

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The financial statements of Yellowstone County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Yellowstone County's financial statements include those separate governmental entities that are controlled or are dependent on the County. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 61. GASB Statement No. 61 defines the reporting entity as the County and those component units for which the County is financially accountable. To be financially accountable, a voting majority of the organization's board must be appointed by the County, and either a) the County must be able to impose its will, or b) the County may potentially benefit financially or be financially responsible for the organization. The County does not report any separate government entities as component units.

B. Fund Accounting

The County uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all financial activities of the general government not recorded in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds include all trust and agency funds which account for assets held by the County as a trustee or as an agent for individuals, other governmental units and/or other funds. The investment trust fund accounts for the external portion of the County's investment pool, which is invested for County school districts, special districts, and the protest tax fund. These districts have all agreed to voluntarily participate in the investment pool. Agency funds generally are used to account for funds being held on an interim basis on behalf of others as their agent. Such funds are custodial in nature since all assets are due to individuals or entities at some future time.

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Note 1. Summary of Significant Accounting Policies, continued

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Interfund activity constituting reimbursements for expenditures or expenses previously recorded in another fund, for the most part, has been removed from these statements. This avoids reporting the same expenditure or expense twice and eliminates the associated reimbursement revenue. *Governmental-activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Non-major funds are aggregated and presented in a single column. The internal service funds are aggregated in a single column on the face of the proprietary fund statement.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which eligibility requirements imposed by the provider have been met.

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 and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. Principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded as fund liabilities when payment is due.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Agency funds are custodial in nature and do not involve measurement of results of operations.

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Note 1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The County reports deferred revenue on its governmental funds' balance sheets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. The County reports uncollected property tax revenues as deferred revenue for governmental funds.

Those revenues susceptible to accrual are interest revenue, grant revenues, and charges for services. Changes in the fair value of investments are recognized in revenue at the end of each year. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road fund* accounts for the construction, maintenance, and improvements of public roads outside incorporated areas.

The *property and liability insurance fund* accounts for the collection of levied taxes used to pay property and casualty insurance and the establishment of reserves for the self-funded liability program.

The *public safety fund* accounts for the levy and expenditures of the Sheriff's Department, including the Yellowstone County Detention Facility.

The *RSID bond fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt issued for rural special improvement districts.

The *capital improvement fund* accounts for the accumulation and expenditure of resources for major capital expenditures, construction, or improvements.

The government reports the following major fund proprietary funds:

The *refuse disposal fund* accounts for the funding and costs associated with County charges and services provided to County residents to have access to garbage disposal.

The *METRA fund* accounts for the operations of the Montana Exposition, Trade, and Recreation Arena (METRA), which reports all activities and events held in the 10,000 seat arena and other event facilities and grounds.

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Note 1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Additionally, the government reports the following fund types:

Internal service funds account for the County's self-insured health insurance plan, motor pool, and telephone services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges for property and liability insurance. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's agency funds include cash and property tax receivables for county school districts and other county special districts. They also include property tax receivables levied by Yellowstone County on behalf of the State of Montana and the Cities of Billings, Laurel, and Broadview. Cash collections on those property tax receivables are distributed to associated taxing jurisdictions in the month subsequent to collection.

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 METRA enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Position or Equity

1. Cash and Demand Investments, and Cash Investments

Cash resources, to the extent available, of the individual funds are combined to form a cash pool, which is managed by the County Finance Director. The cash pool is not registered with the Securities and Exchange Commission as an investment company and is not subject to regulatory oversight. Investments of the pooled cash, which are authorized by state law, consist primarily of repurchase agreements, the State of Montana's Short Term Investment Pool (STIP), and securities of the U. S. Government, its agencies, or government sponsored entities and are carried at quoted market prices. The fair value of investments is determined annually, and is based on quoted market prices. The method used to determine the values of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of withdrawal. Bank deposits include demand deposits and overnight repurchase agreements in County banks. Interest income earned as a result of pooling and changes in the fair value of investments are distributed to the appropriate funds as designated by state law utilizing a formula based on the applicable cash balance participation of each fund. The general fund receives interest revenue from those funds not specifically designated by state law to receive interest. Government sponsored entities include: federal home loan bank; federal national mortgage association; federal home mortgage corporation; and federal farm credit bank.

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.

The County issues warrants in payment of its obligations. Cash balances are reported net of outstanding warrants.

For purposes of the statement of cash flows, the County considers all highly liquid debt instruments with an original maturity of three months or less, including restricted cash and demand investments, as cash equivalents.

Montana Code Annotated 7-6-202 regarding "Deposit and Investment of Public Money" reads as follows:

- (1) A local governing body may invest public money not necessary for immediate use by the county, city, or town in the following eligible securities:
 - (a) United States government treasury bills, notes, and bonds and in United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;
 - (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book-entry form with the federal reserve bank of New York; or
 - (c) obligations of the following agencies of the United States, subject to the limitations in subsection (2):
 - (i) federal home loan bank;
 - (ii) federal national mortgage association;
 - (iii) federal home mortgage corporation; and
 - (iv) federal farm credit bank.
- (2) An investment in an agency of the United States is authorized under this section if the investment is a general obligation of the agency and has a fixed or zero-coupon rate and does not have prepayments that are based on underlying assets or collateral, including but not limited to residential or commercial mortgages, farm loans, multifamily housing loans, or student loans.
- (3) The local governing body may invest in a United States government security money market fund if:
 - (a) the fund is sold and managed by a management-type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as may be amended;
 - (b) the fund consists only of eligible securities as described in this section;
 - (c) the use of repurchase agreements is limited to agreements that are fully collateralized by the eligible securities, as described in this section, and the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

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Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Position or Equity

1. Cash and Demand Investments, and Cash Investments

- (d) the fund is listed in a national financial publication under the category of "money market mutual funds", showing the fund's average maturity, yield, and asset size; and (e) the fund's average maturity does not exceed 397 days.
- (4) Except as provided in subsection (5), an investment authorized in this part may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.
- (5) An investment of the assets of a local government group self-insurance program established pursuant to 2-9-211 or 39-71-2103 in an investment authorized in this part may not have a maturity date exceeding 10 years, and the average maturity of all those authorized investments of a local government group self-insurance program may not exceed 6 years.
- (6) This section may not be construed to prevent the investment of public funds under the state unified investment program established in Montana Code Annotated Title 17, chapter 6, part 2.

Montana Code Annotated 7-6-206 permits time or savings deposits with banks, savings and loans associations, or credit unions within the State. The County has placed investment pool funds into a local bank utilizing a recent FDIC program referred as the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows funds to be placed into a participating bank and the funds are 100% FDIC insured with that bank. The program utilizes FDIC insurance distribution from member banks, however, the funds are utilized and retained by the local member bank.

2. Restricted Cash and Demand Investments

Restricted cash and demand investments represent resources set aside for capital improvements, advances, notes payable repayment, and unforeseeable repairs improvements.

3. Receivables and Payables

All trade, special assessment, and property tax receivables are shown net of an allowance for uncollectibles. As of June 30, 2015, the allowances were as follows:

	<u>Allowance Amount</u>
Accounts Receivable	\$ 48,285
Property taxes	823,200
Delinquent special assessments	12,900
Deferred special assessments	67,100
Total uncollectible allowance	<u>\$ 951,485</u>

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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Notes to the Financial Statements
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Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Position or Equity

4. Inventories

In the proprietary funds, inventories are recorded at the lower of cost (first-in, first-out method) or market, and are recorded as expenses when consumed. In the funds, reported inventories are recorded at average cost, and are recorded as expenditures when consumed.

5. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The governmental fund financial statements may include expenditures for minor capital assets valued between \$500 and \$5,000 that the County has budgeted as capital in order to provide fixed asset control of these items, however, these items are not being reported or depreciated as capital assets on the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

The County's collection of donated artifacts and art held at the Yellowstone County Museum are not capitalized or depreciated. During fiscal year ended 6/30/15, there were no significant purchases or deaccession of collection items.

6. Self-Insurance Accruals

The County provides for an estimated accrual for incurred claims at year end in the Property and Liability Insurance Fund for liability claims and the Health Insurance Fund for unpaid health claims.

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Notes to the Financial Statements
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Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Position or Equity

7. Due to Other Taxing Districts

This account represents cash, tax receivables, and other assets held by the County for other taxing jurisdictions. Cash received by the County for the State of Montana, multi-jurisdictional service districts, and cities and towns located in Yellowstone County is distributed in the month following collection.

8. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental fund that will pay it in the fund financial statements. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The non-vested portion of sick leave is 75% of the accrued sick leave times the rate of pay.

All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report 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. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

11. Fund Equity

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Government Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the County beginning in fiscal year 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The five fund balance classifications, in order of constraint level, are Non-spendable, Restricted, Committed, Assigned and Unassigned. Non-spendable can represent a constraint or an asset that is not spendable in form.

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Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Position or Equity

In compliance with GASB Statement No. 54, Yellowstone County adopted a Fund Balance Classification Policy. This policy states that committed fund balances will be authorized by the County Commission in a public meeting by resolution or policy. Committed fund balance may only become uncommitted by the same formal action authorized by the County Commission in a public meeting by resolution or policy. Assigned fund balance may be assigned informally by the Finance Director based on future budget expenditures after a current fund balance review has been completed. Assigned fund balance may become unassigned by the same action.

Yellowstone County's expenditure order of resource categories for all governmental funds, when restricted, committed, assigned or unassigned are available, will be as follows:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

12. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position does not include either capitalized assets or the related debt for Rural Special Improvement Districts (RSIDs). Infrastructure improvements built and maintained through RSIDs are the financial responsibility of the benefited property owners and are not the responsibility of the County other than in a fiduciary capacity. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations by other governments.

13. New Accounting Pronouncements

The County has adopted the provisions of the following GASB pronouncements for fiscal year 2015:

Statement No. 68 – Accounting and Financial Reporting for Pensions, which is effective for the County beginning in fiscal year 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, with the provisions to be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68.

Accounting Standards effective in a future period:

GASB Statement No. 72, Fair Value Measurement and Application, which is effective for the County beginning in fiscal year 2016. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value Measurements.

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, which is effective for the County beginning in fiscal year 2016. The objective of this Statement is to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

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Note 1. Summary of Significant Accounting Policies, continued

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is effective for the County beginning in fiscal year 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for the County beginning in fiscal year 2018. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is effective for the County beginning in fiscal year 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 77, Tax Abatement Disclosures, which is effective for the County beginning in fiscal year 2016. The objective of this Statement is to require disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues.

The effect of adopting these Statements cannot be determined at this time.

Note 2. Reconciliation Comparative of Government-wide and Fund Financial Statements

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

A separate report has been included in basic financial statements to explain the differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

A separate report has been included in basic financial statements to explain the differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities.

Note 3. Stewardship, compliance, and accountability

A. Budgets

Budgets are adopted on a basis consistent with a modified accrual basis of accounting. Annual legal budgets are adopted for the general, special revenue, debt service, and capital projects funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

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Note 3. Stewardship, compliance, and accountability(continued)

The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Individual fund budgets are the same as appropriation amounts. Unexpended appropriations lapse at the end of the year.

Budget amendments can be made at any time during the year by resolution after holding public hearings. Supplemental appropriations were made for unanticipated state and federal grants awarded during the year. The effect of the budget amendments other than those for federal and state grants during fiscal year 2014 was nominal. Reported budget amounts represent the original adopted budget as amended.

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Note 4. Cash and Demand Investments, and Cash Investments

The County maintains a cash and investment pool for all funds under the control of the County Treasurer. The non-pooled investments represent those investments held for other individuals or districts to be utilized for a specific purpose or capital project. The County's investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2015. All investments meet collateral requirements specified by State Law.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the County or its agent in the County's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the County's name.

At year end, the County's pooled investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash investments - U.S. Government agencies	\$ 57,745,856	\$0	\$0	\$ 57,745,856
Cash investments - certificate of deposit account registry service	47,000,000	0	0	47,000,000
Cash in overnight repurchase agreements	0	0	49,700,191	49,700,191
Cash on hand and demand deposits	339,048	0	1,308,967	1,648,015
Subtotal	<u>\$ 105,084,904</u>	<u>\$0</u>	<u>\$ 51,009,158</u>	<u>156,094,062</u>
<u>Investments Not Subject to Categories:</u>				
State Treasurer's Investment Pool (STIP)				0
Total Pooled Investments				<u>\$ 156,094,062</u>

At year end, the County's nonpooled investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash investments - certificate of deposit account registry service	\$ 9,151,929	\$0	\$0	\$ 9,151,929
Cash investments - certificate of deposit	35,081,000	0	0	35,081,000
Cash in overnight repurchase agreements	0	0	9,327,879	9,327,879
Cash on hand and demand deposits	250,000	0	1,757,959	2,007,959
Subtotal	<u>\$ 44,482,929</u>	<u>\$0</u>	<u>\$ 11,085,838</u>	<u>55,568,767</u>
<u>Investments Not Subject to Categories:</u>				
State Treasurer's Investment Pool (STIP)				0
Total Nonpooled Investments				<u>55,568,767</u>
Total Investments				<u>\$ 211,662,829</u>

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Note 4. Cash and Demand Investments, and Cash Investments, continued

Along with limitations placed on investments by state law, the County minimizes custodial risk by restrictions set forth by County policy. Custodial risk is the risk that in an event of a financial institution failure, the County investments may not be returned or the County will not be able to recover the collateral securities in the possession of the outside party. The County maintains a listing of financial institutions which are approved for investment purposes.

Due to higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in category 3 at those times were substantially higher than at year end.

