

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT

PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF DIRECTORS

Tony Sitzman
Ron Ostberg
Sandy Broesder
Jim Anderson
Jim Suta
Ron Anderson
Wendy Judisch
Jackie Sheble
Corrine Rose

Chairman
Vice Chairman
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member

DISTRICT OFFICIALS

Ron Collyer
Jessi Lytle
Bill Bieler

District Superintendent
Financial Operations Manager
District Attorney

**Northern Montana Joint Refuse
Disposal District
Management's Discussion and Analysis
Fiscal Year 2013-2014**

The Northern Montana Joint Refuse Disposal District is a unique organization that involves one main solid waste landfill and six roll off sites in six different cities including Conrad, Cut Bank, Choteau, Brady, Dupuyer and Valier, Montana. Each Roll off site is there for the City and or County to dispose of residential and/or commercial waste. The NMJRDD has 40 yard containers that commercial or residential customers can rent and utilize as needed.

The Northern Montana Joint Refuse Disposal District consisted of the following board members for the Fiscal Year 2013-2014:

Chairman – Tony Sitzmann
Vice Chairman – Ron Ostberg
Financial Manager – Jessi Lytle

Board Members

Sandy Broesder – Pondera County
Jim Anderson – City of Choteau
Jim Suta – City of Cut Bank
Ron Andersen – Glacier County Sanitarian
Corrine Rose – Pondera and Teton County Sanitarian
Jackie Sheble – Town of Valier
Wendy Judisch – City of Conrad

Overview of the Financial Statements:

The Northern Montana Joint Refuse Disposal District GASB conversion is not necessary due to the organization. It would not accomplish a purpose. The Financial Manager handles the monthly and annual reporting process.

Business-type Activities:

Business type activities include solid waste collection and disposal of such. Consumers are billed on a yearly basis for these services through the yearly tax bills prepared and collected by each County involved in the District. These collections are then distributed to the District on a monthly basis following the payment at the County. A tipping fee is either collected at the landfill itself or charged and billed to the member from the District office. This fee is for disposal of items not included in the yearly fee such as remodeling debris, tires, appliances etc. The District has an Interlocal Agreement with the Blackfeet Solid Waste for disposal of their solid waste. The District also has a contract for services with Glacier National Park for disposal of their solid waste. The District also has price agreements with other entities that have been approved by the board. The District allows for new members, outside the district boundaries, to join upon completion of an application with payment of the membership fee and the tipping fee based on the date of application. These applications are normally for the area outside the City of Choteau, but within Teton County. Pondera County and Glacier County make up the balance of the District, excluding property within the reservation boundaries.

Financial Position:

The overall financial position of the District remains stable. There were no Federal Loans or Grants received. There was a decrease of net position since fiscal year 2013 by \$58,374.00. Cash was decreased by \$616,933.00 due to purchases described below.

Northern Montana Joint Refuse Disposal District MD & A Comparisons June 30, 2014

Table 1 - Net Position

	Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 667,519	\$ 1,283,489	\$ (615,970)
Capital assets	2,244,915	1,190,807	1,054,108
Total assets	<u>2,912,434</u>	<u>2,474,296</u>	<u>438,138</u>
Long-term debt outstanding	\$ 342,182	\$ 35,114	\$ 307,068
Other liabilities	279,977	207,284	72,693
Total liabilities	<u>622,159</u>	<u>242,398</u>	<u>379,761</u>
Invested in capital assets, net of debt	1,944,915	1,190,807	754,108
Restricted	345,360	1,041,091	(695,731)
Total net position	<u>\$ 2,290,275</u>	<u>\$ 2,231,898</u>	<u>\$ 58,377</u>

