

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

**AUDIT REPORT**

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor's Report	9-11
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	12
Statement of Activities	13
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Fiduciary Fund Types	18
Statement of Changes in Net Position – Fiduciary Fund Types	19
Notes to Financial Statements	20-57
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	58-61
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	62
Schedule of Changes in Total OPEB Liability and Related Ratios	63
Schedule of Proportionate Share of the Net Pension Liability	64
Schedule of Contributions	65
Notes to Required Pension Supplementary Information	66-69
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards	70-71
Notes to the Schedule of Expenditures of Federal Awards	72

PONDERA COUNTY, MONTANA

**TABLE OF CONTENTS – Continued**

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	73-74
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	75-76
Schedule of Findings and Questioned Costs	77-78
Auditee's Corrective Action Plan	79

PONDERA COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2021

**BOARD OF COUNTY COMMISSIONERS**

Thomas A. Kuka  
Dale J Seifert  
Jim Morren

Chairman  
Commissioner  
Commissioner

**COUNTY OFFICIALS**

Rosanne Balasabas  
Elaine McLean  
Kody Farkell  
Cody Shaw  
Robert Skorupa

County Attorney  
Treasurer & Superintendent  
Clerk & Recorder  
Justice of the Peace  
Sheriff

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2020-2021 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should review the principal financial statements found in the annual report to augment their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Budget Status: We maintained a basic status quo budget with an emphasis on maintaining cash reserves to ensure fiscal stability. Wages were increased by approximately 4.5% and health insurance contribution remained at 100% of employee premium for employees who enroll in the \$1,500 deductible insurance plan.
- Tax Revenue: Pondera County's tax revenue for the fiscal year totaled \$4,115,485. This amount is \$126,346 more than the prior fiscal year.
- Interest revenue: Due to COVID-19 the County saw a substantial decrease in interest. Pondera County's interest revenue for the fiscal year totaled \$48,996, approximately \$58,393 less than the prior fiscal year.
- Area Development: Pondera County participated fiscally in Northern Transit Inter-Local (\$20,000).
- Public Safety: The County DES Coordinator secured a grant in fiscal year 2018-19 in the amount of \$250,000 for the purchase of a new dispatch console, which was installed this year. The County received, and expended, a \$262,500 grant for a Computer Aided Dispatch program and are in the process of replacing radio systems for the Public Safety department through a \$150,000 grant. The County budgets for the purchase of one new Sheriff Department vehicle per year. Due to supply and equipment delays, we were not able to take delivery on one in the first half of 2021, resulting in the purchase of two vehicles in the current year.
- Roads and Bridges: The County purchased \$396,600 worth of gravel this fiscal year as the crew worked diligently to keep up on road graveling throughout the County. Grader lease payments were made in the amount of \$77,300 to principle and \$46,730 in interest. Three vehicles were purchased in the amount of \$47,500. A new contract for grader leases is in the works and will go into effect fiscal year 2021-22.
- Courthouse Improvements: Several desktops were replaced as they were due for updating and several laptops were purchased to allow for remote working, primarily due to COVID-19. A video surveillance system was installed throughout the courthouse in the amount of \$20,000.
- Conrad Airport: The County also continues to make payments on loans of a 6- bay hangar built at the Conrad Airport.

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

- Records Preservation: The Clerk & Recorder's office started working with DIS Technologies to have all microfilm digitized. In addition, the County has implemented Square-9, an online program for records preservation and searching capabilities.
- Cares Act: As a result of COVID-19, the Cares Act provided reimbursement to counties. As The County received \$278,000 in reimbursement for public safety payroll/benefits expenses as well as for additional staff to clean & sanitize due to COVID-19.
- Health Department: In December 2020, all staff in the Health Department resigned. The County decided to reorganize the department by hiring one full-time nurse as well as a full-time administrator. Two other full-time employees have been added to work on grant programs as well as office administration. Under the Emergency Preparedness Grant, the County received an additional \$91,812 to cover salaries of our County Health Nurse over a 1.5-year time period as well as \$28,604 for COVID-19 education and prevention. Cares Act money distributed to the Health Department was used to purchase a vehicle for mobile clinics and education activities.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

## **FINANCIAL STATEMENTS**

### **Statement of Net Position and the Statement of Activities**

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

A compliance analysis is provided.

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

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

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

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

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

The fiduciary funds and notes to the financial statements.

**Condensed Financial Statements**

Government-wide STATEMENT OF NET POSITION:

	<b><u>FY 2020-21</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY 2019-20</u></b>
	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Current and other assets	\$ 11,014,537	\$ 9,400,472
Capital assets	6,663,615	6,698,289
Total assets	<u>\$ 17,678,152</u>	<u>\$ 16,098,761</u>
Long-term debt outstanding	\$ 5,458,117	\$ 4,760,151
Other liabilities	992,166	1,146,853
Total liabilities	<u>\$ 6,450,283</u>	<u>\$ 5,907,004</u>
Net position:		
Net investment in capital assets	\$ 4,814,655	\$ 4,721,112
Restricted	7,556,998	3,911,162
Unrestricted (deficit)	(1,143,784)	1,559,483
Total net position	<u>\$ 11,227,869</u>	<u>\$ 10,191,757</u>

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

Government-wide STATEMENT OF ACTIVITIES

	<u><b>FY 2020-21</b></u> <u><b>Governmental</b></u> <u><b>Activities</b></u>	<u><b>Post Audit</b></u> <u><b>FY 2019-20</b></u> <u><b>Governmental</b></u> <u><b>Activities</b></u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 406,196	\$ 365,528
Operating Grants and Contributions	1,330,846	1,288,443
Capital Grants and Contributions	591,410	112,381
<b>Total Program Revenues</b>	<b>\$ 2,328,452</b>	<b>\$ 1,766,352</b>
<b><u>General Revenues</u></b>		
Property Taxes	\$ 4,115,485	\$ 3,989,139
Licenses & Permits	203	223
Video Poker Apportionment	2,400	3,475
Miscellaneous	88,427	227,052
Interest/Investment Earnings	48,996	107,389
MT Oil and Gas Production Tax	8,771	41,491
Local Options Tax	244,756	233,784
Unrestricted fed/state shared revenues	1,320	1,332
State Entitlement	747,561	734,505
Grants & Entitlements not restricted to specific programs	262,062	247,335
Contributions & donations	25	390
Royalties	-	-
State contributions to Retirement	131,535	44,734
Gain (Loss) on disposal of capital assets		
<b>Total General Revenues</b>	<b>\$ 5,651,541</b>	<b>\$ 6,630,849</b>
<b>Total Revenues</b>	<b>\$ 7,979,993</b>	<b>\$ 7,397,201</b>

Government-wide STATEMENT OF ACTIVITIES

	<u><b>FY 2020-21</b></u> <u><b>Governmental</b></u> <u><b>Activities</b></u>	<u><b>Post Audit</b></u> <u><b>FY 2019-20</b></u> <u><b>Governmental</b></u> <u><b>Activities</b></u>
<b><u>Program Expenses by Function</u></b>		
General Government	\$ 2,456,926	\$ 2,199,864
Public Safety	1,242,688	1,044,245
Public Works	1,660,018	1,592,018
Public Health	768,863	728,540
Social & Economic Services	156,926	142,428
Culture & Recreation	311,045	301,027
Housing & Community Development	625	625
Debt Service Interest	55,218	64,208
Miscellaneous	231,435	231,537
Unallocated Depreciation		
<b>Total Expenses</b>	<b>\$ 6,883,744</b>	<b>\$ 6,304,492</b>
<b>Changes in net position</b>	<b>\$ 1,036,112</b>	<b>\$ 1,092,709</b>



Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

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

### GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$6,883,744 compared to \$6,304,492 for fiscal year 2020-21 as found in the Statement of Activities. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants.