The total cash reported at June 30, 2015, is detailed as follows:

	<u>Total</u>	<u>Statement of Net Position</u>	<u>Fiduciary Net Position</u>
Cash and demand investments, pooled	\$ 51,348,206	\$ 19,717,999	\$ 31,630,207
Restricted cash and demand investments for capital, pooled	-	0	-
Restricted cash and demand investments held in trust, nonpooled	2,007,959	1,924,184	83,775
Restricted cash and demand investments for capital, nonpooled	9,327,879	0	9,327,879
Total cash and demand investments	62,684,044	21,642,183	41,041,861
Cash investments, pooled	104,745,856	40,224,640	64,521,216
Cash investments, nonpooled	400,000		400,000
Restricted cash investments for capital, nonpooled	35,081,000	0	35,081,000
Restricted cash investments for debt service, nonpooled	8,751,929	0	8,751,929
Total	<u>\$ 211,662,829</u>	<u>\$ 61,866,823</u>	<u>\$ 149,796,006</u>
Cash on hand, pooled	\$ 648,329		
Cash in bank deposits and other bank deposits, pooled	999,686		
Cash in bank deposits and other bank deposits, nonpooled	2,007,959		
Cash in overnight repurchase agreements, pooled	58,989,313		
Cash in overnight repurchase agreements, nonpooled	9,327,879		
Cash in State Treasurer's Investment Pool (STIP)	0		
Outstanding warrants, pooled	(9,289,122)		
Total cash and demand investments	62,684,044		
Cash investments, pooled	104,745,856		
Cash investments, nonpooled	44,232,929		
Total	<u>\$ 211,662,829</u>		
Cash and demand investments, and cash investments- pooled	\$ 156,094,062		
Cash and demand investments, and cash investments- nonpooled	55,568,767		
	<u>\$ 211,662,829</u>		

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 4. Cash and Demand Investments, and Cash Investments, continued

Cash on hand - represents two types of cash items: petty cash and change funds on hand - \$37,030; cash received after last bank deposit - \$611,300

Cash in bank deposits and other bank deposits – Cash in bank deposits represents cash on deposit in local bank accounts used for pooled banking operations of the County - \$999,686; other bank deposits represents cash held in trust for other individuals in which any interest earnings are not distributed to the investment pool - \$2,007,959.

Cash in overnight repurchase agreements – represents cash invested on a daily basis by the County's primary bank. Invested funds represent the nightly balance of collected funds in the County's main depository bank account. The overnight repurchase agreement has the funds re-deposited into the County's main bank account the next business day. The invested funds are collateralized by permissible U.S. government securities that have a value of at least 102% of the investment value.

Cash in State Treasurer's Investment Pool (STIP)

STIP is considered an external investment pool. STIP is also classified as a "2a-7 like" pool. A "2a-7-like" pool is an external investment pool that is not registered with the Securities and Exchange Commission as an investment fund, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The County's investment position in STIP is determined by the pool's share price, which is dollar denominated.

The STIP portfolio includes, but is not limited to, "variable rate" and "asset-backed" securities to provide diversification and a competitive rate of return. These securities are described below:

Asset-backed Securities are debt securities collateralized by a pool of mortgages and non-mortgage assets, such as trade and loan receivables, equipment leases, and credit cards, etc. pledged by the issuer. Asset-backed securities have one or more forms of credit enhancement to raise the quality of the security. Examples of credit enhancement include, but are not limited to, letter of credit, reserve fund, or senior/subordinate arrangements.

Variable Rate (Floating-Rate) Securities provide many advantages of short-term bonds because they are designed to minimize the investor's interest rate risk. As with variable rate loans issued by banks, the interest rate paid by the issuer of these securities is reset periodically depending on market conditions. The value of these securities will usually remain at or near par because their interest rates are reset to maintain a current market yield. STIP's variable rate securities float to either the prime rate or the London Interbank Offering Rate (LIBOR), which is similar to the European federal funds rate.

Outstanding warrants - represents issued and outstanding warrants and checks of the County and school districts.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 4. Cash and Demand Investments, and Cash Investments, continued

Cash investments - represents investments held by the County Treasurer with maturity dates exceeding 1 day.

At June 30, 2015 pooled cash investment items were:

<u>Investment Type</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Credit Risk Rating Moody's - S&P</u>	<u>Fair Value</u>
<u>U.S. Government Agencies</u>				
Federal Farm Credit	0.92 - 2.00%	2.5 -4.5 years	AAA - AA+	\$7,035,270
Federal Home Loan Mortgage Corporation	1.10 - 2.03%	2.25 - 5.0 years	AAA - AA+	10,983,811 *
Federal Home Loan Bank	1.10 - 2.03%	1.25-4.5 years	AAA - AA+	22,753,599 *
Federal National Mortgage Association	0.37 - 1.90%	2.75 - 5 years	AAA - AA+	16,973,176 *
Total U.S. government agency securities				<u>\$57,745,856</u>
Certificate of Deposit Account Registry Service	0.24 - 0.36%	2 - 128 days	100% FDIC Insured	47,000,000 *
Total cash investments, pooled				<u><u>\$104,745,856</u></u>

At June 30, 2015, nonpooled cash investment items were:

<u>Investment Type</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Credit Risk Rating Moody's - S&P</u>	<u>Fair Value</u>
Certificate of Deposit Account Registry Service	.30 - .98%	0.6 - 3.0 years	100% FDIC Insured	\$9,151,929 *
Certificate of Deposit	0.21 - 0.24%	0.5- 4 months	102% collateral	35,081,000 *
Restricted cash investments for capital improvements, nonpooled				<u><u>\$ 44,232,929</u></u>

* - represents 5% or more of total cash investments

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 4. Cash and Demand Investments, and Cash Investments, continued

The following represents a condensed statement of net position and changes in net position for the cash and investment pool as of June 30, 2015:

<u>Condensed Statement of Net Cash and Investment Assets</u>	
Cash and demand investments, pooled	\$ 51,348,206
Cash investments, pooled	104,745,856
Cash investments, nonpooled	400,000
Restricted cash and demand investments for capital improvements, nonpooled	9,327,879
Restricted cash and demand investments held in trust, nonpooled	2,007,959
Restricted cash investments for capital improvements, nonpooled	35,081,000
Restricted cash investments for debt service, nonpooled	8,751,929
Accrued interest receivable	178,458
Net position held in trust for all pool participants	<u><u>\$ 211,841,287</u></u>
Equity of internal pool participants	\$ 126,975,220
Equity of external pool participants	84,866,067
Total equity	<u><u>\$ 211,841,287</u></u>
 <u>Condensed Statement of Changes in Net Cash and Investment Assets</u>	
Net position at July 1, 2014	\$ 247,271,508
Net changes in investments by pool participants	(35,597,562)
Market value adjustment of cash investments	167,341
Net position at June 30, 2015	<u><u>\$ 211,841,287</u></u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 5. Receivables

Receivables as of year-end for the government's individual major funds; and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	MAJOR GOVERNMENTAL FUNDS						Other Nonmajor Governmental Funds	MAJOR ENTERPRISE FUNDS		Internal Service Funds	Fiduciary Funds	Total
	General	Road	Liability & Property Insurance	Public Safety - Sheriff	R.S.I.D. Bond Fund	Capital Improvement Fund		Refuse Disposal	METRA			
Receivables:												
Tax Title	\$15,560	0	0	0	0	0	0	0	0	0	0	\$15,560
Property taxes	1,030,393	\$692,879	\$79,775	\$695,819	\$0	\$0	\$968,273	\$0	\$214,084	\$0	\$9,579,129	\$13,260,352
Accounts	249,498	0	0	412,636	0	1,990	324,884	0	6,831	15,289	50,550	1,061,678
Delinquent assessments	0	0	0	0	5,509	0	18,565	56,595	0	0	347,659	428,328
Deferred assessments	0	0	0	0	1,321,870	0	10,070	0	0	0	0	1,331,940
Accrued interest	34,159	0	3,461	0	140	13,784	4,681	0	1,270	7,642	113,321	178,458
Gross receivables	1,329,610	692,879	83,236	1,108,455	1,327,519	15,774	1,326,473	56,595	222,185	22,931	10,090,659	16,276,316
Less allowances for uncollectible accounts	(221,800)	(163,500)	(17,800)	(182,416)	(67,400)	0	(242,028)	(8,500)	(48,041)	0	0	(951,485)
Net total receivables	\$1,107,810	\$529,379	\$65,436	\$926,039	\$1,260,119	\$15,774	\$1,084,445	\$48,095	\$174,144	\$22,931	\$10,090,659	\$15,324,831

