u>\$ 2,985,000</u>	<u>\$ 1,235,101</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

For the year ended 6/30:	<u>1996 Pioneer Medical Center</u>		<u>Assisting Living Bond #1</u>		<u>Assisted Living Bond #2</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 82,391	\$ 25,117	\$ 60,000	\$ 20,506	\$ 15,083	\$ 16,237
2017	86,510	20,998	65,000	16,966	16,075	15,245
2018	90,832	16,676	65,000	13,066	16,810	14,510
2019	93,244	14,264	70,000	8,918	17,580	13,740
2020	97,804	9,704	75,000	4,613	18,387	12,933
2021-2025	100,643	4,901	-	-	105,040	51,560
2026-2030	-	-	-	-	129,951	26,649
2031	-	-	-	-	29,751	1,569
Totals	<u>\$ 551,424</u>	<u>\$ 91,660</u>	<u>\$ 335,000</u>	<u>\$ 64,069</u>	<u>\$ 348,677</u>	<u>\$ 152,443</u>

The revenue bonds are collateralized by the revenues of the PMC and the various special funds established by the bond ordinances. The ordinances provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

8. f. OTHER DEBT

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate*</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding</u>
						<u>June 30, 2015</u>
Triangle Telephone Loan -	10/15/2012	1.25%	8.8 years	1/1/2018	\$ 551,000	\$ 132,912

The PMC made a large payment of \$275,000 in fiscal year 2013 and is therefore ahead on payments on this debt. Debt service requirements to maturity for principal and interest for this long term obligation is as follows:

For the year ended 6/30:	Principal	Interest
2016	\$ 62,388	\$ 1,785
2017	52,537	1,005
2018	17,987	225
Totals	<u>\$ 132,912</u>	<u>\$ 3,014</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>County General Levies</u>	<u>Taxes Receivable</u>	<u>Reason</u>	<u>County General Levies</u>	<u>Taxes Receivable</u>	<u>Reason</u>
General*	23,346	Taxes	Alcohol Rehab	230	Taxes
Bridge	12,350	Taxes	Maf Skg/Int	5	Taxes
Weed	3,894	Taxes	<u>Voted Mills</u>		
Fair	1,593	Taxes	Permissive Insurance Levy	7,314	Taxes
Airport	1,440	Taxes	<u>County Rural (Road)</u>		
District Court	3,164	Taxes	Road*	15,047	Taxes
Cemetery	2,200	Taxes	Library	1,547	Taxes
Planning	2,243	Taxes	Fire	4,341	Taxes
Emergency Disaster	83	Taxes	<u>Special Assessments</u>		
Mental Health	95	Taxes	Predatory Animal Sheep	202	Assessments
Senior Citizens	276	Taxes	Predatory Animal Cattle	1,202	Assessments
Extension Services	1,805	Taxes	Total	<u>\$ 103,112</u>	
Law Enforcement	19,107	Taxes			
Website & Technology	1,628	Taxes			

* Denotes Major Funds

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

NOTE 10. DEFICIT FUND BALANCES

Deficit fund balance result from commitments exceeding the resources. The following is a listing of deficit fund balances.

<u>Fund</u>	<u>Amount</u>	<u>How to Correct</u>
Emergency Disaster	\$ 282	Future tax collections
Garnishments	1,377	It is anticipated that future collections will correct the defect fund balance
Total	<u>\$ 1,659</u>	

* Denotes Major Funds

NOTE 11. INTERFUND OPERATING TRANSFERS IN/OUT

<u>Fund - In</u>	<u>Amount</u>	<u>Fund - Out</u>	<u>Purpose of Transfer</u>
Mental Health	2,709	MM Tax Plan & Economic Development	Mental health program funding
Senior Citizens	3,400	MM Tax Plan & Economic Development	Funding senior citizens program
Disaster*	22,291	MM Tax Plan & Economic Development	Funding Wormser loop project
Disaster*	121,178	PILT*	Funding Wormser loop project
Capital Improvement courthouse	30,000	Bridge	Future capital project
Capital Improvement Annex	5,000	Bridge	Future capital project
Capital Improvement WFHL			
Grant	75,000	PILT*	Future capital project
Capital Improvement Fire	43,500	Fire	Future capital project
Posse	2,153	Law Enforcement*	Posse program funding
Capital Improvement Law En-			
forcement	46,000	Law Enforcement*	Future capital project
Capital Improvement Cemetery	37,250	Cemetery	Future capital project
TSEP Pony Truss Bridge	90,000	Bridge	Future capital project
TSEP Pony Truss Bridge	4,900	TSEP PER	Future capital project
Capital Improvement M&E	75,000	Road*	Future capital project
Capital Improvement Bridge	35,000	General*	Future capital project
Airport Improvement project	10,000	Airport	Future capital project
Total	<u>\$ 603,381</u>		Future capital project