The amount that our taxpayers ultimately financed for these activities through county taxes was, \$4,115,485 up by \$126,346 from \$3,989,139 in fiscal year 2019-20. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented above.

### Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Hospital Capital Improvements</u>	<u>911 Computer Aid</u>
Fund Balance – Current Year	1,882,447	766,368	569,128	1,162,364	-
Fund Balance – Prior Year	1,757,851	807,385	879,083	949,721	-
Change in unassigned fund balance	124,596	(40,747)	-309,955	212,643	-
% change in fund balance	6.6%	-5.4%	-54.5%	18.3%	

The General Fund saw relatively consistent revenues from the prior fiscal year. While taxes collected and county office fees increased, there was a decrease in investments earned and grants. The increase in cash balance was ultimately not significant and due to relative revenues and expenditures overall.

The decrease in the Road Fund cash balance is a result of increased expenditures such as equipment maintenance, tools, an increase of over \$100,000. Transferred to the capital improvement fund remained consistent from the prior year. Revenues to the Road Fund increased slightly but not enough to offset the increase in expenditures.

The 911 computer aid grant fund was new major in current year to account for the reimbursement-based grant to fund the updates to the dispatch system. There a timing differences between when the funds were received versus spent.

Due to a large increase in cash at the end of fiscal year 2019-20, the Public Safety fund was allocated a lower number of mills and a smaller portion of Entitlement Funds, resulting in a decrease in ending cash balance for fiscal year 2020-21.

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

**Revenue Budget to Actual Variances:**

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,772,251	1,768,844	-3,047	-0.2%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the General Fund of -\$3,407 for a -.02% variance.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	829,008	808,299	-20,709	-2.6%

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of -\$20,709 for a -2.6% variance. The variance was primarily due to \$12,000 less in Forest Reserve Act funds received compared to what was budgeted as well as \$7,000 less in personal property taxes received.

<u>Public Safety</u>				
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	912,059	959,804	47,745	5.0%

There was a variance between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$47,745 for a 5.0% variance. The variance was due to an increase in revenue from personal property taxes, boarding of prisoners, and local options tax collected over what was initially budgeted.

**CAPITAL ASSETS AND LONG-TERM DEBT**

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

**Long Term Debt**

During the prior fiscal year, the County installed a new fuel system at the Conrad Airport with assistance from the FAA. The County is re-paying loans to the FAA, Montana Aeronautics Division, and Pondera Regional Port Authority for the fuel system as well as a 6-bay hangar. In fiscal year 2020-21 the county paid back \$20,727 on those projects. InterCap loan payments were made for remodeling the Pondera Center and the HVAC system. As of June 30, 2021 the principal due to InterCap loans decreased from \$360,852 to \$330,787 from the beginning of the fiscal year. Capital lease payments decreased by \$77,338 leaving a balance of \$1,459,001. Compensated absences balance as of June 30, 2021 was \$220,540 an increase over the prior year.

**Capital Assets**

The purchase of new assets, sale of assets, depreciation and other factors resulted in the current value of Pondera County net capital assets as of June 30, 2021 of \$6,663,615.

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

Pondera County, Montana  
**Management's Discussion and Analysis**  
For Fiscal Year Ended June 30, 2021

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

The FY21-22 Taxable Valuation decreased in Pondera County from \$17,189,869 to \$17,162,273, decreasing the value of a county-wide mill from \$17,189 to \$17,162. The FY21-22 budget did not allow for the reservation of any floated mills; all were levied.

The county has set up a fund for American Rescue Plan Act (ARPA). No funds have been expended yet.

A 4.5% COLA and wage increase was approved for elected officials. Hourly employees also received a 4.5% increase/

While aiming for a 33% reserve in all funds, reserve amounts range from 24.6% (Road Fund) to 33.3% (Weed Funds). Our goal remains to achieve the 33% reserve in all funds.

The Clerk & Recorders' office will continue its records preservation work by having the microfilm records for deeds, mortgages, tax records, and other documents converted to pdf format and entered into an indexing and searchable computer program.

The Road/Bridge Department will be leasing new road graders as the lease and warranty on the current graders were up in spring of 2021.

**REQUESTS FOR INFORMATION**

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

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

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

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

---

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Pondera County  
Conrad, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2021, and the respective changes in financial position and thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 1 to the financials statements, in 2021, the County adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. This created restatements in the financial statements in the custodial funds in the amount of \$1,632,753. The restatements are further described in Note 1 and Note 12 to the Financial Statements. Our opinion is not modified with respect to this matter as we determined it to be appropriate.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, and 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, on our consideration of the Pondera County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pondera County, Montana's internal control over financial reporting and compliance.

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

March 24, 2022

**Pondera County, Montana**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 9,190,282
Taxes and assessments receivable, net	140,457
Accounts receivable - net	44
Due from other governments	259,232
Inventories	440,768
Total current assets	<u>\$ 10,030,783</u>
Noncurrent assets	
Capital assets - land	\$ 285,409
Capital assets - depreciable, net	6,378,206
Total noncurrent assets	<u>\$ 6,663,615</u>
Total assets	<u>\$ 16,694,398</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions	\$ 983,754
Total deferred outflows of resources	<u>\$ 983,754</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 17,678,152</u>
<b>LIABILITIES</b>	
Current liabilities	
Warrants payable	\$ 484,763
Accounts payable	16,916
Accrued payroll	27,580
Accrued employee benefits payable	5,475
Due to other governments	260
Current portion of long-term capital liabilities	1,502,182
Current portion of compensated absences payable	174,693
Other Payroll Liabilities	17,008
Total current liabilities	<u>\$ 2,228,877</u>
Noncurrent liabilities	
Other Post Employment Benefits (OPEB)	\$ 95,721
Noncurrent portion of long-term capital liabilities	346,778
Noncurrent portion of compensated absences	45,847
Net pension liability	3,388,617
Total noncurrent liabilities	<u>\$ 3,876,963</u>
Total liabilities	<u>\$ 6,105,840</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions	\$ 344,443
Total deferred inflows of resources	<u>\$ 344,443</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 4,814,655
Restricted for debt service	187
Restricted for special projects	4,057,896
Unrestricted	2,355,131
Total net position	<u>\$ 11,227,869</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 17,678,152</u>

See accompanying Notes to the Financial Statements

Pondera County, Montana  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

Functions/Programs Primary government:	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Governmental activities:					
General government	\$ 2,456,926	\$ 130,221	\$ 76,013	\$ -	(2,250,692)
Public safety	1,242,688	144,901	552,093	414,347	(131,347)
Public works	1,660,018	75,704	210,335	177,063	(1,196,916)
Public health	768,863	24,555	490,861	-	(253,447)
Social and economic services	156,926	13,869	1,544	-	(141,513)
Culture and recreation	311,045	-	-	-	(311,045)
Housing and community development	625	-	-	-	(625)
Conservation of natural resources	-	12,508	-	-	12,508
Debt service - interest	55,218	-	-	-	(55,218)
Miscellaneous	231,435	4,438	-	-	(226,997)
Total governmental activities	\$ 6,883,744	\$ 406,196	\$ 1,330,846	\$ 591,410	\$ (4,555,292)
General Revenues:					
Property taxes for general purposes					\$ 4,115,485
Licenses and permits					203
Video poker apportionment					2,400
Miscellaneous					88,427
Interest/investment earnings					48,996
Local option taxes					244,756
Unrestricted federal/state shared revenues					1,320
Montana oil and gas production tax					8,771
State entitlement					747,561
Grants and entitlements not restricted to specific programs					262,062
Contributions & donations					25
State contribution to retirement					131,535
Gain (loss) on sale of capital assets					(60,137)
Total general revenues, special items and transfers					\$ 5,591,404
Change in net position					\$ 1,036,112
Net position - beginning					\$ 10,191,757
Net position - end					\$ 11,227,869