Table 2 - Changes in Net Position

	Business-type Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 974,857	\$ 894,016	\$ 80,841
<i>General revenues (by major source):</i>			
Interest/investment earnings	10,243	10,866	(623)
Total revenues	<u>\$ 985,100</u>	<u>\$ 904,882</u>	<u>\$ 80,218</u>
Program expenses			
5,420	\$ 924,198	\$ 930,078	\$ (5,880)
Total expenses	<u>\$ 924,198</u>	<u>\$ 930,078</u>	<u>\$ (5,880)</u>
Excess (deficiency) before special items and transfers	\$ 60,902.00	\$ (25,196.00)	\$ 86,098.00
Gain (loss) on sale of capital assets	-	10,963	(10,963)
Increase (decrease) in net position	<u>\$ 60,902</u>	<u>\$ (14,233)</u>	<u>\$ 75,135</u>

Capital Assets and Debt Administration:

The District added 220 acres of land to their existing area at a cost of \$550,314.00. The District also purchased a new Caterpillar compactor. There was a down payment on the compactor of \$264,250.00 and the balance of \$300,000.00 was financed through Caterpillar Corporation.

The District has funds in a Trust Account at 1st Interstate Bank in Polson to cover the Closure and Post Closure costs affiliated with the landfill. These funds are invested by 1st Interstate.

Contacting the Northern Montana Joint Refuse Disposal District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the District accounting office located at 1479 Valier Highway East 44, Valier, MT 59486. Mailings address PO BOX 757, Conrad, MT 59425.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern Montana Joint Refuse Disposal District
Pondera County
Conrad, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of Northern Montana Joint Refuse Disposal District, Pondera County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities of Northern Montana Joint Refuse Disposal District, Pondera County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015, on our consideration of the Northern Montana Joint Refuse Disposal District, Pondera County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Montana Joint Refuse Disposal District, Pondera County, Montana's internal control over financial reporting and compliance.

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

September 11, 2015

Northern Montana Joint Refuse Disposal District
Statement of Net Position
Proprietary Funds
June 30, 2014

		Business-Type Activities - Enterprise Funds
		Solid Waste
ASSETS		
Current assets:		
Cash and investments	\$	316,418
Taxes and assessments receivable, net		37,126
Accounts receivable - net		34,710
Total current assets	\$	<u>388,254</u>
Noncurrent assets:		
Restricted cash and investments	\$	279,265
Capital assets - land		626,017
Capital assets - depreciable, net		1,618,898
Total noncurrent assets	\$	<u>2,524,180</u>
Total assets	\$	<u>2,912,434</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$	29
Current portion of long-term capital liabilities		100,000
Current portion of compensated absences payable		27,816
Total current liabilities	\$	<u>127,845</u>
Noncurrent liabilities:		
Landfill closure postclosure liability	\$	279,948
Noncurrent portion of long-term capital liabilities		200,000
Noncurrent portion of compensated absences		14,366
Total noncurrent liabilities	\$	<u>494,314</u>
Total liabilities	\$	<u>622,159</u>
NET POSITION		
Net investment in capital assets	\$	1,944,915
Restricted for other purposes		279,265
Unrestricted		66,095
Total net position	\$	<u>2,290,275</u>
Total liabilities and net position	\$	<u>2,912,434</u>

See accompanying Notes to the Financial Statements

Northern Montana Joint Refuse Disposal District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

		Business-Type Activities - Enterprise Funds
		<u>Solid Waste</u>
OPERATING REVENUES		
Charges for services	\$	974,857
OPERATING EXPENSES		
Personal services	\$	517,425
Supplies		141,252
Purchased services		66,717
Fixed charges		98,836
Loss/bad debt expense		1,275
Depreciation		98,693
Total operating expenses	\$	<u>924,198</u>
Operating income (loss)	\$	<u>50,659</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	\$	10,243
Change in net position	\$	<u>60,902</u>
Net Position - Beginning of the year	\$	2,231,898
Restatements		(2,525)
Net Position - Beginning of the year - Restated	\$	<u>2,229,373</u>
Net Position - End of the year	\$	<u><u>2,290,275</u></u>