* Denotes Major Funds

NOTE 12. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
Disaster*	<u>\$ 90,820</u>	Prior year disaster funds received in FY 2015 that were reclassified in the prior year as uncollectable.
Governmental Type Activities	<u>(2,286,423)</u>	Implementation of GASB 68
Total	<u>\$ (2,195,603)</u>	
Pioneer Medical Center	\$ (2,345,562)	Implementation of GASB 68

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The County provides the same health care plan to all of its members. The County had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The County does not fund any portion of retiree premiums therefore no liability for these benefits is calculated in this valuation.

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

Benefits Provided – The County provides healthcare benefits for retirees and their dependents. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The County covers 89% of the premiums for active employees. Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

Active employees 93

Total OPEB Liability

The County’s total OPEB liability of \$1,460,335 was measured as of June 30, 2015, and was determined through the alternative measurements method provided by GASB-75 as of that date. Assumptions and other inputs. The total OPEB liability in the June 30, 2015 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.49%
Salary increases	2.00%
Discount rate (adjusted for inflation rate)	1.00%
Health care cost rate trend	
Year	% Increase
2016	5.20%
2017	4.90%
2018	4.70%
2019	4.90%
2020	5.30%
2021 and after	5.70%
Retiree’s share of benefit related costs	100%

Changes in the Total OPEB Liability

Balance at June 30, 2014	<u>\$ 1,867,655</u>
Changes for the year:	
Service cost	180,864
Interest	18,586
Changes of benefit terms	(257,886)
Changes in assumptions or other inputs	(149,434)
Benefit payments	<u>(199,450)</u>
Net Changes	<u>(407,320)</u>
Balance at June 30, 2015	<u>\$ 1,460,335</u>

Premium cost increased from a range of \$6,852 to \$13,500 per year to a range of \$8,316 to \$16,632 per year. The County pays 89% of employee premium.

Estimated discount rate was changed from 4.5% to 1%

Estimated payroll growth rate was lowered from 2.5% to 2%

Estimated annual health care cost rate increases were lowered to a range of 4.7% to 5.7%.

The valuation method was changed from the projected unit credit funding method to the entry age normal method.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.00%) or 1-percentage-point higher (2.00%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(0.00%)</u>	<u>(1.00%)</u>	<u>(2.00%)</u>
Total OPEB Liability	\$ 1,630,842	\$ 1,460,335	\$ 1,276,040

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.7% to 3.7%) or 1-percentage-point higher (6.7% to 5.7%) than the current healthcare cost trend rates:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

	<u>1% Decrease</u> <u>(4.7% to 3.7%)</u>	<u>Discount Rate</u> <u>(5.7% to 4.7%)</u>	<u>1% Increase</u> <u>(6.7% to 5.7%)</u>
Total OPEB Liability	\$ 1,171,197	\$ 1,460,335	\$ 1,833,069

The County did not have deferred outflows or inflows of resources associated with the OPEB liability.

NOTE 14. RISK MANAGEMENT

The County is exposed to various types of risk 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. Several methods are used to provide insurance for these risks

Sweet Grass County elected to participate in the Montana Association of Counties Workers' Compensation Trust (The Trust) to provide workers' compensation coverage. The County pays annual premiums to The Trust for its workers' compensation coverage and for its portion of the debt service for the bonds sold by The Trust to provide aggregate excess coverage, provide resources for previously unfunded liabilities, and establish initial insurance reserves. The Trust is governed by an elected board of nine county commissioners which has the authority to determine management and set operational policies. The Trust has obtained reinsurance through commercial companies for claims in excess of \$1,000,000 per occurrence. Financial statements for The Trust are available from the Montana Association of Counties, Helena, Montana.

The County also elected to participate in the Montana Association of Counties Joint Powers Insurance Authority Trust (The Authority) to provide liability and general insurance coverage. Coverage is provided in the amount of \$500,000 for property, liability, errors and omissions, and crime coverage. The Authority has obtained reinsurance through commercial companies for claims in excess of the above areas for various amounts. Claims administration services are handled by a private insurance firm and general administration is handled by the Montana Association of Counties. Financial statements are available from the Montana Association of Counties, Helena, Montana.

Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for employee medical insurance. The County has no coverage for potential losses from environmental damages. Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

The County participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all County employees, except elected officials. The Sheriffs Retirement System (SRS) covers officers. The Public Employee Retirement System (PERS) covers non-SRS employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations and experience studies. Those reports may be obtained from the following:

Public Employees Retirement System
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

15. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

Investments are reported at fair value. MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

15. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

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

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

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

15. b. 1. SUMMARY OF BENEFITS

Member's highest average compensation (HAC)

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

Eligibility for benefit (Service retirement):

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

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

Early retirement, actuarially reduced:

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

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

15. b. 2. OVERVIEW OF CONTRIBUTIONS

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribute 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

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

15. b. 3. ACTUARIAL ASSUMPTIONS

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

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

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

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

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

15. b. 4. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

15. b. 5. TARGET ALLOCATIONS

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

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

15. c. SHERIFFS' RETIREMENT SYSTEM (SRS)

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

15. c. 1. SUMMARY OF BENEFITS

Member's highest average compensation (HAC)

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

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

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

Vesting

5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service Guaranteed Annual Benefit Adjustment (GABA) After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

• 3% for members hired prior to July 1, 2007

• 1.5% for members hired on or after July 1, 2007

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

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

15. c. 2. OVERVIEW OF CONTRIBUTIONS

1. Rates are specified by state law for periodic employer and employee contributions The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system
 - a. Plan members are required to contribute 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
3. Employer contributions to the system:
 - a. The employers are required to contribute 9.825% of members' compensation.
 - b. Effective July 1, 2013, employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

15. c. 3. ACTUARIAL ASSUMPTIONS

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

- General Wage Growth* 4.00%
 - *includes Inflation at 3.00%
 - Merit Increases 0.00% to 7.30%
 - Investment Return 7.75%
 - Postretirement Benefit Increases
 - For members hired **prior to July 1, 2007** 3.00%
 - For members hired **on or after July 1, 2007** 1.50%
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
 - Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

15. c. 4. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

15. c. 5. TARGET ALLOCATIONS

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

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

15. d. SENSITIVITY ANALYSIS

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

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS			
Net Pension Liability	\$ 1,982,274,732	\$ 1,246,010,898	\$ 625,044,646
Employer's proportion of Net Pension Liability	\$ 5,433,232	\$ 3,415,201	\$ 1,713,190
SRS			
Net Pension Liability	\$ 87,589,281	\$ 41,617,020	\$ 3,675,904
Employer's proportion of Net Pension Liability	\$ 437,095	\$ 207,681	\$ 18,344

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

15. e. NET PENSION LIABILITY

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

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

PERS	<u>Net Pension Liability</u>		<u>Percent of</u>
	<u>as of 6/30/13</u>	<u>as of 6/30/14</u>	<u>Collective NPL</u>
Employer Proportionate Share	\$ 4,394,839	\$ 3,415,201	0.274091%
State of Montana Proportionate Share associated with Employer	<u>53,667</u>	<u>41,705</u>	<u>0.348185%</u>
Total	<u>\$ 4,448,506</u>	<u>\$ 3,456,906</u>	<u>0.622276%</u>

SRS	<u>Net Pension Liability</u>		<u>Percent of</u>
	<u>as of 6/30/13</u>	<u>as of 6/30/14</u>	<u>Collective NPL</u>
Employer Proportionate Share	<u>\$ 532,902</u>	<u>\$ 207,681</u>	<u>0.499028%</u>

At June 30, 2015, the employer recorded a liability of \$3,415,201 and \$207,681 for PERS and SRS, respectively, for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS and SRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' and SRS participating employers. At June 30, 2014, the employer's proportion was 0.274091 percent and 0.499028 percent for PERS and SRS, respectively.

Changes in actuarial assumptions and methods: Any changes can be obtained from PERS or SRS as in the first part of this note.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

15. f. PENSION EXPENSE

PERS	Pension Expense as of 6/30/14
Employer's Proportionate Share	\$ 166,635
State of Montana Proportionate Share associated with the Employer	<u>96,567</u>
Total	<u>\$ 263,202</u>

SRS	Pension Expense as of 6/30/14
Employer's Proportionate Share	<u>\$ 11,603</u>

At June 30, 2015, the employer recognized a Pension Expense of \$263,202 and \$33,382 for its proportionate share of the PERS' and TRS Pension Expense, respectively. The employer also recognized grant revenue of \$96,567 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS.