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes receivable (governmental funds)	\$2,691,639	\$0	\$2,691,639
Special assessments receivable (governmental funds)	19,674	0	19,674
Special assessments not yet billed (governmental funds)	1,264,840	0	1,264,840
METRA unearned revenue from future advertising revenues	0	458,426	458,426
METRA FY15 receipts for fiscal year 2016 events (enterprise fund)	0	1,862,993	1,862,993
Total Unearned Revenue	\$3,976,153	\$2,321,419	\$6,297,572

The delinquent taxes receivable accounts represent the past five years of uncollected tax levies. The allowance for uncollectibles is estimated based on delinquent tax collection history. All net property taxes and special assessments receivables are offset by unearned revenue in the governmental fund types.

The 2014 real property taxes and the 2014 special assessments were levied and became receivables in October 2014. The semi-annual installments were due in November 2014 and May 2015. As of December 1, 2014, and June 1, 2015, uncollected real property taxes and special assessments became delinquent and all uncollected amounts as of June 30, 2015, have been reported as unearned revenue. Delinquent taxes become a lien on the property on June 1 and after 3 years the County exercises the lien and takes title to the property. Personal property taxes were levied throughout the year and became a receivable when levied. Personal property taxes are due 30 days from the levy date. Amounts not collected as of June 30, 2015, have been reported as unearned revenue. There was no significant land held for resale as of June 30, 2015.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 6. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Due from/to Other Taxing Districts

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Shepherd Cemetery	\$ 1,500

Advances from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Metra	\$ 350,000
General Fund	RSID Maintenance	\$ 25,347
General Fund	Lockwood Pedestrian Safety	\$ 81,000

The following school districts have requested and received a release of funds from the protest tax fund (agency fund) as an early release of property taxes from protesting property owners within their districts:

	<u>Amount</u>
School District #2 Billings	\$ 1,642,181
School District #7 Laurel	\$ 2,132,702
School District #26 Lockwood	<u>\$ 45,539</u>
Total Funds Released from Protest Tax fund	<u><u>\$ 3,820,422</u></u>

Should the protesting taxpayer prevail in part or in whole, the school district may levy the shortage caused by the refunded amount on the protest in the succeeding year if the governing body chooses to do so.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 6. Interfund Receivables, Payables and Transfers, continued

Interfund transfers

	Transfers in									
	MAJOR GOVERNMENTAL FUNDS						Other Nonmajor Governmental Funds	MAJOR ENTERPRISE FUND METRA	Internal Service Funds	Total
	General	Road	Liability & Property Insurance	Public Safety - Sheriff	R.S.I.D. Bond Fund	Capital Improvement Fund				
Transfers out:										
General Fund	\$0	\$0	\$0	\$447,200	\$0	\$2,600,000	\$2,817,982	\$0	\$0	\$5,865,182
Road Fund	\$0	0	0	0	0	200,000	41,704	0	0	241,704
Public Safety - Sheriff Fund	137,819	0	0	0	0	1,250,000	32,342	0	0	1,420,161
RSID Bond Fund	0	0	0	0	0	0	1949	0	0	1,949
Nonmajor Governmental Funds	744,846	185,061	22,968	752,787	0	23,000	556,715	150,000	1,607,374	4,042,751
Major Enterprise Fund - METRA	37,111	0	0	0	0	0	0	0	0	37,111
Refuse Disposal Fund	20,000	0	0	0	0	0	0	0	0	20,000
Total transfers	\$939,776	\$185,061	\$22,968	\$1,199,987	\$0	\$4,073,000	\$3,450,692	\$150,000	\$1,607,374	\$11,628,858

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 7. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2015 was as follows:

<u>Governmental-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	3,665,796	0	(139,172)	3,526,624
Construction in Progress	56,097	250,652	(34,460)	272,289
Total Capital Assets, Not Being Depreciated	3,721,893	250,652	(173,632)	3,798,913
Capital Assets, Being Depreciated:				
Buildings	28,968,597	303,554	(344,120)	28,928,031
Improvements Other Than Buildings	2,994,148	62,114	0	3,056,262
Machinery and Equipment	20,435,644	1,599,995	(1,030,082)	21,005,558
Infrastructure	46,435,278	5,206,830	0	51,642,108
Total Assets Being Depreciated	98,833,667	7,172,492	(1,374,202)	104,631,958
Less Accumulated Depreciation For:				
Buildings	18,205,891	731,556	(86,030)	18,851,417
Improvements Other Than Buildings	1,233,886	116,948	0	1,350,834
Machinery and Equipment	12,236,071	1,472,308	(799,029)	12,909,351
Infrastructure	20,569,355	2,728,501	0	23,297,856
Total Accumulated Depreciation	52,245,203	5,049,313	(885,059)	56,409,458
Total Capital Assets, Being Depreciated, Net	46,588,464	2,123,179	(489,143)	48,222,500
Governmental Activities Capital Assets, Net	\$50,310,357	\$2,373,831	(\$662,774)	\$52,021,414

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 7. Capital Assets, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$368,574	\$0	\$0	\$368,574
Construction in progress	77,503	1,116,472	(4,267)	1,189,707
Total Capital Assets, Not Being Depreciated	446,077	1,116,472	(4,267)	1,558,281
<u>Capital Assets, Being Depreciated:</u>				
Buildings	54,247,640	9,739	(10,000)	54,247,379
Improvements Other Than Buildings	5,661,275	123,271	0	5,784,546
Machinery and Equipment	1,489,797	265,448	0	1,755,245
Total Capital Assets, Being Depreciated	61,398,712	398,458	(10,000)	61,787,170
<u>Less Accumulated Depreciation For:</u>				
Buildings	18,964,002	1,248,870	(10,000)	20,202,872
Improvements Other Than Building	3,775,640	240,519	0	4,016,161
Machinery and Equipment	765,429	107,971	0	873,400
Total Accumulated Depreciation	23,505,071	1,597,360	(10,000)	25,092,434
Total Capital Assets, Being Depreciated, Net	37,893,641	(1,198,902)	0	36,694,737
Business-type Activities Capital Assets, Net	\$38,339,718	(\$82,430)	(\$4,267)	\$38,253,018

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$509,935
Public Safety	1,052,069
Public Works	3,338,523
Public Health	10,160
Social and Economic	14,777
Culture and Recreation	96,598
Governmental Internal Service Funds	27,251
Total Depreciation Expense - Governmental Activities	5,049,313
<u>Business-type Activities</u>	
METRA	1,597,360
Total Depreciation Expense - Primary Government	\$6,646,673

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. The capital assets acquired with the general obligation debt were donated to METRA, which is a business-type activity, however METRA is not responsible for servicing the debt. Debt service is the responsibility of the governmental debt service fund which levies annual tax revenues to service the debt.

