

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

BOARD OF COUNTY COMMISSIONERS

Jim Morren	Chairman
Thomas A. Kula	Member
Zane Drishinski	Member

COUNTY OFFICIALS

Kody L. Farkell	Clerk and Recorder
Sharon Lennon	Attorney/Public Administrator
Laurie Eisenzimer	Clerk of District Court
Cody J. Shaw	Justice of the Peace
Robert Skorupa	Sheriff/Coroner
Shaunna Graham	Treasurer/Superintendent of Schools

Pondera County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2022-2023 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 3.5% 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 \$4,490,266. This amount is \$25,238 more than the prior fiscal year.
- Interest revenue: Pondera County's interest revenue for the fiscal year totaled \$154,632. This amount is \$113,981 more than the prior fiscal year.
- Area Development: Pondera County participated fiscally in Sweet Grass Development (\$2,000), and the Northern Transit Inter-Local (\$20,000).
- Public Safety: Due to supply issues, we had not been able to purchase a vehicle for the department each year as budgeted over the last couple of years. This year we were able to get two vehicles to get caught up on the department's normal rotation. Another two vehicle are planned for the next fiscal year. Increasing fuel costs as well as prisoner meal costs were a concern when watching the department's budget overall.
- Roads and Bridges: The County purchased \$73,000 worth of gravel. The Road Department worked diligently to keep up on culvert replacement and road graveling throughout the County. Grader lease payments were made in the amount of \$229,561 to principle. \$72,000 was spent on two used tractors, and carbide blades. Like the Public Safety department, fuel costs were higher than expected for the year.
- Courthouse Improvements: Seven computers were due for replacement on the current rotation within the courthouse. A new boiler system is being installed utilizing a variety of funding sources. The Clerk & Recorder's office is continuing records preservation of microfilm records in order to provide more services to the public.
- Conrad Airport: The FAA provided a cost share of 90% (\$175,000 paid to the county so far) for runway replacement engineering services at the Conrad Airport. The County received a \$7,000 grant to purchase a new courtesy car for the Conrad Airport. Pondera County also continues to make payments on loans of a new fuel system as well as a 6- bay hangar built at the Conrad Airport.

Pondera County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

- Ambulance: With PMC being taken over by Logan Health, the County began receiving a monthly lease payment of \$3,390 for ambulance lease. The additional funding received was used for ambulance repairs as well as increasing the transfer to Ambulance Capital Improvement fund for anticipated future purchases of ambulances.

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 is an indicator of whether its financial position is improving or deteriorating. Other factors to consider are changes in the property tax base and the condition of infrastructure within the County.

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

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

Pondera County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

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

The fiduciary funds and notes to the financial statements can be found in the Audit Report.

Condensed Financial Statements

Government-wide STATEMENT OF NET POSITION:

	FY 2022-23	Post Audit
	Governmental	FY 2021-22
	<u>Activities</u>	Governmental
		<u>Activities</u>
Current and other assets	\$ 13,143,960	\$ 11,767,986
Capital assets	5,858,799	5,628,844
Total assets	19,002,759	17,396,830
Long-term debt outstanding	4,620,157	3,793,605
Other liabilities	<u>1,184,725</u>	<u>1,511,386</u>
Total liabilities	<u>\$ 5,804,882</u>	<u>\$ 5,304,991</u>
Net position:		
Net investment in capital assets	\$ 5,583,501	\$ 5,296,869
Restricted	4,149,516	3,994,558
Unrestricted (deficit)	<u>3,464,860</u>	<u>2,800,412</u>
Total net position	<u>\$ 13,197,877</u>	<u>\$ 12,091,839</u>