See accompanying Notes to the Financial Statements

**Nothern Montana Joint Refuse Disposal District
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2014**

	Business - Type Activities
Cash flows from operating activities:	
Cash received from providing services	\$ 983,320
Cash payments to suppliers	(141,223)
Cash payments for professional services	(92,889)
Cash payments to employees	(510,357)
Net cash provided (used) by operating activities	\$ 238,851
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (852,801)
Cash flows from investing activities:	
Interest on investments	\$ 10,243
Net increase (decrease) in cash and cash equivalents	\$ (603,707)
Cash and cash equivalents at beginning	1,199,390
Cash and cash equivalents at end	\$ 595,683
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 50,659
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	98,693
Post closure expense	72,664
Changes in assets and liabilities:	
Change in tax assessment receivable	21,143
Change in accounts receivable	(8,880)
Change in accounts payable	(2,496)
Change in compensated absences	7,068
Net cash provided (used) by operating activities	\$ 238,851

See accompanying notes to the financial statements

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District is a political subdivision of the State of Montana, established in 1990 for the purposes of the Municipal Finance Consolidation Act of 1983, as provided in Section 17-5-1602, MCA, and for solid waste management as provided in Section 75-10-102, MCA. The District was created by the Commissioners of Glacier, Pondera, and Teton Counties through procedures described in Sections 7-13-201 through 7-13303, MCA. The District is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

The District is governed by a nine-member board of directors consisting of one commissioner from each county, one representative from each of the four incorporated cities/towns within the District, and two sanitarians within the District.

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

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 connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The District reports the following major proprietary funds:

Solid Waste Fund – An enterprise fund that accounts for the activities of the District’s solid waste service.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 100
Cash in banks:	
Demand deposits	287,133
Savings deposits	3,353
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	29,185
U.S. Government Securities	275,912
Total	\$ 595,683

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

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

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

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2014:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 907,892,295	A1	44
Corporate Commercial Paper	150,768,775	A1	105
Corporate Variable-Rate	663,143,336	A3	41
Certificates of Deposit Fixed Rate	50,000,000	A1	222
Certificates of Deposit Variable-Rate	435,974,196	A2	35
Other Asset Backed	17,987,295	BBB-	NA
U.S. Government Agency Fixed	25,000,000	A1	3
U.S. Government Agency Variable -Rate	182,700,345	A1	17
Money Market Funds (Unrated)	168,232,935	NR	1
Money Market Funds (Rated)	15,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>29,561,449</u>	<u>NR</u>	<u>4</u>
Total Investments	<u>\$ 2,646,260,626</u>		<u>43</u>
Securities Lending Collateral Investment Pool	<u>\$ 7,182,928</u>	NR	*

“*As of June 30, 2013, the Securities Lending Quality Trust liquidity pool had an average duration of 48 days and an average weighted final maturity of 99 days for U.S. dollar collateral. The duration pool had an average duration of 36 days and an average weighted final maturity of 679 days for U.S. dollar collateral.”

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 \$59,990 of the government's bank balance of \$313,343 was exposed to custodial credit risk as follows:

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 253,353
- Collateral held by the pledging bank's trust department but not in the District's name.	59,990
Total deposits and investments	\$ <u><u>313,343</u></u>

Deposit Security

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

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

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

Cash equivalents

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the District's cash management pool to be cash equivalents.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>Amount</u>
Closure liability	\$ 206,618
Post-closure liability	<u>72,647</u>
	\$ <u><u>279,265</u></u>

NOTE 4. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable and special assessments receivable. The direct write-off method is used for these accounts.

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 5. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	5 – 30 years
Improvements	30 – 60 years
Machinery & Equipment	5 – 60 years

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:			
Land	\$ 75,703	\$ 550,314	\$ 626,017
Construction in progress			-
Total capital assets not being depreciated	<u>\$ 75,703</u>	<u>\$ 550,314</u>	<u>\$ 626,017</u>
Other capital assets:			
Buildings	\$ 268,955	\$	\$ 268,955
Improvements other than buildings	906,103	12,437	918,540
Machinery and equipment	<u>1,712,796</u>	<u>590,050</u>	<u>2,302,846</u>
Total other capital assets at historical cost	\$ 2,887,854	\$ 602,487	\$ 3,490,341
Less: accumulated depreciation	<u>\$ (1,772,750)</u>	<u>\$ (98,693)</u>	<u>\$ (1,871,443)</u>
Total	<u>\$ 1,190,807</u>	<u>\$ 1,054,108</u>	<u>\$ 2,244,915</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the proprietary financial statements, outstanding debt is reported as liabilities