See accompanying Notes to the Financial Statements



Pondera County, Montana  
Balance Sheet  
Governmental Funds  
June 30, 2021

	General	Road	Public Safety	Hospital Capital Improvements	911 Computer Aided Dispatch Grant	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 2,207,533	\$ 535,495	\$ 580,028	\$ 1,162,364	\$ -	\$ 4,704,862	\$ 9,190,282
Taxes and assessments receivable, net	39,404	14,584	18,235	6,584	-	61,650	140,457
Accounts receivable - net	-	-	-	-	-	44	44
Due from other funds	178,290	-	-	-	-	-	178,290
Due from other governments	12,218	-	-	-	154,700	-	259,232
Inventories	-	242,042	-	-	-	92,314	178,290
<b>TOTAL ASSETS</b>	<b>\$ 2,437,445</b>	<b>\$ 792,121</b>	<b>\$ 598,263</b>	<b>\$ 1,168,948</b>	<b>\$ 154,700</b>	<b>\$ 5,057,596</b>	<b>\$ 10,209,073</b>
<b>LIABILITIES</b>							
Current liabilities:							
Warrants payable	\$ 484,694	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ 484,763
Accounts payable	34	6,825	2,618	-	-	7,439	16,916
Accrued payroll	12,657	3,820	7,686	-	-	3,417	27,580
Accrued employee benefits payable	941	254	596	-	-	3,684	5,475
Due to other funds	-	-	-	-	-	23,590	178,290
Due to other governments	260	-	-	-	154,700	-	260
Other Payroll Liabilities	17,008	-	-	-	-	-	17,008
Total liabilities	<b>\$ 515,594</b>	<b>\$ 10,899</b>	<b>\$ 10,900</b>	<b>\$ -</b>	<b>\$ 154,700</b>	<b>\$ 38,199</b>	<b>\$ 730,292</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - taxes and assessments	\$ 39,404	\$ 14,584	\$ 18,235	\$ 6,584	\$ -	\$ 61,650	\$ 140,457
Total deferred inflows of resources	<b>\$ 39,404</b>	<b>\$ 14,584</b>	<b>\$ 18,235</b>	<b>\$ 6,584</b>	<b>\$ -</b>	<b>\$ 61,650</b>	<b>\$ 140,457</b>
<b>FUND BALANCES</b>							
Nonspendable	\$ -	\$ 242,042	\$ -	\$ -	\$ -	\$ 198,726	\$ 440,768
Restricted	-	524,596	569,128	-	-	2,429,478	3,523,202
Committed	-	-	-	1,162,364	-	2,329,967	3,492,331
Unassigned fund balance	1,882,447	-	-	-	-	(424)	1,882,023
Total fund balance	<b>\$ 1,882,447</b>	<b>\$ 766,638</b>	<b>\$ 569,128</b>	<b>\$ 1,162,364</b>	<b>\$ -</b>	<b>\$ 4,957,747</b>	<b>\$ 9,338,324</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,437,445</b>	<b>\$ 792,121</b>	<b>\$ 598,263</b>	<b>\$ 1,168,948</b>	<b>\$ 154,700</b>	<b>\$ 5,057,596</b>	<b>\$ 10,209,073</b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2021**

<b>Total fund balances - governmental funds</b>	\$ 9,338,324
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,663,615
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	140,457
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,165,221)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,388,617)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	983,754
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(344,443)
<b>Total net position - governmental activities</b>	<b>\$ <u>11,227,869</u></b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

	General	Road	Public Safety	Hospital Capital Improvements	911 Computer Aided Dispatch Grant	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes and assessments	\$ 1,102,723	\$ -	\$ -	\$ 205,170	\$ -	\$ 1,763,169	\$ 3,071,062
Licenses and permits	45	-	-	-	-	-	45
Intergovernmental	596,919	796,384	815,867	-	154,700	1,882,828	4,246,698
Charges for services	215,396	-	137,524	-	-	104,137	457,057
Fines and forfeitures	45,340	-	-	-	-	2,076	47,416
Miscellaneous	38,298	11,915	-	-	-	40,687	97,313
Investment earnings	25,788	-	6,413	-	-	15,735	48,996
Total revenues	\$ 2,024,509	\$ 808,299	\$ 959,804	\$ 212,643	\$ 154,700	\$ 3,808,632	\$ 7,968,587
<b>EXPENDITURES</b>							
General government	\$ 1,286,366	\$ -	\$ -	\$ -	\$ -	\$ 855,071	\$ 2,141,437
Public safety	59,473	-	754,314	-	-	293,180	1,106,967
Public works	-	707,355	-	-	-	492,992	1,200,347
Public health	201,584	-	-	-	-	422,667	624,251
Social and economic services	6,350	-	-	-	-	150,576	156,926
Culture and recreation	2,005	-	-	-	-	308,793	310,798
Debt service - principal	30,152	77,338	-	-	-	20,727	128,217
Debt service - interest	6,142	46,729	-	-	-	2,347	55,218
Miscellaneous	12,963	-	-	-	-	218,472	231,435
Capital outlay	9,572	-	-	-	-	757,424	766,996
Total expenditures	\$ 1,614,607	\$ 831,422	\$ 754,314	\$ -	\$ 154,700	\$ 3,522,249	\$ 6,877,292
Excess (deficiency) of revenues over expenditures	\$ 409,902	\$ (23,123)	\$ 205,490	\$ 212,643	\$ -	\$ 286,383	\$ 1,091,295
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from the sale of general capital asset disposition	\$ -	\$ 14,346	\$ 8,500	\$ -	\$ -	\$ -	\$ 22,846
Transfers in	-	54,000	-	-	-	1,176,661	1,230,661
Transfers out	(285,306)	(85,970)	(523,945)	-	-	(335,440)	(1,230,661)
Total other financing sources (uses)	\$ (285,306)	\$ (17,624)	\$ (515,445)	\$ -	\$ -	\$ 841,221	\$ 22,846
Net Change in Fund Balance	\$ 124,596	\$ (40,747)	\$ (309,955)	\$ 212,643	\$ -	\$ 1,127,604	\$ 1,114,141
Fund balances - beginning	\$ 1,757,851	\$ 807,385	\$ 879,083	\$ 949,721	\$ -	\$ 3,830,143	\$ 8,224,183
Fund balance - ending	\$ 1,882,447	\$ 766,638	\$ 569,128	\$ 1,162,364	\$ -	\$ 4,957,747	\$ 9,338,324