General obligation bonds are direct obligations and pledge the full faith and credit of the County, and the levy to repay the debt is not subject to other tax levy limits. Limited tax general obligation bonds are funded from available tax authority and have budget priority funding. Outstanding general obligation bonds are as follows:

<u>Governmental -type Activities:</u>	<u>Interest Rate</u>	<u>Amount</u>
2011 Limited Tax General Obligation Bonds – Bridge Connector & METRA Improvements (nontaxable) 1.40% - 2.85% due 6/15/2021, payable in annual principal installments of \$290,000 to \$340,000, callable on or after June 15, 2017	1.400 – 2.85%	\$ 1,900,000
2008 Limited Tax General Obligation Bonds – Veteran’s Cemetery & METRA Seating (nontaxable) 3.40% - 4.00% due 6/15/2023, payable in annual principal installments of \$115,000 to \$275,000, callable on or after December 15, 2015	3.50 – 4.00%	<u>\$ 1,625,000</u> <u>\$ 3,525,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u>	<u>Governmental - type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June30,</u>			
2016	525,000	104,185	629,185
2017	545,000	91,498	636,498
2018	565,000	77,303	642,303
2019	585,000	61,612	646,612
2020	605,000	43,835	648,835
2021-2023	700,000	38,890	738,890
Total	<u>\$3,525,000</u>	<u>\$417,323</u>	<u>\$3,942,323</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt, continued

Rural Special Improvement District Bonds

The County issued no new special assessment bonds in fiscal year 2015.

Rural special improvement district bonds are payable from special assessments levied against the properties of the respective districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par value plus accrued interest, if the related special assessments are collected.

The County has a secondary responsibility on the special assessment bonds issued for the various rural special improvement districts (R.S.I.D.) to the extent of availability of cash in the R.S.I.D. Revolving Fund. State law provides for and the County uses an R.S.I.D. Revolving Fund to accumulate resources for such debt service payment. Law allows for a special property tax levy as long as the balance in this fund is less than 5% of the principal amount of outstanding R.S.I.D. bonds. No tax levy for this fund was assessed for fiscal year ended June 30, 2015. The R.S.I.D. Revolving Fund has no unfunded commitment to the R.S.I.D. bond fund as of June 30, 2015. The R.S.I.D. Revolving Fund would be committed to the R.S.I.D. Bond Fund as a result of lost revenues due to unpaid assessments from properties taken by tax title. The amount of the liability can fluctuate based on future tax deed losses, collections of penalties and interest on delinquent assessments, proceeds from unsold tax deed properties and other circumstances. The R.S.I.D. Revolving Fund, which has a fund balance of \$327,309 at June 30, 2015, is treated as a debt service fund.

The outstanding rural special improvement district bonded indebtedness of the County was as follows:

<u>Rural Special Improvement District Number</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2015</u>
682	6.00%	08/01/02	08/01/17	\$ 174,000	\$ -
715	4.19%	08/01/04	08/01/19	410,000	65,000
717	4.93%	06/01/05	08/01/20	738,000	165,000
758	3.75%	05/01/07	07/01/27	373,000	196,000
783	4.58%	09/28/10	08/01/25	126,777	75,000
785	5.30%	02/01/11	08/01/26	126,945	80,000
803	3.36%	09/20/12	08/01/27	1,015,434	725,000
Various matured bonds	0.00%	Various	Matured	Various	7,225
Outstanding rural special improvement district bonds, June 30, 2015					1,313,225
Less called and matured bonds					(7,225)
Uncalled rural special improvement district bonds, June 30, 2015					\$ 1,306,000

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt, continued

Rural Special Improvement District Bonds, continued

Annual debt service requirements to maturity for special assessment bonds are as follows:

Debt Service Requirements

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$63,000	\$50,248	\$113,248
2017	14,000	47,683	61,683
2018	14,000	47,158	61,158
2019	134,000	46,633	180,633
2020	186,000	41,257	227,257
2021-2025	591,000	117,730	708,730
2026-2028	304,000	20,221	324,221
Total	<u>\$1,306,000</u>	<u>\$370,930</u>	<u>\$1,676,930</u>

Notes Payable

Notes payable are long-term obligations which are financed through the current operating budget of the respective funds.

As of June 30, 2015, the County had no outstanding notes payable.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt, continued

Changes in Long-Term Liabilities

The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the County.

	Year Ended June 30, 2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Principal Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 4,040,000	\$0	(\$515,000)	\$3,525,000	\$ 525,000
Special assessment debt with governmental commitment	1,490,000	0	(184,000)	1,306,000	63,000
Claims and judgements	280,000	670,000	0	950,000	950,000
Compensated absences	2,135,749	56,547	0	2,192,296	545,349
OPEB implicit rate subsidy	1,628,054	314,401	0	1,942,455	0
Governmental activity long-term liabilities	\$ 9,573,803	\$ 1,040,948	\$ (699,000)	\$ 9,915,751	\$ 2,083,349
<u>Business-type Activities:</u>					
Compensated absences	196,082	22,620	0	218,702	54,676
OPEB implicit rate subsidy	139,741	31,668	0	171,409	0
Business-type Activities Long-term Liabilities	\$ 335,823	\$ 54,288	\$ -	\$ 390,111	\$ 54,676

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt, continued

Summary of Debt Maturities

Annual debt service principal and interest payments required on outstanding debt at June 30, 2015, are as follows:

Year Ending June 30,	Type of Debt	
	General Obligation Bonds	Rural Special Improvement Bonds
2015	\$ 629,185	\$ 113,248
2016	636,498	61,683
2017	642,303	61,158
2018	646,612	180,633
2019	648,835	227,257
2020-2024	738,890	708,730
2025-2028	0	324,221
	<u>\$ 3,942,323</u>	<u>\$ 1,676,930</u>

Note 9. GASB Statement No. 54 Fund Balance

The Government Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the County beginning in fiscal year 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The five fund balance classifications, in order of constraint level, are Non-spendable, Restricted, Committed, Assigned and Unassigned.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 9. GASB Statement No. 54 Fund Balance, continued

	MAJOR FUNDS						Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Property & Liability Insurance Fund	Public Safety Fund	R.S.I.D. Bond Fund	Capital Improvement Fund		
Nonspendable								
Inventory	\$27,268	\$194,302	\$0	\$0	\$0	\$0	\$49,901	\$271,471
Prepays	63,285	68,512	2,485	10,011	0	0	7,714	\$152,007
Total Unspendable Fund Balance	\$90,553	\$262,814	\$2,485	\$10,011	\$0	\$0	\$57,615	\$423,478
Restricted								
Road	0	3,957,838	0	0	0	0	0	\$3,957,838
Predatory Animal	0	0	0	0	0	0	399	\$399
Park	0	0	0	0	0	0	178,101	\$178,101
Veteran's Cemetery	0	0	0	0	0	0	121,694	\$121,694
Lockwood Pedestrian Safety	0	0	0	0	0	0	(\$75,593)	(\$75,593)
Drug Forfeiture	0	0	0	0	0	0	343,382	\$343,382
RSID Maintenance	0	0	0	0	0	0	4,018,126	\$4,018,126
Junk Vehicle	0	0	0	0	0	0	73,030	\$73,030
DUI Task Force/Highway Traffic Safety	0	0	0	0	0	0	56,699	\$56,699
RSID Revolving	0	0	0	0	0	0	327,309	\$327,309
RSID Bond	0	0	0	0	216,984	0	0	\$216,984
RSID Construction	0	0	0	0	0	0	(\$70)	(\$70)
Total Restricted Fund Balance	\$0	\$3,957,838	\$0	\$0	\$216,984	\$0	\$5,043,077	\$9,217,899
Committed								
Bridge	0	0	0	0	0	0	686,175	\$686,175
Weed	0	0	0	0	0	0	118,671	\$118,671
Liability & Property Insurance	0	0	461,234	0	0	0	0	\$461,234
Mental Health Fund	89,132	0	0	0	0	0	0	\$89,132
Extension Service	0	0	0	0	0	0	98,751	\$98,751
Public Safety	0	0	0	5,589,314	0	0	0	\$5,589,314
County Attorney	0	0	0	0	0	0	1,305,394	\$1,305,394
Museum	0	0	0	0	0	0	194,252	\$194,252
Youth Services	0	0	0	0	0	0	450,388	\$450,388
Total Committed Fund Balance	\$89,132	\$0	\$461,234	\$5,589,314	\$0	\$0	\$2,853,631	\$8,993,311