15. g. RECOGNITION OF BEGINNING DEFERRED OUTFLOW – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$x and \$x, for PERS' & SRS, respectively.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

15. h. DEFERRED INFLOWS AND OUTFLOWS

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

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	211,911
Difference between projected and actual earnings on pension plan investments	-	882,432	-	91,532
Changes in proportion differences between employer contributions and proportionate share of contributions	-	401	-	-
Difference between actual and expected contributions	-	-	-	-
#Contributions paid subsequent to the measurement date - FY 2015 Contributions	\$ 275,457	\$ -	\$ 32,831	\$ -
Total	\$ 275,457	\$ 882,833	\$ 32,831	\$ 303,443

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	PERS Amount recognized as an increase or (decrease) to Pension Expense	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources	SRS Amount recognized as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 220,742	\$ (220,742)	\$ -	\$ 58,201	\$ (58,201)
2017	\$ -	\$ 220,742	\$ (220,742)	\$ -	\$ 58,201	\$ (58,201)
2018	\$ -	\$ 220,742	\$ (220,742)	\$ -	\$ 58,201	\$ (58,201)
2019	\$ -	\$ 220,608	\$ (220,608)	\$ -	\$ 58,318	\$ (58,318)
2020	\$ -	\$ -	\$ -	\$ -	\$ 58,319	\$ (58,319)
Thereafter	\$ -	\$ -	\$ -	\$ -	\$ x	\$ x

15. i. PENSION AMOUNTS TOTAL FOR EMPLOYER – EMPLOYER'S PROPORTION OF TRS AND PERS PENSION AMOUNTS

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with SRS	The employer's Total Pension Amounts
Total Pension Liability	\$ 16,991,050	\$ 1,622,508	\$ 18,613,558
Fiduciary Net Position	\$ 13,575,849	\$ 207,681	\$ 13,783,530
Net Pension Liability	\$ 3,415,201	\$ 207,681	\$ 3,622,882
Deferred Outflows of Resources	\$ 275,457	\$ 32,831	\$ 308,288
Deferred Inflows of Resources	\$ 882,833	\$ 303,443	\$ 1,186,276
Pension Expense	\$ 263,202	\$ 11,603	\$ 274,805

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year-ended June 30, 2015

NOTE 16. INTERLOCAL AGREEMENTS

Sweet Grass County provides various services to the City of Big Timber under agreement. Below is a listing of the services provided and the fees assessed by the County:

<u>Service</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Law Enforcement	\$ 162,020	\$ 163,235	\$ 184,235
Law Enforcement Training	\$ 9,000	\$ 9,000	\$ 9,000
City Court	\$ 18,180	\$ 18,180	\$ 18,500
Court Compliance	\$ 6,000	\$ 6,000	\$ 6,000
Sanitarian	\$ 5,000	\$ 5,000	\$ 5,000
Planning	\$ 15,760	\$ 15,760	\$ 17,260
Addictive Disorders	\$ 4,200	\$ 4,200	\$ 4,200
Attorney	\$ 0	0	\$ 17,056

The City of Big Timber provides various services to Sweet Grass County under agreement. Below is a listing of the services provided and the fees assessed by the City:

<u>Service</u>	<u>FY 2015</u>
Fire	\$ 20,000
Library	\$ 51,096

NOTE 17. RELATED PARTY TRANSACTIONS

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

SWEET GRASS COUNTY

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 For the year-ended June 30, 2015

Schedule of changes in the County's total OPEB liability and related ratios

<u>Total OPEB Liability</u>	June 30, 2015
Service cost	\$ 180,864
Interest	18,586
Changes of benefit terms	(257,886)
Changes of assumptions or other inputs	(149,434)
Benefit payments	<u>(199,450)</u>
Net change in total OPEB liability	(407,320)
Total OPEB liability – beginning	<u>1,867,665</u>
Total OPEB liability – ending	<u>\$ 1,460,335</u>
Covered-employee payroll	\$ 3,696,146
Total OPEB liability as a percentage of covered-employee payroll	39.64%

Notes to schedule:

Changes of benefit terms. Amounts presented reflect increased premiums from a range of \$6,852 to \$13,500 per year to a range of \$8,316 to \$16,632 per year.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the estimated discount rate to 1%, reduction of estimated health cost trend rates approximately 1% each year, changes in estimated salary increases from 2.5% to 2%, change in the measurement method from unit credit cost to entry age normal, and changes in the estimated premium provided to retirees by the County from 89% to 0%.