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,114,141</b>
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	921,696
- Depreciation expense	(873,387)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Proceeds from the sale of capital assets	(22,846)
- Gain on the sale of capital assets	(60,137)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred inflows)	11,406
The change in compensated absences is shown as an expense in the Statement of Activities	3,377
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	128,217
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(8,900)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	(411,307)
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	233,852
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>1,036,112</u></b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<b>Custodial Funds</b>	
	<b>Custodial Funds</b>	<b>External Investment Pool Fund</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 421,714	\$ 9,913,841
Taxes receivable	370,214	-
Total assets	<u>\$ 791,928</u>	<u>\$ 9,913,841</u>
<b>LIABILITIES</b>		
Warrants payable	\$ 839,363	\$ -
Due to others	402,700	-
Total liabilities	<u>\$ 1,242,063</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for:		
Pool participants	\$ -	\$ 9,913,841
Individuals, organizations, and other governments	(450,135)	-
Total net position	<u>\$ (450,135)</u>	<u>\$ 9,913,841</u>
<b>TOTAL LIABILITIES AND NET POSTION</b>	<u><u>\$ 791,928</u></u>	<u><u>\$ 9,913,841</u></u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Custodial Funds</u>	
	<u>Custodial Funds</u>	<u>External Investment Pool Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Contributions to Investment Trust Fund	\$ -	\$ 10,405,806
Interest and change in fair value of investments	-	60,303
Taxes, licenses, and fees collected for other governments	6,122,384	-
Property taxes collected for school districts	3,947,614	-
Intergovernmental grants and entitlements collected for school districts	12,395,167	-
Miscellaneous	1,367,243	-
Total additions	<u>\$ 23,832,408</u>	<u>\$ 10,466,109</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$ -	\$ 12,274,809
Taxes, licenses, and fees distributed to other governments	5,987,899	-
School district claims and payroll expense	19,927,397	-
Total deductions	<u>\$ 25,915,296</u>	<u>\$ 12,274,809</u>
Change in net position	<u>\$ (2,082,888)</u>	<u>\$ (1,808,700)</u>
Net Position - Beginning of the year	\$ -	\$ 11,722,541
Restatements	1,632,753	-
Net Position - Beginning of the year - Restated	<u>\$ 1,632,753</u>	<u>\$ 11,722,541</u>
Net Position - End of the year	<u>\$ (450,135)</u>	<u>\$ 9,913,841</u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

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

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

**New Accounting Pronouncements**

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the County, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the County disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The County has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The County has implemented this pronouncement in the current fiscal year.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

**Financial Reporting Entity**

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

*Primary Government*

The County is a political subdivision of the State of Montana governed by elected Commissioners duly elected by the registered voters of the County. The County utilizes the commission form of government. The County is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria; (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

**Basis of Presentation, Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements:**

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the County except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities for the County at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Measurement Focus and Basis of Accounting*

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

**Fund Financial Statements**

*Basis of Presentation*

Fund financial statements of the reporting County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds' statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The County reports the following major governmental funds:

*General Fund* — This is the County's primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds. The payroll and claims clearing funds of the County, previously reported in the agency funds, have been combined with the General Funds for reporting purposes. The cash and related payables of these clearing funds are also reported here.

*Road Fund* — A special revenue fund that account or the activities of the County's Road maintenance and construction operations.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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

*Hospital Capital Improvements Fund* — A capital project fund that is used to account for resources for future improvements to the hospital.

*9-1-1 Computer Aided Dispatch Grant* — A special revenue fund used for the grant revenues received and expenditures made from the 911 Computer Aided Dispatch Grant.

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

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2021, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 300
Cash in banks:	
Demand deposits	1,345,537
Savings deposits	5,678,000
Time deposits	6,500,000
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	6,002,000
Total	<u>\$ 19,525,837</u>

**Cash equivalents**

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The County's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, STIP, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

**Fair Value Measurements**

Investments, including pooled and non-pooled investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Credit Risk**

As a means of limiting exposure to credit risk, the County is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

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 authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

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

The government has no investments that require credit risk disclosure.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2021, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 789,021	A-1+	99
Agency or Government Related	724,008	A-1+	87
Corporate:			
Commercial Paper	913,481	A-1+	153
Notes	250,494	A-1+	111
Certificates of Deposit	<u>405,071</u>	A-1	142
Total Investments	<u>\$ 3,082,075</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3<sup>rd</sup> Floor 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 other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2021, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2021 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 7,247,113
- Collateral held by the pledging bank's trust departments but not in the County's name	<u>6,452,016</u>
Total deposits and investments	<u>\$ 13,699,129</u>

Deposit Security

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

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

The amount of collateral held for County deposits at June 30, 2021, equaled or exceeded the amount required by State statutes.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**Cash and Investment Pool**

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

**Investment in the Treasurer's Pools**

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as external pools in the custodial fund due to there not being a trust agreement. There are two types of pooled funds reported by the County, pooled and individually directed funds.

The County has one pooled fund, invested in STIP, savings accounts, and in non-negotiable certificates of deposit. The County invests funds for external entities.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2021 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2021.

As noted above state statutes limit the type of investments but provide no other regulatory oversight, and the pool is not registered with the Securities and Exchange Commission.

**Investment Income**

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

**Condensed statements of investments pools**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2021.

**Statement of Net Position**

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 8,041,159
Equity of external pool participants	9,913,841
Total equity	<u>\$ 17,955,000</u>

**Condensed Statement of Changes in Net Position**

	External	Internal
Investment earnings	\$ 60,303	\$ 48,912
Contributions to trust	10,405,806	9,538,830
Distributions paid	(12,274,809)	(9,065,042)
Net change in net position	<u>\$ (1,808,700)</u>	<u>\$ 522,700</u>
Net position at beginning of year	11,722,541	7,518,459
Net position at end of year	<u>\$ 9,913,841</u>	<u>\$ 8,041,159</u>

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 3. RECEIVABLES**

**Tax Receivables**

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

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

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

**NOTE 4. INVENTORIES**

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

**NOTE 5. CAPITAL ASSETS**

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

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

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 265,409	\$ -	\$ -	\$ -	\$ 265,409
Pondera Medical Center - Land	20,000	-	-	-	20,000
Construction in progress	150,602	187,145	-	(337,747)	-
Total capital assets not being depreciated	\$ 436,011	\$ 187,145	\$ -	\$ (337,747)	\$ 285,409
Other capital assets:					
Buildings	\$ 4,503,407	\$ 16,234	\$ -	\$ -	\$ 4,519,641
Improvements other than buildings	4,822,454	-	-	311,587	5,134,041
Machinery and equipment	6,374,250	706,112	(273,131)	-	6,807,231
Infrastructure	168,827	12,205	-	26,160	207,192
Pondera Medical Center	7,137,594	-	-	-	7,137,594
Total other capital assets at historical cost	\$ 23,006,532	\$ 734,551	\$ (273,131)	\$ 337,747	\$ 23,805,699
Less: accumulated depreciation	(16,744,254)	(873,387)	190,148	-	(17,427,493)
Total	\$ 6,698,289	\$ 48,309	\$ (82,983)	\$ -	\$ 6,663,615

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 102,151
Public safety	166,081
Public works	459,671
Public Health	144,612
Culture and recreation	247
Housing and community development	625
Total governmental activities depreciation expense	\$ 873,387

## NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2020	Deletions	Balance June 30, 2021	Due Within One Year
Capital leases	\$ 1,536,339	\$ (77,338)	\$ 1,459,001	\$ 1,459,001
Intercap loans from direct borrowing	360,852	(30,152)	330,700	30,989
Loans/Contracted Debt from direct borrowing	79,986	(20,727)	59,259	12,192
Compensated Absences	223,917	(3,377)	220,540	174,693
Total	\$ 2,201,094	\$ (131,594)	\$ 2,069,500	\$ 1,676,875



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

The County's outstanding capital leases related to governmental activities of \$1,459,001, contain a provision that in an event of default, outstanding amounts become immediately due, or reposes the equipment secured by the leases. These leases are secured with the road equipment that was leased by the County, which includes eight road graders and two wheel rollers.