Government-wide STATEMENT OF ACTIVITIES

	FY 2022-23	Post Audit
	Governmental	FY 2021-22
	<u>Activities</u>	Governmental
		<u>Activities</u>
<u>Program Revenues</u>		
Charges for Services	\$ 391,418	\$ 342,854
Operating Grants and Contributions	1,586,020	1,819,281
Capital Grants and Contributions	<u>199,421</u>	<u>271,601</u>
Total Program Revenues	<u>\$ 2,176,859</u>	<u>\$ 2,433,736</u>
<u>General Revenues</u>		
Property Taxes	\$ 4,490,266	\$ 4,465,028
Licenses & Permits	15	105
Video Poker Apportionment	2,825	2,525
Miscellaneous	234,365	100,103
Interest/Investment Earnings	154,632	40,651
MT Oil and Gas Production Tax	108,685	71,951

Pondera County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

Local Options Tax	253,825	248,671
Unrestricted fed/state shared revenues	1,299	783
State Entitlement	824,986	808,998
Grants & Entitlements not restricted to specific programs	297,172	275,123
Contributions & donations	5,235	16,463
State contributions to Retirement	74,864	146,658
Gain (Loss) on disposal of capital assets		
Total General Revenues	<u>6,448,169</u>	<u>6,177,059</u>
Total Revenues	<u>\$ 8,625,028</u>	<u>\$ 8,610,795</u>

Government-wide STATEMENT OF ACTIVITIES

	FY 2022-23	<u>Post Audit</u> FY 2021-22
	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
<u>Program Expenses by Function</u>		
General Government	\$ 2,617,633	\$ 2,182,292
Public Safety	1,453,687	1,339,390
Public Works	1,735,046	2,509,934
Public Health	671,914	558,926
Social & Economic Services	139,387	163,632
Culture & Recreation	341,267	318,170
Housing & Community Development	625	1,159,722
Debt Service Interest	32,981	7,129
Miscellaneous	235,985	239,083
Total Expenses	7,228,525	8,478,278
Excess before special items/transfers	1,396,503	132,517
Gain (loss) on sale of capital assets	<u>2,482</u>	<u>731,453</u>
Changes in net position	<u>\$ 1,398,985</u>	<u>\$ 863,970</u>

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 \$7,228,525 compared to \$8,478,278 for fiscal year 2021-22 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, \$4,490,266 up by \$25,238 from \$4,465,028 in fiscal year 2021-22. 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.

Pondera County, Montana
Management's Discussion and Analysis
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Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety</u>
Fund Balance – Current Year	3,202,643	722,155	85,503	654,091
Fund Balance – Prior Year	2,618,595	720,207	28,813	572,991
Change in unassigned fund balance	584,048	1,948	56,690	81,100
% change in fund balance	18.23%	0.27%	66.3%	12.39%

The increase in the fund balance in the General Fund is due an increase taxes collected, and an increase in interest and oil/gas revenues, despite a slight decrease in Entitlement Shares. Overall, there was not a significant change in expenditures of the Fund.

The increase in the Road Fund cash balance is a result of increased tax, interest, and oil/gas revenues, and Entitlement Shares. Fuel was up by \$50,000 but the decrease in gravel expenditures accounted for a higher cash balance.

The Ambulance Fund saw an increase in tax revenues in revenues as well as a decrease in repair costs, grant match, and other expenses. This resulted in an overall increase in cash balance.

Like other major funds, the Public Safety Fund saw an overall increase in revenues and relatively little change in expenditures.

Revenue Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,810,754	1,911,578	100,824	5.6%

There was a variance between the final budget amount and actual amount of revenue received in the General Fund of \$100,824 for a 5.6% variance. The variance was due primarily to a increase in revenues and insignificant changes in expenditures.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	874,005	913,891	36,886	4.6%

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of \$36,886 for a 4.6% variance. The variance was due to increased revenues and decreased expenditures from not purchasing gravel as done in the past.

Ambulance

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	81,453	92,639	11,186	13.73%

There was a variance between the final budget amount and actual amount of revenue received in the Ambulance Fund of \$11,186 for a 13.73% variance due partly due to a decrease in expected repairs to the ambulances.