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

SWEET GRASS COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the year-ended June 30, 2015

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	State of Montana's proportionate share of the net pension liability associated with the Employer (b)	Total (a)+(b)=(c)	Employer's covered- employee payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered- employee payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2015	0.274091%	\$ 3,415,201	\$ 41,705	\$ 3,456,906	\$ 3,371,566	101.29%	79.9%

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

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	Employer's covered- employee payroll (b)	Employer's proportionate share of the net pension liability as a percentage of its covered- employee payroll (a)/(b)	Plan fiduciary net position as a percentage of the total pension liability
2015	0.499028%	\$ 207,681	\$ 324,579	63.98%	87.2%

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

SWEET GRASS COUNTY

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
For the year-ended June 30, 2015

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Contributions in relation to the contractually required contributions (b)	Contribution deficiency (excess) (a)+(b)=(c)	Employer's covered- employee payroll (d)	Contributions as a percentage of covered- employee payroll (a)/(d)
2015	\$ 264,679	\$ 264,679	\$ -	\$ 3,371,566	7.85%

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

TEACHERS RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Contributions in relation to the contractually required contributions (b)	Contribution deficiency (excess) (a)+(b)=(c)	Employer's covered- employee payroll (d)	Contributions as a percentage of covered- employee payroll (a)/(d)
2015	\$ 33,382	\$ 33,382	\$ 0	\$ 324,579	10.28%

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes/assessments	\$ 770,253	\$ 770,253	\$ 822,277	\$ 455,559	\$ 455,559	\$ 464,217
Licenses and permits	300	300	521	300	300	225
Intergovernmental revenues	192,703	192,703	203,004	99,978	99,978	276,061
Charges for services	129,973	129,973	132,719	-	-	-
Fines and forfeitures	31,100	31,100	37,103	-	-	-
Miscellaneous	43,300	43,300	42,271	-	-	4,729
Investment and royalty earnings	6,000	6,000	8,501	-	-	-
Total revenues	<u>1,173,629</u>	<u>1,173,629</u>	<u>1,246,396</u>	<u>555,837</u>	<u>555,837</u>	<u>745,232</u>
Expenditures:						
Current:						
General government	1,073,299	1,073,299	1,085,878	-	-	-
Public safety	90,500	90,500	62,690	-	-	-
Public works	-	-	-	679,929	679,929	438,776
Public health	14,060	14,060	31,052	-	-	-
Social and economic services	-	-	1,820	-	-	-
Miscellaneous	-	-	16,549	-	-	-
Debt Service						
Principal	3,840	3,840	3,643	35,840	35,840	35,840
Interest and other charges	765	765	732	268	268	268
Capital outlay	-	-	32,364	60,000	60,000	100,000
Total expenditures	<u>1,182,464</u>	<u>1,182,464</u>	<u>1,234,728</u>	<u>776,037</u>	<u>776,037</u>	<u>574,884</u>
Excess (deficiency) of revenues Over expenditures	<u>(8,835)</u>	<u>(8,835)</u>	<u>11,668</u>	<u>(220,200)</u>	<u>(220,200)</u>	<u>170,348</u>
Other financing sources/uses:						
Sale of capital assets	-	-	-	-	-	4,000
Insurance proceeds	-	-	-	-	-	7,500
Change in reserve for inventories	-	-	-	-	-	(115,779)
Fund transfers in	-	-	-	-	-	-
Fund transfers (out)	(35,000)	(35,000)	(35,000)	(75,000)	(75,000)	(75,000)
Total other financial sources/uses	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(179,279)</u>
Net changes in fund balances	<u>(43,835)</u>	<u>(43,835)</u>	<u>(23,332)</u>	<u>(295,200)</u>	<u>(295,200)</u>	<u>(8,931)</u>
Fund balance:						
Beginning of the year			622,183			907,667
Prior period adjustments			-			-
End of the year			<u>\$ 598,851</u>			<u>\$ 898,736</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	Law Enforcement			Hard Rock		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes/assessments	\$ 565,753	\$ 565,753	\$ 576,689	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	61,581	61,581	61,410	252,000	252,000	271,284
Charges for services	188,635	188,635	201,546	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	2,927	-	-	-
Investment and royalty earnings	1,000	1,000	1,119	4,000	4,000	5,434
Total revenues	816,969	816,969	843,691	256,000	256,000	276,718
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	838,086	838,086	767,199	-	-	-
Public works	-	-	-	-	-	-
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Miscellaneous	-	-	-	1,332,175	1,332,175	-
Debt Service						
Principal	13,431	13,431	13,430	-	-	-
Interest and other charges	515	515	514	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	852,032	852,032	781,143	1,332,175	1,332,175	-
Excess (deficiency) of revenues						
Over expenditures	(35,063)	(35,063)	62,548	(1,076,175)	(1,076,175)	276,718
Other financing sources/uses:						
Sale of capital assets	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-
Change in reserve for inventories	-	-	-	-	-	-
Fund transfers in	-	-	-	-	-	-
Fund transfers (out)	(48,153)	(48,153)	(48,153)	-	-	-
Total other financial sources/uses	(48,153)	(48,153)	(48,153)	-	-	-
Net changes in fund balances	(83,216)	(83,216)	14,395	(1,076,175)	(1,076,175)	276,718
Fund balance:						
Beginning of the year			350,444			1,078,175
Prior period adjustments			-			-
End of the year			\$ 364,839			\$ 1,354,893