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 9. GASB Statement No. 54 Fund Balance, continued

	MAJOR FUNDS						Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Property & Liability Insurance Fund	Public Safety Fund	R.S.I.D. Bond Fund	Capital Improvement Fund		
Assigned								
Use of Reserves	847,952	0	2,340,972	403,082	0	12,480,000	1,309,444	\$17,381,450
Blight	69,720	0	0	0	0	0	0	\$69,720
Record Preservation-Capital Improvements	325,256	0	0	0	0	0	0	\$325,256
PILT	0	0	0	0	0	0	224,554	\$224,554
GIS	0	0	0	0	0	0	289,576	\$289,576
Capital Improvement	0	0	0	0	0	3,857,229	0	\$3,857,229
Total Assigned Fund Balance	\$1,242,928	\$0	\$2,340,972	\$403,082	\$0	\$16,337,229	\$1,823,574	\$22,147,785
Unassigned								
General Fund	5,040,863	0	0	0	0	0	0	\$5,040,863
Total Unassigned Fund Balance	\$5,040,863	\$0	\$0	\$0	\$0	\$0	\$0	\$5,040,863
Total Fund Balance	\$6,463,476	\$4,220,652	\$2,804,691	\$6,002,407	\$216,984	\$16,337,229	\$9,777,897	\$45,823,336

Non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or limited due to legal or contractual restrictions.

Restricted fund balance classification includes constraints placed on the use of resources that are legally enforceable by an external party. External parties include creditors, grantors, contributors, and laws/regulations of other governments.

Committed fund balance classifications include constraints placed on the use of resources that are imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance classifications include constraints placed on the use of resources that are imposed by the government's intent to be used for a specific purpose and the intent to spend down fund balance to fund the next year's projected deficit spending (if this exists).

Unassigned fund balance classifications include spendable amounts that have not been Restricted, Committed or Assigned to a specific purpose within the General Fund.

Revenue sources for the major special revenue funds:

Road Fund – Real and personal property taxes, road permits, intergovernmental revenue, charge for services, other income including sale of fixed assets and transfers in.

Property & Liability Insurance Fund - Real and personal property taxes, charge for services, refund reimbursement, other income including interest revenue and transfers in.

Public Safety Fund - Real and personal property taxes, permits and licenses, intergovernmental revenue including grant revenues, charge for services, other income including sale of fixed assets and transfers in.

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2015

Note 10. Risk Management

The County faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. A variety of methods is used manage these risks.

Liability and Property Insurance

The County is self-insured on liability and property claims. As of year-end, the County has reserved \$950,000 for outstanding liability claims. Reinsurance for liability claims is purchased from a third party risk retention group. Coverage history is as follows:

	<u>Deductible</u>	<u>Limit per occurrence</u>	<u>Annual aggregate</u>
Claims outstanding prior to October 4, 1990	No coverage	No coverage	No coverage
October 4, 1990 to October 4, 1998	\$ 250,000	\$ 1,500,000	\$ 3,000,000
October 4, 1998 to October 4, 2002	\$ 100,000	\$ 1,500,000	\$ 3,000,000
October 4, 2002 to October 4, 2003	\$ 200,000	\$ 1,500,000	\$ 3,000,000
October 4, 2003 to October 4, 2004	\$ 250,000	\$ 1,500,000	\$ 3,000,000
October 4, 2004 to January 4, 2005	\$ 500,000	\$ 1,500,000	\$ 3,000,000
January 4, 2005 to June 30, 2015	\$ 250,000	\$ 1,500,000	\$ 3,000,000

County buildings and their contents are covered by a blanket property and casualty insurance policy of \$173,700,000 with a \$50,000 deductible. The County at June 30, 2015, had unreserved fund balance in its Property and Liability Insurance Fund totaling \$2,804,691. Levels of property insurance increased 2.6% from the prior year. As of October 16, 2008, the County has acquired \$5,000,000 of museum collection and temporary loan insurance coverage for artifacts and art held at the Yellowstone County Museum.

Liability settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

Worker's Compensation

The County has elected to participate in the Montana Association of Counties Workers' Compensation Trust (the Trust). The Trust was organized to provide workers' compensation coverage to participating counties. 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 has obtained reinsurance through commercial companies for claims in excess of \$750,000 per occurrence. The Trust's governing body is comprised of nine county commissioners elected at the annual county commissioner's convention. The governing body has the authority to determine management and set operational policies.

Financial statements for the Trust are available from the Montana Association of Counties, located in Helena, Montana.

Employee health insurance is discussed in note 11B.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 11. Employee Benefits

A. Compensated Absences

All full-time County employees accumulate vacation and sick leave hours for later use or for payment upon termination, death or retirement. Employees earn annual vacation leave at the rate of 15 days per year for the first 10 years of employment up to a maximum of 24 days per year after 20 years. There is no requirement that annual vacation leave be taken, but the maximum permissible accumulation is twice the current annualized rate as of December 31 of each year. At termination employees are paid for any accumulated annual vacation leave.

Employees earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave. At termination employees are paid for 25% of accumulated sick leave. The liability for vested accumulated annual vacation and sick leave at June 30, 2015, is \$2,410,998. The unvested 75% of accumulated sick pay benefits, which totaled \$2,695,020 at June 30, 2015, has not been recorded as a liability.

B. Health Insurance

The County has a self-funded health care benefit plan for its employees. The County has contracted with a private insurance company to provide the aggregate stop loss coverage, and claims processing. The County contributes a monthly amount for each full-time employee for health and dental insurance benefits. Employees may elect to include coverage of their dependents, at the employees' expense. Revenues to the plan from the various funds and employees are recorded as health insurance premiums in the Health Insurance Fund, an internal service fund. The fund records health care costs as expenses when claims are incurred. The fund establishes claims liabilities, including incurred but not reported (IBNR) claims based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends and any other factors that modify past experience. Claims liabilities include only specific, incremental claim adjustment expenses. The liability recorded for the IBNR is \$375,000 and \$192,893 is recorded for health and drug claims and administration costs incurred in fiscal year 2015 but paid in July 2015.