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

Business-type Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 35,114	\$ 7,068	\$ 42,182	\$ 27,816
Capital leases	-	300,000	300,000	100,000
Landfill Closure/Post Closure*	207,284	72,664	279,948	-
Total	<u>\$ 242,398</u>	<u>\$ 379,732</u>	<u>\$ 622,130</u>	<u>\$ 127,816</u>

*See Note 8

Capital Leases

The District has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>rate</u>	<u>Capitalized</u> <u>Original</u> <u>Cost</u>	<u>Less:</u> <u>Accumulated</u> <u>Amortization</u>	<u>Remaining</u> <u>Payments as of</u> <u>June 30, 2013</u>
Landfill Compactor	4/15/2014	5.04%	\$ 300,000	-	<u>\$ 300,000</u>

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
 PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2015	\$ 100,000	\$ 5,041
2016	100,000	5,041
2017	100,000	5,042
Total	\$ <u>300,000</u>	\$ <u>15,124</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the District's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from District service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave.

NOTE 8. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that Northern Montana Joint Refuse Disposal District place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and postclosure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. The \$279,948 reported as landfill closure and postclosure liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 36.81% of the estimated capacity of the landfill. The District will recognize the remaining estimated cost of closure and postclosure care of \$480,666 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2014. The County expects to close the landfill in the year 2050. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The District is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and postclosure care costs by April 9, 1996. For the fiscal year ended June 30, 2014, the District demonstrated its ability to handle closure and postclosure care costs by depositing \$279,265 in a trust fund.

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
 PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 9. STATE-WIDE RETIREMENT PLANS

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

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

<u>PERS**</u>	
Employer	8.07%
Employee	7.90%*
State	0.10%

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

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

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

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

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

	<u>PERS</u>
2012	\$ 23,624
2013	\$ 27,685
2014	\$ 28,644

NORTHERN MONTANA JOINT REFUSE DISPOSAL DISTRICT
PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 10. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net assets.

<u>Amount</u>	<u>Reason for Adjustment</u>
\$ 2,222	Correction of prior year expense
<u>303</u>	Correction of prior year expense
<u>\$ 2,525</u>	

NOTE 11. LEASING ARRANGEMENTS

The landfill leases land to a neighboring farmer. The landfill has obtained the land for the purpose of future landfill expansion.

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Northern Montana Joint Refuse Disposal District
Pondera County
Conrad, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northern Montana Joint Refuse Disposal District, Pondera County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Northern Montana Joint Refuse Disposal District's basic financial statements and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item 2014-1.

2014-1 Segregation of Duties

Condition:

The District does not adequately segregate the duties of collecting, receipting, recording, depositing, and reconciling among personnel in the Financial Operations Office.

Context:

Per interviews, observations, document inspections, and transactions walkthroughs, we determined that the Financial Operations Office lacks proper segregation of duties.

Criteria:

Best practices require that the District's internal control structure to segregate the duties of collecting, receipting, recording, deposing, and reconciling among personnel.

Effect:

Weakness in internal control raises the risk of misappropriation of District assets.

Cause:

The District has a limited amount of personnel and resources to adequately design and implement a segregation of duties in Financial Operations Office.

Recommendation:

The District should consider procedures that provide increased monitoring of activities to the extent possible in the Financial Operations Office.

Auditee Response:

The District is doing its best to monitor financial activities.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Montana Joint Refuse Disposal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northern Montana Joint Refuse Disposal District's Response to Findings

Northern Montana Joint Refuse Disposal District's response to the findings identified in our audit is described above. Northern Montana Joint Refuse Disposal District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

September 11, 2015

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Directors
Northern Montana Joint Refuse Disposal District
Pondera County
Conrad, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Segregation of Duties	Repeated
Accounts Receivable	Implemented

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

September 11, 2015