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	Disaster			PILT		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes/assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	448,477	481,706	595,132	405,000	405,000	398,913
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,170
Investment and royalty earnings	-	-	-	4,000	4,000	4,657
Total revenues	448,477	481,706	595,132	409,000	409,000	405,740
Expenditures:						
Current:						
General government	-	-	-	1,118,085	1,118,085	115,434
Public safety	-	-	-	-	-	-
Public works	561,903	595,132	595,132	117,500	117,500	67,864
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	-	-	-	80,000	80,000	75,000
Total expenditures	561,903	595,132	595,132	1,315,585	1,315,585	258,298
Excess (deficiency) of revenues Over expenditures	(113,426)	(113,426)	-	(906,585)	(906,585)	147,442
Other financing sources/uses:						
Sale of capital assets	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-
Change in reserve for inventories	-	-	-	-	-	-
Fund transfers in	-	-	143,469	-	-	-
Fund transfers (out)	-	-	-	(358,280)	(358,280)	(196,178)
Total other financial sources/uses	-	-	143,469	(358,280)	(358,280)	(196,178)
Net changes in fund balances	(113,426)	(113,426)	143,469	(1,264,865)	(1,264,865)	(48,736)
Fund balance:						
Beginning of the year			(108,008)			1,362,053
Prior period adjustments			90,820			-
End of the year			\$ 126,281			\$ 1,313,317

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	Federal Mineral Royalty		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes/assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	-	-	1,062
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Investment and royalty earnings	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,062</u>
Expenditures:			
Current:			
General government	4,100	4,100	-
Public safety	-	-	-
Public works	-	-	-
Public health	-	-	-
Social and economic services	-	-	-
Miscellaneous	-	-	-
Debt Service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>4,100</u>	<u>4,100</u>	<u>-</u>
Excess (deficiency) of revenues Over expenditures	<u>(4,100)</u>	<u>(4,100)</u>	<u>1,062</u>
Other financing sources/uses:			
Sale of capital assets	-	-	-
Insurance proceeds	-	-	-
Change in reserve for inventories	-	-	-
Fund transfers in	-	-	-
Fund transfers (out)	-	-	-
Total other financial sources/uses	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(4,100)</u>	<u>(4,100)</u>	<u>1,062</u>
Fund balance:			
Beginning of the year			4,151
Prior period adjustments			<u>-</u>
End of the year			<u>\$ 5,213</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SWEET GRASS COUNTY

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
For the year-ended June 30, 2015

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent GAAP. Annual appropriated budgets are adopted for all funds of the County. All annual appropriations lapse at fiscal year-end, unless the County elects to encumber supplies and personal property ordered but not received at year end. The Town does not use a formal encumbrance system.

1. a. 1 GENERAL BUDGET POLICIES:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds. The major funds Pioneer Medical Center is not included in the schedule because it is an enterprise fund.

1. a. 2 BUDGET OPERATION:

The County operates within the budget requirements for incorporated city or town's as specified by State law. The financial report reflects the following budgetary standards:

- (1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.
- (2) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.
- (3) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- (4) The governing body and each municipal official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
 - a. debt service funds for obligations related to debt approved by the governing body;
 - b. trust funds for obligations authorized by trust covenants;
 - c. any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
 - d. any fund for special assessments approved by the governing body;
 - e. the proceeds from the sale of land;
 - f. any fund for gifts or donations; and
 - g. money borrowed during the fiscal year.
- (5) If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.
- (6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTE 2. BUDGET AMENDMENT

The County approved a budget amendment as noted below.