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
MDT Aeronautics Loan	9/27/17	1.88%	10yrs	3/1/27	\$ 11,500	Varies	\$ 6,900
Port Authority Loan	11/1/17	4.00%	10yrs	10/5/27	135,000	Varies	30,759
MDT Aeronautics Loan	1/17/19	2.75%	10yrs	3/1/29	27,000	2,700	21,600
Total					<u>\$ 173,500</u>		<u>\$ 59,259</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 12,192	\$ 2,174
2023	12,530	1,740
2024	12,886	1,288
2025	8,551	818
2026	3,850	362
2027	3,850	266
2028	2,700	149
2029	2,700	74
Total	<u>\$ 59,259</u>	<u>\$ 6,873</u>

**Interkap Loans**

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

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Interkap loans outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
Building for Senior Center – remodel	8/12/11	1.00-4.85%	15yrs	8/15/26	\$ 113,841	Varies	\$ 46,707
HVAC System	4/13/17	1.00-4.85%	14.5yrs	2/15/32	<u>359,000</u>	Varies	<u>283,993</u>
Total					<u>\$ 472,841</u>		<u>\$ 330,700</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 30,989	\$ 5,328
2023	31,737	4,945
2024	32,505	4,422
2025	33,289	3,885
2026	34,095	3,336
2027	30,401	2,773
2028	26,635	2,272
2029	27,322	1,832
2030	28,026	1,381
2031	28,525	919
2032	<u>27,176</u>	<u>448</u>
Total	<u>\$ 330,700</u>	<u>\$ 31,542</u>

**Capital Leases**

The County has entered into a several leases which meet 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, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
New 8 Caterpillar Motor Graders (2015)	5/4/16	3.00%	5yrs	11/1/20	<u>\$ 1,780,317</u>	Varies	<u>\$ 1,459,001</u>

Reported in the governmental activities.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2022	\$ 1,459,001	\$ 29,449
Total	<u>\$ 1,459,001</u>	<u>\$ 29,449</u>

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward 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. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the County. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits Provided.* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Employees covered by benefit terms.* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	48
Total employees	<u>49</u>

Total OPEB Liability

The County's total OPEB liability of \$95,721 at June 30, 2021, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020 using standard roll forward procedures to June 30, 2021.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2020 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	64
Discount rate (average anticipated rate)	2.10%
Average salary increase (Consumer Price Index)	2.54%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2021	5.1%
2022	5.7%
2023	5.6%
2024	5.5%
2025	5.7%
2026	5.8%
2027	5.6%
2028	5.6%
2029	5.6%
2030 and thereafter	5.6%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2017 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistic Reports, Vol. 68, No. 7, June 24, 2019.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Changes in the Total OPEB Liability

Balance at 6/30/2020	\$ <u>86,821</u>
Changes for the year:	
Service Cost	\$ <u>8,900</u>
Net Changes	\$ <u>8,900</u>
Balance at 6/30/2021	\$ <u><u>95,721</u></u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability \$	\$ <u>98,774</u>	\$ <u>86,821</u>	\$ <u>77,055</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ <u>74,331</u>	\$ <u>86,821</u>	\$ <u>102,456</u>

*\*Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

In fiscal year ending June 30, 2021, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2020 calculated liability per valuation completed on June 30, 2020.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2021, the County recognized an OPEB expense of \$8,900. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, was as follows:

<b>Due to/from other funds</b>			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balance	General – Major Governmental	Predatory Animal – Nonmajor Governmental	\$ 355
Cover negative cash balance	General – Major Governmental	E-911 – Nonmajor Governmental	11,530
Cover negative cash balance	General – Major Governmental	9-1-1 Computer Aided Dispatch – Major Governmental	154,700
Cover negative cash balance	General – Major Governmental	9-1-1 Radio Purchase – Nonmajor Governmental	9,647
Cover negative cash balance	General – Major Governmental	COVID-19 Mental Health – Nonmajor Governmental	2,058
			<u>\$ 178,290</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Road – Major Governmental	PILT* - Major Governmental	\$ 54,000
Operating Transfer	Northern Transit Interlocal – Nonmajor Governmental	PILT* - Major Governmental	21,000
Operating Transfer	Health Insurance – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	207,981
Operating Transfer	Retirement Contributions – Nonmajor Governmental	Sheriff Retirement – Nonmajor Governmental	20,963
Close fund	County Hospital & Nursing Home – Nonmajor Governmental	Debt Service Hospital – Nonmajor Governmental	25
Fund future capital outlay costs	Ambulance Cap. Imp. – Nonmajor Governmental	Ambulance – Nonmajor Governmental	10,000
Operating Transfer	Airport – Nonmajor Governmental	PILT* - Major Governmental	24,056

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Fund future capital outlay costs	Junk Vehicle – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	4,501
Fund future capital outlay costs	General Fund Cap Imp. – Nonmajor Governmental	General – Major Governmental	132,250
Fund future capital outlay costs	General Fund Cap Imp. – Nonmajor Governmental	Extension – Nonmajor Governmental	3,000
Fund future capital outlay costs	General Fund Cap Imp. – Nonmajor Governmental	Public Safety – Major Governmental	446,445
Fund future capital outlay costs	Public Safety Capital Imp. – Nonmajor Governmental	Public Safety – Major Governmental	77,500
Fund future capital outlay costs	Weed Fund – Nonmajor Governmental	Weed Fund – Nonmajor Governmental	7,000
Fund future capital outlay costs	Road/Bridge equipment Purchase – Nonmajor Governmental	Road – Major Governmental	84,000
Fund future capital outlay costs	Road/Bridge equipment Purchase – Nonmajor Governmental	Bridge – Nonmajor Governmental	40,000
Fund future capital outlay costs	Road/Bridge equipment Purchase – Nonmajor Governmental	Gas Apportionment Tax – Nonmajor Governmental	40,000
Fund future capital outlay costs	Road/Bridge equipment Purchase – Nonmajor Governmental	PILT* - Major Governmental	54,000
Matching funds	Enhanced Gas Tax – Nonmajor Governmental	Road – Major Governmental	1,970
Matching funds	Enhanced Gas Tax – Nonmajor Governmental	Bridge – Nonmajor Governmental	1,970
			<u>\$1,230,661</u>

\*This fund is combined with the General Fund for reporting purposes per GASB 54.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 9. NET PENSION LIABILITY (NPL)**

As of June 30, 2021, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	PERS		SRS		Pension Totals
Net Pension Liability	\$ 2,560,911	\$	827,706	\$	3,388,617
Deferred outflows of resources*	\$ 587,894	\$	395,860	\$	983,754
Deferred inflows of resources	\$ 156,796	\$	187,647	\$	344,443
Pension expense	\$ 484,843	\$	53,077	\$	537,920

\*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$147,470 and \$86,382 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

**Public Employee's Retirement System – Defined Benefit Retirement Plan**

**Summary of Significant Accounting Policies**

The County's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Plan Descriptions**

The PERS-Defined Benefit Retirement Plan (PERS) 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 provides retirement benefits to covered employees of 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 defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

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.