Following is a summary of the changes in the balance of claim liabilities during the last three fiscal years:

<u>Fiscal Year</u>	<u>Beginning of fiscal-year liability</u>	<u>Estimated Incurred claims</u>	<u>Claims paid, net of expected reimbursements</u>	<u>End of fiscal-year liability</u>
2012-2013	\$ 440,314	\$ 5,570,324	\$ 5,711,637	\$ 299,001
2013-2014	\$ 299,001	\$ 6,725,061	\$ 6,169,234	\$ 854,828
2014-2015	\$ 854,828	\$ 7,128,625	\$ 6,560,732	\$ 567,893

Yellowstone County' carries specific stop loss insurance of \$270,000 per claim on a claims incurred basis. There was one claim that exceeded the specific stop loss level for fiscal year 2015. Effective in fiscal year 2003, the County elected to utilize the permissive medical levy. This levy may be utilized to fund medical inflation costs of the employer. The permissive medical levy transferred \$1,607,374 to the health insurance fund in fiscal year 2015. The transfer was larger than normal because of protest tax settlements.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 11. Employee Benefits, continued

B. Health Insurance, continued

<u>Results of operations for fiscal year ended:</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Health insurance premiums	\$ 5,771,353	\$ 5,818,662
Health claims	(6,725,061)	(7,128,625)
Administrative expenses	(508,241)	(476,042)
Interest revenue	55,838	71,930
Interfund transfer in	<u>1,606,262</u>	<u>1,607,374</u>
Net income (loss)	200,151	(106,701)
Net position, beginning of fiscal year	<u>6,459,359</u>	<u>6,659,510</u>
Net position, end of fiscal year	<u>\$ 6,659,510</u>	<u>\$ 6,552,809</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 11. Employee Benefits, continued

B. Health Insurance, continued

In addition to providing health benefits for existing employees, the County also allows retired and COBRA (1985 Consolidated Omnibus Budget Reconciliation Act) employees, and their families, to participate in the plan at the former employee's expense. As of June 30, 2015, there are 47 former employees covered under the health plan. As of June 30, 2015 there are 62 county retirees that have elected coverage under a Medicare advantage plan in lieu of the County's health plan. Those employees will have the option to re-enroll with the County's health plan on an annual elective basis. Additionally, eligible Medicare retirees currently covered by the County's health plan may annually elect to change to the Medicare advantage plan. The participation of those eligible Medicare covered individuals in the Medicare advantage plan is not expected to result in any significant financial impact to the county's health plan. The County also allows participation in the plan for employees and dependents of Riverstone Health Department and the Big Sky Economic Development. For FY15, employees of Riverstone Health Department and Big Sky Economic Development pay premiums at the same County rates plus a \$10 per month per employee administrative fee. The economic impact of the extension of benefits to these other participating entities and former employees cannot be separated from the County's cost to cover active employees. Premiums for employee paid coverage and retiree under 65 coverage increased 5.8% during fiscal year 2014. Premiums for retirees over 65 coverage increased 10.0% during fiscal year 2015. The funding for the employer portion of coverage increased 5.8%. There were only minor changes to health plan benefits during fiscal year 2015.

C. Life Insurance and Long Term Disability

All County employees covered by health insurance are also covered by life insurance. The County also covers permanent part-time employees that do not elect health insurance. The County pays the cost of life insurance for coverage at 100% of the prior year's salary rounded to the highest \$1000. All full-time employees are covered to a maximum of \$50,000. Supplemental life insurance is optionally available at the employee's cost up to three times the employee's employer paid coverage. The County has contracted with a private insurance carrier to provide the life insurance coverage.

The County pays for third-party long term disability insurance at an insured level of 60% of monthly pre-disability base pay for employees. Eligibility for long term disability is the same as life insurance eligibility.

D. Deferred Compensation Plans

The County offers its employees various deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all County employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The County has three deferred compensation plans and each plan allows several investment options. The choice of plan and investment options is made by the employee.

Plan assets are maintained in an exclusive trust for the benefit of participants and their beneficiaries. Accordingly, plan assets are not reported in the County's financial statements.

E. Other Post-Employment Benefits (OPEB)

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Post-Employment Benefits, the County has calculated and included a post-employment benefit liability in 2015.

1. Plan Description

Yellowstone County Employee Group Benefits Plan maintains a single-employer self-insured medical plan that is administered by Blue Cross Blue Shield of Montana. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents, included are medical and dental benefits. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of County Commissioners and may be revoked or altered at any time.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 11. Employee Benefits, continued

E. Other Post-Employment Benefits (OPEB), continued

2. Funding Policy

The County provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. As of June 2014 there are 51 retirees and/or survivors enrolled for the employer's sponsored health insurance plan. In 2014 retirees contributed \$478,383 towards the cost of the County's annual premium.

3. Annual OPEB Cost Obligation.

The County's other post-employment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credit service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

4. Annual Required Contribution – June 30, 2015

Normal Cost	\$369,601
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years from the Valuation Date	<u>352,012</u>
Annual Required Contribution	<u>\$721,613</u>

5. Funded Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability (AAL) for benefits was \$5,416,702 all of which was unfunded. There are no assets set aside to fund these benefits as the County funds post-retirement health insurance benefits on a pay-as-you-go basis.

Annual Valuation – June 30, 2015

Actuarial Value of Assets	\$ 0
Plus Actuarial Accrued Liability (AAL)	\$5,416,702
Unfunded Actuarial Accrued Liability (UAAL)	\$5,416,702
Funded Ratio (actuarial value of assets / UAAL)	0.00%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the note to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 11. Employee Benefits, continued

E. Other Post-Employment Benefits (OPEB), continued

6 Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

Retirement and Disability rates are assumed to follow the RP2000 Healthy Combined Table with mortality improvements by Scale AA to 2010 and set backs of two years for both males and females. In the case of a disability the same applies, except for females, where it is a set forward of one year.

Turnover rates were based on specific gender age data assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Amortization factor for a 30-year, level percent of pay amortization on an open basis, using a 4.0 percent discount rate and a 3.0 percent payroll growth assumption.

Healthcare cost trend rate (HCCTR) was based on projections from historical rates of the County. A medical trend rate of 8.0% was used to calculate fiscal year 2013 and will be reduced by 0.5% each year until an ultimate rate of 5.0% after 6 years and later.

Health insurance premiums for 2012 retirees were used as the basis for calculation of the present value of total benefits to be paid.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Note 12. Pension and Retirement Fund Commitments

A. Public Employees' Retirement System (PERS)

Yellowstone County

Plan Description –

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.

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.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

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.

Vesting

Age 55, 5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)*

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

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

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

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

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

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-Vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

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 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 contribution 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

Yellowstone County, Montana
Notes to the Financial Statements
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

Stand-Alone Statements –

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.shtml>

Actuarial Assumptions –

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

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

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

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.

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.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

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.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2015

Sensitivity Analysis –

	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	\$22,272,323	\$13,999,854	\$7,022,839

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

Summary of Significant Accounting Policies –

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, 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. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

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). 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.

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In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS 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. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 18,015,661	\$ 13,999,854	1.1235740%
State of Montana Proportionate Share associated with Employer	\$ 219,999	\$ 170,956	1.4273100%
Total	\$ 18,235,660	\$ 14,170,814	2.5508840%

At June 30, 2015, the employer recorded a liability of \$ 13,999,854 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 during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers.