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
Airport	\$ 34,153	Unanticipated donations
Mental Health	4,296	Uses of cash reserves and PILT operating transfer
Senior Citizens	5,553	Uses of cash reserves
Search and Rescue	21,462	Unanticipated donations
Posted Bonds	470	Revenues and expenditure not included in original budget
Garnishments	6,979	Revenues and expenditure not included in original budget
Fire Donations	4,195	Unanticipated donations
County Attorney	500	Revenues and expenditure not included in original budget
Urban Spurge Weed Grant	30,000	Grant awarded to County after original budget adopted
Weed Old Boulder	1	Revenues and expenditure not included in original budget
Disaster	<u>33,229</u>	
Total	<u>\$ 140,838</u>	

SWEET GRASS COUNTY

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)
For the year-ended June 30, 2015

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Total</u>
	<u>General</u>	<u>PILT</u>	<u>Federal Mineral Royalty</u>	<u>General Fund</u>
Revenues:				
Taxes/assessments	\$ 822,277	\$ -	\$ -	\$ 822,277
Licenses and permits	521	-	-	521
Intergovernmental revenues	203,004	398,913	1,062	602,979
Charges for services	132,719	-	-	132,719
Fines and forfeitures	37,103	-	-	37,103
Miscellaneous	42,271	2,170	-	44,441
Investment and royalty earnings	<u>8,501</u>	<u>4,657</u>	<u>-</u>	<u>13,158</u>
Total revenues	<u>1,246,396</u>	<u>405,740</u>	<u>1,062</u>	<u>1,653,198</u>
Expenditures:				
Current:				
General government	1,085,878	115,434	-	1,201,312
Public safety	62,690	-	-	62,690
Public works	-	67,864	-	67,864
Public health	31,052	-	-	31,052
Social and economic services	1,820	-	-	1,820
Miscellaneous	16,549	-	-	16,549
Debt Service				
Principal	3,643	-	-	3,643
Interest and other charges	732	-	-	732
Capital outlay	<u>32,364</u>	<u>75,000</u>	<u>-</u>	<u>107,364</u>
Total expenditures	<u>1,234,728</u>	<u>258,298</u>	<u>-</u>	<u>1,493,026</u>
Excess (deficiency) of revenues				
Over expenditures	<u>11,668</u>	<u>147,442</u>	<u>1,062</u>	<u>160,172</u>
Other financing sources/uses:				
Fund transfers (out)	<u>(35,000)</u>	<u>(196,178)</u>	<u>-</u>	<u>(231,178)</u>
Total other financial sources/uses	<u>(35,000)</u>	<u>(196,178)</u>	<u>-</u>	<u>(231,178)</u>
Net changes in fund balances	<u>(23,332)</u>	<u>(48,736)</u>	<u>1,062</u>	<u>(71,006)</u>
Fund balance:				
Beginning of the year	<u>622,183</u>	<u>1,362,053</u>	<u>4,151</u>	<u>1,988,387</u>
End of the year	<u>\$ 598,851</u>	<u>\$ 1,313,317</u>	<u>\$ 5,213</u>	<u>\$ 1,917,381</u>

In the reconciliation the general fund, PILT fund, and federal mineral royalty fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The PILT fund and federal mineral royalty fund are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
DIRECT:				
Schools and Roads - Grants to States	10.665	12-DG-11011100-005	\$ 81,368	3,784
Schools and Roads - Grants to States	10.665	14-DG-11011100-020	\$ 27,390	4,920
PASSED THROUGH MONTANA DEPARTMENT OF ADMINISTRATION:				
Schools and Roads - Grants to States	10.665	N/A	\$ 176,083	176,083
PASSED THROUGH MONTANA DEPARTMENT OF AGRICULTURE:				
Forest Health Protection	10.680	MDA 2015-067	\$ 20,000	2,776
Forest Health Protection	10.680	2014-711x	\$ 30,000	12,971
Total U.S. Department of Agriculture				<u>\$ 200,534</u>
U.S. DEPARTMENT OF TRANSPORTATION				
DIRECT:				
Airport Improvement Program	20.106	DOT-FA13NM-2016	237,200	16,501
Airport Improvement Program	20.106	3-30-0007-009-2014	142,069	40,511
PASSED THROUGH MONTANA SHERIFF AND PEACE OFFICERS ASSOCIATION:				
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	N/A	4,000	144
Total U.S. Department of Transportation				<u>\$ 57,156</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASSED THROUGH MONTANA DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES:				
Public health emergency preparedness	93.069	15-07-6-11-051-0	N/A	17,860
Immunization Cooperative Agreements	93.268	15-07-4-31-145-0	N/A	2,594
Maternal Child Health	93.994	16-07-5-01-049-0	N/A	5,045
PASSED THROUGH MONTANA SECRETARY OF STATE OFFICE				
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618	HHS-2013-ACL-AIDD-DH-0062	5,000	5,000
Total U.S. Department of Health and Human Services				<u>\$ 30,499</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
PASSED THROUGH MONTANA DEPARTMENT OF MILITARY AFFAIRS				
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	PW-640-1SGCT08	597,363	446,349
Emergency Management Performance Grants	97.042	EMPG 2015	16,458	16,458
Total U.S. Department of Homeland Security				<u>\$ 462,807</u>
Total Federal Financial Assistance				<u>\$ 750,996</u>

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule.