Pondera County, Montana
Management's Discussion and Analysis
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Public Safety

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	1,204,989	1,227,255	22,266	1.8%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$22,266 for a 1.8% variance.

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 fiscal year, the County continued engineering services for a new runway at the Conrad Airport with assistance from the FAA. The total remaining on loans for the 6-bay hangar as well as the fuel system was \$8,022 as of June 30, 2023. InterCap loan payments were made for remodeling the Pondera Center and the HVAC system. As of June 30, 2023 the principal due to InterCap loans decreased from \$299,252 to \$236,989 from the beginning of the fiscal year. The lease for graders left a capital lease balance of \$730,695. Compensated absences balance as of June 30, 2023 was \$226,453.

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, 2023 of \$5,858,799.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY2023-24 Taxable Valuation increased in Pondera County from \$17,563,966 to \$20,589,570, increasing the value of a county-wide mill from \$17,563 to \$20,589. The FY23-24 budget did not allow for the reservation of any floated mills; all were levied.

The county continues to receive enhanced gas tax funds (BaRSAA) each year. We anticipate future revenue from additional gas tax to be approximately \$85,000 per year. This money is paid to the county each month with regular Gas Tax Fund.

A 5.0% COLA and wage increase was approved for elected officials and employees.

While aiming for a 33% reserve in all funds, reserve amounts range from 31.2% (Road Fund & Ambulance Fund) to 33.9% (Bridge Fund). Our goal remains to achieve the 33% reserve in all funds.

The Clerk & Records' 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.

Pondera County, Montana
Management's Discussion and Analysis
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The County plans to complete replace the boiler and all heat registers in the courthouse using County funds, Care Act funds, and possible a loan. We are also working on building an ambulance barn using ARPA funds and loan money.

The Road/Bridge Department hopes to add an addition on to their Valier office. They have also budgeted for two v-plows as well as two tractors. Grader lease payments will continue to be made.

The Public Safety Department is getting caught up on vehicle replacements, buying two in FY2021-22 and two more for FY2022-23. Most other necessary equipment upgrades have been covered by MLIA grants the last few years.

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: kody.farkell@ponderacounty.org

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 County Commissioners
Pondera County
Conrad, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pondera County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pondera County, Montana basic financial statements as listed in the table of contents.

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 the Pondera County, Montana, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Pondera County, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pondera County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pondera County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pondera County, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 content. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pondera County, Montana's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 20, 2024, 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 solely 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 the Pondera County, Montana's internal control over financial reporting and 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 20, 2024

Pondera County, Montana
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 10,996,166
Taxes and assessments receivable, net	154,671
Accounts receivable - net	3,434
Due from other governments	39,841
Inventories	91,161
Leases receivable - current	28,000
Total current assets	\$ 11,313,273
Noncurrent assets	
Leases receivable - noncurrent	\$ 238,309
Capital assets - land	285,409
Capital assets - construction in progress	170,581
Capital assets - depreciable, net	5,402,809
Leased assets, net of amortization	731,117
Total noncurrent assets	\$ 6,828,225
Total assets	\$ 18,141,498
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 861,261
Total deferred outflows of resources	\$ 861,261
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,002,759
LIABILITIES	
Current liabilities	
Warrants payable	\$ 508,887
Accounts payable	48,332
Accrued payroll	61,629
Due to other governments	13,131
Current portion of lease liabilities	236,425
Current portion of long-term capital liabilities	37,031
Current portion of compensated absences payable	172,711
Total current liabilities	\$ 1,078,146
Noncurrent liabilities	
Noncurrent portion of OPEB	\$ 85,700
Noncurrent portion of lease liabilities	494,270
Noncurrent portion of long-term capital liabilities	238,267
Noncurrent portion of compensated absences	53,742
Net pension liability	3,387,711
Total noncurrent liabilities	\$ 4,259,690
Total liabilities	\$ 5,337,836
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - leases	\$ 266,309
Deferred inflows of resources - pensions	200,737
Total deferred inflows of resources	\$ 467,046
NET POSITION	
Net investment in capital assets	\$ 5,583,923
Restricted for special projects	4,152,368
Unrestricted	3,461,586
Total net position	\$ 13,197,877
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 19,002,759