At June 30, 2014, the employer's proportion was 1.123574% percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

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

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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.

Pension Expense –

	Pension Expense as of 6/30/14	
Employer's Proportionate Share	\$	683,547
State of Montana Proportionate Share associated with the Employer	\$	395,856
Total:	\$	1,079,403

At June 30, 2015, the employer recognized a Pension Expense of \$1,079,403 for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$395,856 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$ 1,086,851.97

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,617,332

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Changes in proportion differences between employer contributions and proportionate share of contributions	\$ 210	\$ 463
Difference between actual and expected contributions		
#Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]	\$ 1,129,258	\$ -
Total	\$ 1,129,467	\$ 3,617,795

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:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	52	904,470	\$ (904,417)
2017	52	904,470	\$ (904,417)
2018	52	904,385	\$ (904,333)
2019			
Thereafter			

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Note 12. Pension and Retirement Fund Commitments

B. Sheriffs' Retirement System Pension Plan (SRS)

Plan Description –

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

Summary of Benefits –

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.

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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
 - Service Retirements: 523
 - Disability Retirements: 32
 - Survivor Benefits: 22

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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.

Stand-Alone Statements –

The SRS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.shtml>

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Actuarial Assumptions –

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

· General Wage Growth*	4.00%
· *includes Inflation at	3.00%
· Merit Increases	0% to 7.3%
· 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.

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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. 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.

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%

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

Sensitivity Analysis –

	1.0% Decrease -6.75%	Current Discount Rate	1.0% Increase -8.75%
SRS' Net Pension Liability	\$87,589,281	\$41,617,020	\$3,675,904
Employer's proportion	\$7,902,193	\$3,754,635	\$331,635

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.

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Summary of Significant Accounting Policies –

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, 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.

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

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 Sheriffs' Retirement System (SRS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 9,634,275.31	\$ 3,754,634.62	9.0218730%

At June 30, 2015, the employer recorded a liability of \$ 3,754,634.62 for its proportionate share of the

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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 SRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of SRS' participating employers.

At June 30, 2014, the employer's proportion was 9.021873% percent.

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

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.

Pension Expense –

	Pension Expense as of 6/30/14
Employer's Proportionate Share	\$ <u>209,770</u>
\$ <u>209,770.09</u>	

At June 30, 2015, the employer recognized a Pension Expense of for its proportionate share of the SRS' Pension Expense.

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 \$603,501.

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Deferred Inflows and Outflows -

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

Differences between actual and expected experience	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 3,831,121
Difference between projected and actual earnings on pension plan investments	\$ -	\$1,654,788
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ -	\$ -
Difference between actual and expected contributions	\$ -	\$ -
#Contributions paid to SRS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]		
Total	\$ 633,361	\$ -
	\$ 633,361	\$ 5,485,909

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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:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	0.00	1,052,217	\$ (1,052,217)
2017	0.00	1,052,217	\$ (1,052,217)
2018	0.00	1,052,217	\$ (1,052,217)
2019	0.00	638,520	\$ (638,520)
Thereafter	0.00	638,520	\$ (638,520)

Note 13. Contingent Liabilities and Commitments

Pending Litigation

There are a number of lawsuits pending. However, management estimates that the potential claims against the County from such litigation would not threaten the County's political existence or exceed the County's ability to pay. The accrued liability established in the Property and Liability Insurance Fund of \$950,000 is considered to be adequate for potential settlements and litigation costs. The County considers the other known legal actions, for which no reserve has been determined, to be of nominal financial impact.

Grants

The County has Federal and state grants for specific purposes that are subject to annual audits and other periodic reviews by grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs, which may be disallowed as appropriate expenses under the grant terms. The County believes disallowances, if any, will not be material.

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Note 14. Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying general purpose financial statements.

Between July 1, 1978 and June 30, 2015 there were nineteen series of industrial revenue bonds issued. The aggregate principal amount outstanding for the five remaining series issued after July 1, 1997 was \$26,474,041 as of June 30, 2015. The County, via Riverstone Health, issued two industrial revenue bonds during the fiscal year.

Note 15. Related Organization

The County is responsible for appointing the members of the governing board of the Big Sky Economic Development (the Organization) however; the County is not able to impose its will on the Organization. Nor is there a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on, the County. As a result, the Big Sky Economic Development is considered a related organization, and not a component unit of the County.

Note 16. Protested Taxes

The protest tax receivable for the County's governmental and proprietary funds decreased \$3,845,017 or 57.3% from 6/30/14 to 6/30/15.

Protest Tax Receivables									
Fiscal Year	Governmental-type Funds			Business-type Funds			Total		
	Beginning Ending	Balance Change	Ending Balance	Beginning Balance	Change	Ending Balance	Beginning Balance	Change	Ending Balance
FY11	\$2,581,970	\$1,760,455	\$4,342,425	\$103,798	\$155,622	\$259,420	\$2,685,768	\$1,916,077	\$4,601,845
FY12	\$4,342,425	\$2,944,658	\$7,287,083	\$259,420	\$189,450	\$448,870	\$4,601,845	\$3,134,108	\$7,735,953
FY13	\$7,287,083	\$2,549,918	\$9,837,001	\$448,870	\$161,828	\$610,698	\$7,735,953	\$2,711,746	\$10,447,699
FY14	\$9,837,001	(\$3,563,200)	\$6,273,801	\$610,698	(\$176,827)	\$433,871	\$10,447,699	(\$3,740,027)	\$6,707,672
FY15	\$6,273,801	(\$3,577,768)	\$2,696,033	\$433,871	(\$267,249)	\$166,622	\$6,707,672	(\$3,845,017)	\$2,862,655

The County portion of all protested property taxes held in trust stands at its lowest point in the past five years. The multi-year, centrally assessed protests were mostly resolved in FY15. A significant portion of the balance as of 6/30/15 is from one of the area refineries initiating another protest based upon FY15 market values, for which taxes were levied in November, 2014 and May, 2015.

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Note 17. Prior Period Adjustment

For the year ending June 30, 2015, the County implemented GASB Statement No. 68, regarding the reporting of pension liabilities, and GASB Statement No. 71, regarding reporting of pension contributions subsequent to the measurement date of June 30, 2014. Accordingly, beginning net position has been restated to reflect the previously unrecognized pension liability as follows:

	Governmental Activities	Business-type Activities
Beginning net position, as originally reported	\$ 97,074,218	\$ 40,151,946
Pension liability, June 30, 2013	(25,355,652)	(2,299,368)
Retirement contributions in 2014	1,551,675	138,678
Net restatement	(23,803,977)	(2,160,690)
Beginning net position, as restated	\$ 73,270,241	\$ 37,991,256

As the pension expense, deferred inflows and deferred outflows related to the net pension liability were not available for the period ending June 30, 2014, the prior year financial statements have not been restated. This statement requires the County to recognize pension liabilities, and the related deferred inflows and outflows for its proportionate share of the actuarially determined unfunded liabilities of cost sharing defined benefit retirement plans the County participates in (See Note 12).

Note 18. Subsequent Events

In June 2015 the State of Montana and AT&T resolved outstanding tax protests for tax years 2011, 2012, 2013 and 2014. Tax refunds of \$1.28 million went back to AT&T and \$2.48 million was distributed to the taxing jurisdictions. The County's portion of the resolved tax protests was \$550,000.