**Summary of Benefits**

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.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

- c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
  - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

**Vesting**

- 5 years of membership service

**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;

**Compensation Cap**

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

**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.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**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 other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**Contributions**

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers

**Special Funding:** The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

**Not Special Funding:** Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	Hired < 07/01/11	Hired > 07/01/11	Employer	State
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

1. Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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.
    - iii. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$2,560,911 and the County's proportionate share was 0.097070 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,560,911	\$ 2,030,484	0.097070%	0.009714%	-0.000068%
State of Montana Proportionate Share associated with Employer	804,288	658,932	0.030486%	0.031523%	-0.001037%
Total	<u>\$ 3,365,199</u>	<u>\$ 2,689,416</u>	<u>0.127556%</u>	<u>0.041237%</u>	<u>-0.001105%</u>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Changes in benefit terms:*

There were 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 NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$353,308 for its proportionate share of the pension expense. The County also recognized grant revenue of \$131,535 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 353,308	\$ 281,141
State of Montana Proportionate Share associated with the Employer	131,535	44,735
Total	\$ <u>484,843</u>	\$ <u>325,876</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$144,671.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 41,338	\$ 73,220
Actual vs. Expected Investment Earnings	221,752	-
Changes in Assumptions	177,334	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	83,576
Employer contributions subsequent to the measurement date - FY21*	147,470	-
Total	<u>\$ 587,894</u>	<u>\$ 156,796</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ 10,712
2022	\$ 140,032
2023	\$ 77,482
2024	\$ 55,402
Thereafter	\$ -

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth\* 3.50%  
\*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

**Guaranteed Annual Benefit Adjustment (GABA)**

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.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
\$ 3,524,942	\$ 2,560,911	\$ 1,751,131

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**PERS Disclosure for the defined contribution plan**

Pondera County contributed to the state of Montana Public employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

All new PERS 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 participants of both the defined benefit and defined contribution retirement plans.

Member and employer contributions rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2020, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 329 employers that have participants in the PERS-DCRP totaled \$775,195.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

### **Sheriff's Retirement System**

#### **Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Plan Descriptions**

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**

Service retirement:

- 20 years of membership service.
- 2.5% of HAC x years of service credit.

Early retirement:

- Age 50 with 5 years of membership service.
- This benefit calculated using HAC and service credit at early retirement, and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

Second Retirement:

Applies to retirement system members re-employed in an SRS position on or after July 1, 2017:

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - a. Is not awarded service credit for the period of reemployment;
  - b. Is refunded the accumulated contributions associated with the period of reemployment;
  - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - a. Is awarded service credit for the period of reemployment;
  - b. Starting the first month following termination of service, receives:
    - i. The same retirement benefit previously paid to the member, and
    - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

- c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
- i. On the initial retirement benefit in January immediately following second retirement, and
  - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

- HAC = Highest Average Compensation
- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

**Contributions**

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2021	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$827,706 and the County's proportionate share was 0.6791 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 827,706	\$ 528,573	0.6791%	0.6338%	0.0453%
Total	<u>\$ 827,706</u>	<u>\$ 528,573</u>	<u>0.6791%</u>	<u>0.6338%</u>	<u>0.0453%</u>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.57% to 2.40%

*Changes in benefit terms:*

There were no changes in benefit terms since the previous measurement date.

*Changes in proportionate share:*

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$53,077 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 53,077	\$ (2,928)
Total	<u>\$ 53,077</u>	<u>\$ (2,928)</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$78,834.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,482	\$ 232
Actual vs. Expected Investment Earnings	101,747	-
Changes in Assumptions	170,249	128,865
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	58,550
Employer contributions subsequent to the measurement date - FY21*	86,382	-
Total	<u>\$ 395,860</u>	<u>\$ 187,647</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2022.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ (29,956)
2022	\$ 37,877
2023	\$ 50,532
2024	\$ 63,378
Thereafter	\$ -

**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of payroll 0.16%
- General Wage Growth\* 3.50%
  - \*includes inflation at 2.40%
- Merit Increases 0% to 6.30%
- Post Retirement Benefit Increased
  - Guaranteed Annual Benefit Adjustment (GABA)
  - 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.
    - 3.0% for members hired prior to July 1, 2007
    - 1.5% for members hired on or after July 1, 2207
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2020, are summarized in the following table.

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	4.55%
International Equity	16.00%	6.35%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
\$ 1,316,547	\$ 827,706	\$ 427,831

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**NOTE 10. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

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



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. The County categorizes fund balance of the governmental funds into the following categories:

Non-spendable – Includes resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principle portion of permanent funds.

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of the board. This is the government's highest level of decision-making authority, Commissioners, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

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

**Nonspendable Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ 242,042	Inventory
All Other Aggregate	<u>198,726</u>	Inventory
	<u>\$ 440,768</u>	

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 524,596	Road Repair, maintenance and supplies
Public Safety	569,128	Law Enforcement, emergency services, and supplies
All Other Aggregate	68,797	General Government administration and services
	580,115	Law Enforcement, emergency services, and supplies
	638,914	Road Repair, maintenance and supplies
	282,773	Public Health Services and Supplies
	194,522	Noxious Weed Management
	63,437	Social and Economic Services and travel
	3,368	Culture and recreation
	128,827	Miscellaneous
	36,935	Airport operations
	<u>431,790</u>	Employer benefits
	<u>\$3,523,202</u>	

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Hospital Capital Improvements	\$ 1,162,364	Constructions and/or capital asset purchases
All Other Aggregate	<u>2,329,967</u>	Constructions and/or capital asset purchases
	<u>\$ 3,492,331</u>	

**NOTE 12. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Custodial Funds	<u>\$1,632,753</u>	Implementation of GASB 84 reporting beginning assets and liabilities of custodial funds.

**NOTE 13. RELATED PARTY TRANSACTIONS**

The Pondera County Medical Center operates independently of the County and the County does not have a voting majority of the Medical Center Board. The Medical Center building and equipment is owned by the County totaling about \$7M and the County allows the Medical Center to utilize these assets in order for medical services to be provided to citizens within the County.

**NOTE 14. SERVICES PROVIDED FROM OTHER GOVERNMENTS**

Pondera County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also serves as a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

**NOTE 15. RISK MANAGEMENT**

The County faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Property and Casualty Insurance

The County is part of a public entity risk pool called the Montana Association of Counties Property and Casualty Trust (MACo PCT). The MACo PCT pool is a group self-insurance program that offers a package concept combining multiple lines of coverages designed to meet the coverage and service needs for Montana Counties and Special Districts. Liability coverages are provided for at \$750,000/claim and \$1,500,000/occurrence.

PCT Coverage Includes:

- Public officials' errors and omissions
- Employment practices including legal advice on employment issues
- Law enforcement liability
- Auto liability
- General liability
- Defense only coverage for subdivisions approval and denials
- Property
- Faithful performance of duty
- Boiler and Machinery
- Fidelity and Crime
- Professional liability

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers' compensation called the Montana Association of Counties Workers' Compensation Trust (MACo WCT). Coverage is provided to member counties to protect member employees from on-the-job injuries and occupational diseases.

**NOTE 16. PENDING LITIGATION**

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>LeAnne Stokes Orcutt vs Pondera County</i>	Unknown	Unknown

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 17. SUBSEQUENT EVENTS**

In March 2021, Congress Passed the American Rescue Plan. This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, Pondera County is expected to receive \$1,146,402. Initial eligible use of the funds includes investments in water, sewer or broadband infrastructure, premium pay to essential workers or providing grants to local employers for premium pay, respond to public health emergency with respect to COVID-19 or its negative economic impacts, and to backfill reduced or lost revenues. The County received half of its ARPA funding in August 2021 equal to \$574,071, and hasn't spent any of the funds through March 2022.