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government:					
Governmental activities:					
General government	\$ 2,617,633	\$ 104,293	\$ 434,964	\$ -	\$ (2,078,376)
Public safety	1,453,687	129,543	120,249	-	(1,203,895)
Public works	1,735,046	50,845	133,911	199,421	(1,350,869)
Public health	671,914	61,341	882,999	-	272,426
Social and economic services	139,387	43,631	13,897	-	(81,859)
Culture and recreation	341,267	-	-	-	(341,267)
Housing and community development	625	-	-	-	(625)
Conservation of natural resources	-	1,765	-	-	1,765
Debt service - interest	32,981	-	-	-	(32,981)
Miscellaneous	235,985	-	-	-	(235,985)
Total governmental activities	<u>\$ 7,228,525</u>	<u>\$ 391,418</u>	<u>\$ 1,586,020</u>	<u>\$ 199,421</u>	<u>\$ (5,051,666)</u>
General Revenues:					
Property taxes for general purposes				\$	4,490,266
Licenses and permits					15
Video poker apportionment					2,825
Miscellaneous					234,365
Interest/investment earnings					154,632
Local option taxes					253,825
Unrestricted federal/state shared revenues					1,299
Montana oil and gas production tax					108,685
State entitlement					824,986
Grants and entitlements not restricted to specific programs					297,172
Contributions & donations					5,235
State Contribution to Retirement					74,864
Gain (loss) on sale of capital assets					2,482
Total general revenues, special items and transfers				<u>\$</u>	<u>6,450,651</u>
Change in net position				<u>\$</u>	<u>1,398,985</u>
Net position - beginning				\$	12,091,839
Restatements					(292,947)
Net position - beginning - restated				<u>\$</u>	<u>11,798,892</u>
Net position - end				<u>\$</u>	<u>13,197,877</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 3,751,924	\$ 675,346	\$ 82,113	\$ 671,046	\$ 5,815,737	\$ 10,996,166
Taxes and assessments receivable, net	45,406	15,610	1,100	22,608	69,947	154,671
Accounts receivable - net	-	-	3,390	-	44	3,434
Due from other funds	14,047	-	-	-	-	14,047
Due from other governments	-	-	-	-	39,841	39,841
Inventories	-	54,870	-	-	36,291	91,161
Leases receivable - current	-	-	266,309	-	-	266,309
TOTAL ASSETS	\$ 3,811,377	\$ 745,826	\$ 352,912	\$ 693,654	\$ 5,961,860	\$ 11,565,629
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 508,787	\$ -	\$ -	\$ -	\$ 100	\$ 508,887
Accounts payable	16,812	-	-	-	31,520	48,332
Accrued payroll	24,598	8,061	-	16,955	12,015	61,629
Due to other funds	-	-	-	-	14,047	14,047
Due to other governments	13,131	-	-	-	-	13,131
Total liabilities	\$ 563,328	\$ 8,061	\$ -	\$ 16,955	\$ 57,682	\$ 646,026
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes and assessments	\$ 45,406	\$ 15,610	\$ 1,100	\$ 22,608	\$ 69,947	\$ 154,671
Deferred inflows of resources - leases	-	-	266,309	-	-	266,309
Total deferred inflows of resources	\$ 45,406	\$ 15,610	\$ 267,409	\$ 22,608	\$ 69,947	\$ 420,980
FUND BALANCES						
Nonspendable	\$ -	\$ 54,870	\$ -	\$ -	\$ 36,291	\$ 91,161
Restricted	-	667,285	85,503	654,091	2,552,775	3,959,654
Committed	-	-	-	-	3,248,018	3,248,018
Unassigned fund balance	3,202,643	-	-	-	(2,853)	3,199,790
Total fund balance	\$ 3,202,643	\$ 722,155	\$ 85,503	\$ 654,091	\$ 5,834,231	\$ 10,498,623
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,811,377	\$ 745,826	\$ 352,912	\$ 693,654	\$ 5,961,860	\$ 11,565,629