SWEET GRASS COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year-ended June 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Sweet Grass County under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Sweet Grass County, it is not intended to and does not present the financial position, changes in net position or cash flows of Sweet Grass County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as used in the governmental financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. FOOTNOTES

N/A – Not applicable/ available

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sweet Grass County
Sweet Grass County
Big Timber, Montana 59011

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Sweet Grass County's basic financial statements and have issued our report thereon dated December 8, 2015.

Internal Control Over Financial Reporting

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

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 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2015-001.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Sweet Grass 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*.

Sweet Grass County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



STROM & ASSOCIATES, PC
Billings, Montana
December 8, 2015

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sweet Grass County
Sweet Grass County
Big Timber, Montana 59011

Report on Compliance for Each Major Federal Program

We have audited Sweet Grass County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sweet Grass County's major federal programs for the year ended June 30, 2015. Sweet Grass County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sweet Grass County's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015

Report on Internal Control Over Compliance

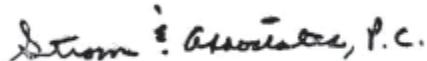
Management of Sweet Grass County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sweet Grass County's internal control over compliance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

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

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

Purpose of this Report

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



STROM & ASSOCIATES, PC
Billings, Montana
December 8, 2015

SWEET GRASS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year-ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Sweet Grass County's financial statements as of and for the year ended June 30, 2015.
2. Our audit disclosed a significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of Sweet Grass County.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Sweet Grass County's compliance with major federal awards programs as of and for the year ended June 30, 2015.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Sweet Grass County for the year ended June 30, 2015 was

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance (Presidentially declared disasters)
8. The threshold used to distinguish between Type A and type B programs was \$300,000. Sweet Grass County has Disaster Grants - Public Assistance (Presidentially declared disasters) as a Type A programs.
9. This County does not qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2015

2014-001 Cash Account Handling and Reporting:

Excess number of individual cash accounts – Not repeated
Fire Donations – updated and repeated as 2015-001

2014-002 Other Post-Employment Benefits (OPEB) - Implemented:

2015-001 Fire Department and Critical response cash accounts

Criteria: The County currently works with the Big Timber fire department to provide fire protection out of the Melville Fire Department and McLeod Fire Department. Donations to these three fire departments should be accounted for by the parent government with responsibility for the incorporated (city) and unincorporated (rural) areas. The County improperly accounts for the city department donation account, in addition the County does not exercise proper internal controls over the donation accounts for the rural fire departments or the critical care response donation account.

Condition: The County works closely with the Big Timber city government to provide fire services to rural areas. The County has improperly recorded city fire department donations accounts as a special revenue fund of the County. The County has established separate checking accounts outside of the normal internal control process for the rural fire departments and critical care response.

Effect: By not following the County internal control processes, the County does not have adequate oversight over revenues and disbursements for the two rural fire departments and the critical care response. In addition, the County assets, revenues and disbursements are overstated by the amounts recorded for the city fire department \$74,705, \$78,899, and \$61,395, respectively.

SWEET GRASS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

For the year-ended June 30, 2015

Context: Currently all three fire department donation accounts and the critical care response donation account are accounted for in special revenue funds of Sweet Grass County. The donation account for the Big Timber Fire department (city) is the responsibility of the municipality and should not be accounted for on Sweet Grass County financial statements. The donations for the two rural fire departments and the critical care response are properly accounted for in special revenue funds, but do not follow the internal controls maintained by the County for revenues and disbursements.

Cause: The County was unaware of the city government's responsibility for the city fire department donation account. Furthermore, the County has not consolidated the donation accounts for the rural fire departments and critical care response into the normal County internal control processes.

Recommendation: We recommend the following steps be taken:

- 1) The donation account for the city fire department should be removed from the Sweet Grass County special revenue fund and should be accounted for by the responsible parent government.
- 2) The donation accounts for the two rural fire districts and the critical care response account should be closed and further revenues and disbursements for these special revenue funds should flow through the normal County internal control process.

Auditee Response:

Management concurs with the finding. The County will arrange a meeting between the Big Timber Volunteer Fire Department (including Melville and McLeod departments), the City of Big Timber, and Sweet Grass County to discuss the finding and a resolution to it.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133 in the prior audit report or for the fiscal year ended June 30, 2015.