In the fall of 2021, the County was awarded a \$450,000 CDBG grant to replace the existing boiler system at the Pondera County Medical Center. The County acted as the pass-through entity for this grant. In February 2022, the work was completed and the County received the \$450,000 to pass through to the medical center. In addition, the County disbursed \$1,160,388 of the accumulated voted tax dollars to the medical center in December 2021 to support lighting improvements and other renovations to the Pondera County Medical Center.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Pondera County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 1,100,976	\$ 1,100,976	\$ 1,102,723	\$ 1,747
Licenses and permits	60	60	45	(15)
Intergovernmental	333,502	338,002	341,254	3,252
Charges for services	233,735	233,735	215,396	(18,339)
Fines and forfeitures	37,550	37,550	45,340	7,790
Miscellaneous	36,908	31,908	38,298	6,390
Investment earnings	30,020	30,020	25,788	(4,232)
Amounts available for appropriation	\$ 1,772,751	\$ 1,772,251	\$ 1,768,844	\$ (3,407)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 1,662,337	\$ 1,662,337	\$ 1,286,241	\$ 376,096
Public safety	78,272	78,272	59,473	18,799
Public health	241,904	243,404	201,584	41,820
Social and economic services	9,250	9,250	6,350	2,900
Culture and recreation	2,800	2,800	2,005	795
Debt service - principal	30,200	30,200	30,152	48
Debt service - interest	6,225	6,225	6,142	83
Miscellaneous	-	-	12,963	(12,963)
Capital outlay	15,000	15,000	9,572	5,428
Total charges to appropriations	\$ 2,045,988	\$ 2,047,488	\$ 1,614,482	\$ 433,006
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (147,213)	\$ (147,213)	\$ (132,250)	\$ 14,963
Total other financing sources (uses)	\$ (147,213)	\$ (147,213)	\$ (132,250)	\$ 14,963
Net change in fund balance			\$ 22,112	
Fund balance - beginning of the year			\$ 1,074,278	
Fund balance - end of the year			\$ 1,096,390	

**Pondera County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

**Road**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 548,876	\$ 549,776	\$ -	\$ (549,776)
Intergovernmental	256,632	259,632	796,384	536,752
Miscellaneous	19,600	19,600	11,915	(7,685)
Amounts available for appropriation	<u>\$ 825,108</u>	<u>\$ 829,008</u>	<u>\$ 808,299</u>	<u>\$ (20,709)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 1,021,685	\$ 1,021,685	\$ 707,355	\$ 314,330
Debt service - principal	77,340	77,340	77,338	2
Debt service - interest	46,730	46,730	46,729	1
Total charges to appropriations	<u>\$ 1,145,755</u>	<u>\$ 1,145,755</u>	<u>\$ 831,422</u>	<u>\$ 314,333</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 14,346	\$ 14,346
Transfers in	-	54,000	54,000	-
Transfers out	(85,965)	(85,970)	(85,970)	-
Total other financing sources (uses)	<u>\$ (85,965)</u>	<u>\$ (31,970)</u>	<u>\$ (17,624)</u>	<u>\$ 14,346</u>
Net change in fund balance			<u>\$ (40,747)</u>	
Fund balance - beginning of the year			\$ 807,385	
Fund balance - end of the year			<u>\$ 766,638</u>	

**Pondera County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

<b>Public Safety</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 731,696	\$ 731,696	\$ -	\$ (731,696)
Licenses and permits	3,000	3,000	-	(3,000)
Intergovernmental	48,002	48,002	815,867	767,865
Charges for services	119,361	119,361	137,524	18,163
Miscellaneous	10,000	10,000	6,413	(3,587)
Amounts available for appropriation	<u>\$ 912,059</u>	<u>\$ 912,059</u>	<u>\$ 959,804</u>	<u>\$ 47,745</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public safety	\$ 1,093,098	\$ 1,093,098	\$ 754,314	\$ 338,784
Total charges to appropriations	<u>\$ 1,093,098</u>	<u>\$ 1,093,098</u>	<u>\$ 754,314</u>	<u>\$ 338,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 8,500	\$ 8,500
Transfers out	<u>(77,500)</u>	<u>(523,945)</u>	<u>(523,945)</u>	-
Total other financing sources (uses)	<u>\$ (77,500)</u>	<u>\$ (523,945)</u>	<u>\$ (515,445)</u>	<u>\$ 8,500</u>
Net change in fund balance			<u>\$ (309,955)</u>	
Fund balance - beginning of the year			\$ 879,083	
Fund balance - end of the year			<u>\$ 569,128</u>	



Pondera County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2021

911 Computer Aided Dispatch Grant				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Intergovernmental	\$ 262,500	\$ 262,500	\$ 154,700	\$ (107,800)
Amounts available for appropriation	\$ 262,500	\$ 262,500	\$ 154,700	\$ (107,800)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	\$ 262,500	\$ 262,500	\$ 154,700	\$ 107,800
Total charges to appropriations	\$ 262,500	\$ 262,500	\$ 154,700	\$ 107,800
Net change in fund balance			\$ -	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			\$ -	

**Pondera County, Montana  
Budgetary Comparison Schedule  
Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

<b>Sources/Inflows of resources</b>	<b>General</b>	<b>Road</b>	<b>Public Safety</b>	<b>911 Computer Aided Dispatch Grant</b>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,768,844	\$ 808,299	\$ 959,804	\$ 154,700
Combined funds (GASBS 54) revenues	<u>255,665</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 2,024,509</u>	<u>\$ 808,299</u>	<u>\$ 959,804</u>	<u>\$ 154,700</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,614,482	\$ 831,422	\$ 754,314	\$ 154,700
Combined funds (GASBS 54) expenditures	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,614,607</u>	<u>\$ 831,422</u>	<u>\$ 754,314</u>	<u>\$ 154,700</u>

**Pondera County, Montana**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF CHANGES IN THE**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For Fiscal Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>					
Service Cost	\$ 8,900	\$ 8,900	\$ 7,353	\$ 7,353	\$ -
Change in assumptions and inputs	<u>-</u>	<u>(15,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	8,900	(6,583)	7,353	7,353	-
Total OPEB Liability - beginning	86,821	93,404	86,051	80,396	80,396
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,698)</u>	<u>-</u>
Total OPEB Liability - ending	\$ <u>95,721</u>	\$ <u>86,821</u>	\$ <u>93,404</u>	\$ <u>86,051</u>	\$ <u>80,396</u>
Covered-employee payroll	\$ 2,043,403	\$ 2,043,403	\$ 1,816,995	\$ 1,921,708	\$ 2,513,371
Total OPEB liability as a percentage of covered -employee payroll	5%	4%	5%	4%	3%

*\*The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

**Pondera County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2021**

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.097070%	0.097138%	0.094156%	0.118508%	0.113930%	0.108123%	0.111317%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,560,911	\$ 2,030,484	\$ 1,965,173	\$ 2,308,087	\$ 1,940,621	\$ 1,511,425	\$ 1,387,023
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 804,288	\$ 658,932	\$ 655,744	\$ 28,996	\$ 23,712	\$ 18,565	\$ 16,938
Total	\$ 3,365,199	\$ 2,689,416	\$ 2,620,917	\$ 2,337,083	\$ 1,964,333	\$ 1,529,990	\$ 1,403,961
Employer's covered payroll	\$ 1,628,679	\$ 1,602,826	\$ 1,548,446	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821	\$ 1,269,671
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.24%	126.68%	126.91%	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	0.6791%	0.6338%	0.7628%	0.8229%	0.7731%	0.7653%	0.7873%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 827,706	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Total	\$ 827,706	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Employer's covered payroll	\$ 598,856	\$ 538,440	\$ 591,820	\$ 614,322	\$ 545,775	\$ 520,743	\$ 509,169
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	138.21%	98.17%	96.89%	101.94%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions							
Contributions in relation to the contractually required contributions	\$ 147,470	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 114,068	\$ 103,979
Contribution deficiency (excess)	\$ 147,470	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 116,172	\$ 108,820
County's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	\$ 1,662,570 8.87%	\$ 1,602,679 8.76%	\$ 1,602,826 8.60%	\$ 1,548,446 8.47%	\$ 1,467,442 8.39%	\$ 1,364,681 8.51%	\$ 1,261,821 8.62%
Contractually required contributions							
Contributions in relation to the contractually required contributions	\$ 86,382	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ 86,382	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
County's covered payroll	\$ 658,650 13.12%	\$ 598,856 12.67%	\$ 538,440 12.44%	\$ 591,820 13.36%	\$ 614,322 10.14%	\$ 545,775 10.36%	\$ 520,743 10.14%

-65-

**Pondera County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2021**

**Public Employees' Retirement System of Montana (PERS)**

**Changes of Benefit Terms**

The following changes to the plan provision were made as identified:

**2013 Legislative Changes**

*Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013*

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

*Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013*

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

*Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454*

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of 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 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**2015 Legislative Changes**

*General Revisions - House Bill 101, effective January 1, 2016*

**Second Retirement Benefit - for PERS**

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment;
  - Start same benefit amount the month following termination; and
  - GABA starts again in the January immediately following second retirement.

**Pondera County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2021**

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
  - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
  - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment
  - Start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
  - Member receives same retirement benefit as prior to return to service;
  - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

*Revise DC Funding Laws - House Bill 107, effective July 1, 2015*

**Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP**

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

**Pondera County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2021**

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**Sheriffs' Retirement System of Montana (SRS)**

**Changes of Benefit Terms**

The following changes to the plan provision were made as identified:

**2013 Legislative Changes**

*Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013*

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

*Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013*

- All SRS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

**2015 Legislative Changes**

There were no legislative changes with regards to SRS in 2015.

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions  
The following change to the actuarial assumptions was adopted in 2015:

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%
---	--



**Pondera County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2021**

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.17%
SRS Discount Rate – Used to measure the TPL	7.75%, which is the assumed long-term expected rate of return on System's investments

The following change to the actuarial assumptions was adopted in 2013:

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System's investments and a municipal bond index rate of 4.27%
---	--

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

# **SINGLE AUDIT SECTION**

**Pondera County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<b>Forest Service Schools and Roads Cluster</b>			
<b><u>United States Department of Agriculture</u></b>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 43,443
<b>Total United States Department of Agriculture</b>			\$ 43,443
<b>Total Forest Service Schools and Roads Cluster</b>			\$ 43,443
<b><u>Other Programs</u></b>			
<b><u>Department of Homeland Security</u></b>			
<i>Passed through Montana Department of Emergency Service</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$ 4,558
Emergency Management Performance Grants	97.042	20 EMPG Pondera	29,896
<b>Total Department of Homeland Security</b>			\$ 34,454
<b><u>Department of Transportation</u></b>			
<i>Direct</i>			
Airport Improvement Program and COVID-19 Airport Programs	20.106	N/A	\$ 39,225
Airport Improvement Program and COVID-19 Airport Programs	20.106	N/A	8,634
Airport Improvement Program and COVID-19 Airport Programs	20.106	N/A	129,205
<b>Total Department of Transportation</b>			\$ 177,064
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Grants to States to Support Oral Health Workforce Activities	93.236	19-07-5-01-108-0	\$ 4,831
Immunization Cooperative Agreements	93.268	21-07-4-31-133-0	3,872
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20-07-6-11-040-0	56,095
Public Health Emergency Response: Cooperative Agreement for			
Emergency Response: Public Health Crisis Response	93.354	20-07-6-11-040-0	14,302
Maternal and Child Health Services Block Grant to the States	93.994	N/A	3,702
<i>Passed through Teton County</i>			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	N/A	4,868
<b>Total Department of Health and Human Services</b>			\$ 87,670
<b><u>Department of the Treasury</u></b>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 89,971
<i>Passed through Montana Governors Office</i>			
Coronavirus Relief Fund	21.019	N/A	522,608
<b>Total Department of the Treasury</b>			\$ 612,579

Pondera County, Montana  
Schedule of Expenditures of Federal Awards - continued  
For the Year Ended June 30, 2021

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<b><u>United States Department of Agriculture</u></b>			
<i>Passed through Teton</i>			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A	\$ 16,532
<b>Total United States Department of Agriculture</b>			<u>\$ 16,532</u>
<b><u>Various Agencies -2</u></b>			
<i>Montana Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 3,646
<b>Total Various Agencies - 2</b>			<u>\$ 3,646</u>
<b>Total Other Programs</b>			<u>\$ 931,945</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 975,388</u></u>

The accompanying notes are an integral part of this schedule

PONDERA COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2021

*Basis of Presentation and Significant Accounting Policies*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Pondera County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Pondera County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Pondera County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pondera County has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

**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 Commissioners  
Pondera County  
Conrad, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pondera County's basic financial statements and have issued our report thereon dated March 24, 2022.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pondera County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

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

Pondera County's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Pondera County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

March 24, 2022

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

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

---

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

Board of Commissioners  
Pondera County  
Conrad, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Pondera County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Pondera County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pondera County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Pondera County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



### **Report on Internal Control Over Compliance**

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

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

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

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

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

March 24, 2022

PONDERA COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2021

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Section II – Financial Statement Findings**

#### **2021-001      Unallowable Transfer**

**Condition:**

The County transfers between funds that were not allowable, and is therefore not in compliance.

**Context:**

After analyzing a schedule of transfers between funds to ensure that all transfers made were allowable based on the restrictions of the funds involved, it was determined that a there was a transfer made that was not allowable.

**Criteria:**

Transfers are only allowable from an unrestricted fund to restricted funds, from a fund to a related capital improvement fund, from a restricted fund to a related more restricted fund, and for prior year residual equity transfers.

**Effect:**

The County made an unallowable transfer from the Public Safety Fund to the General Fund Capital Improvement for the amount of \$446,445.

**Cause:**

The County was not aware they could not fund the General Capital Improvement Fund with Public Safety Funds.

**Recommendation:**

The County should review the types of allowable transfers, and ensure that they are only making these types of transfers going forward.

### **Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

Kody Farkell  
Clerk & Recorder  
Election Administrator  
20 Fourth Ave SW  
Conrad, MT 59425-2340



Phone (406) 271-4000  
Fax (406) 271-4070  
kody.farkell@ponderacounty.org  
www.ponderacountymontana.org

## **PONDERA COUNTY MONTANA**

Contact Person:

Kody Farkell, Clerk & Recorder

Expected Completion Date of Corrective Action Plan:

March 24, 2022

### **CORRECTIVE ACTION PLAN**

FINDING 2021-001: Unallowable Transfer

Response:

The County transferred reimbursed Cares Act funds applied to Public Safety fund expenditures to the General Fund Capital Improvement fund. This was done with the intention of using the funds toward a courthouse-wide boiler system. We realize now we should have transferred the money to the Public Safety Capital Improvement fund or created a separate Capital Improvement fund to hold the money.