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, 2023

Total fund balances - governmental funds	\$ 10,498,623
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,858,799
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.	154,671
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,318,146)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,387,711)
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.	861,261
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.	(200,737)
Lease assets used in governmental activities are not financial resources and therefore, are not reported in the funds	731,117
Total net position - governmental activities	<u><u>\$ 13,197,877</u></u>

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, 2023

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 1,214,477	\$ 599,786	\$ 35,083	\$ 922,987	\$ 1,941,422	\$ 4,713,755
Licenses and permits	15	-	-	1,915	-	1,930
Intergovernmental	1,574,425	290,823	5,969	108,634	1,008,873	2,988,724
Charges for services	198,844	-	-	124,618	80,902	404,364
Fines and forfeitures	41,193	-	-	-	2,177	43,370
Miscellaneous	23,168	23,282	37,545	69,101	79,395	232,491
Investment earnings	81,350	-	14,042	-	73,283	168,675
Total revenues	<u>\$ 3,133,472</u>	<u>\$ 913,891</u>	<u>\$ 92,639</u>	<u>\$ 1,227,255</u>	<u>\$ 3,186,052</u>	<u>\$ 8,553,309</u>
EXPENDITURES						
General government	\$ 1,372,580	\$ -	\$ -	\$ -	\$ 911,869	\$ 2,284,449
Public safety	58,211	-	4,249	1,068,655	112,342	1,243,457
Public works	-	652,670	-	-	518,219	1,170,889
Public health	276,602	-	-	-	281,495	558,097
Social and economic services	4,750	-	-	-	134,637	139,387
Culture and recreation	4,112	-	-	-	336,908	341,020
Debt service - principal	32,553	229,561	-	-	38,691	300,805
Debt service - interest	3,577	28,712	-	-	692	32,981
Miscellaneous	-	-	6,700	-	229,285	235,985
Capital outlay	528,289	-	-	-	507,084	1,035,373
Total expenditures	<u>\$ 2,280,674</u>	<u>\$ 910,943</u>	<u>\$ 10,949</u>	<u>\$ 1,068,655</u>	<u>\$ 3,071,222</u>	<u>\$ 7,342,443</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 852,798</u>	<u>\$ 2,948</u>	<u>\$ 81,690</u>	<u>\$ 158,600</u>	<u>\$ 114,830</u>	<u>\$ 1,210,866</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -	\$ 23,481	\$ 23,481
Transfers in	2,500	54,000	-	-	741,675	798,175
Transfers out	(271,250)	(55,000)	(25,000)	(77,500)	(369,425)	(798,175)
Total other financing sources (uses)	<u>\$ (268,750)</u>	<u>\$ (1,000)</u>	<u>\$ (25,000)</u>	<u>\$ (77,500)</u>	<u>\$ 395,731</u>	<u>\$ 23,481</u>
Net Change in Fund Balance	<u>\$ 584,048</u>	<u>\$ 1,948</u>	<u>\$ 56,690</u>	<u>\$ 81,100</u>	<u>\$ 510,561</u>	<u>\$ 1,234,347</u>
Fund balances - beginning	<u>\$ 2,618,595</u>	<u>\$ 720,207</u>	<u>\$ 28,813</u>	<u>\$ 572,991</u>	<u>\$ 5,323,670</u>	<u>\$ 9,264,276</u>
Fund balance - ending	<u>\$ 3,202,643</u>	<u>\$ 722,155</u>	<u>\$ 85,503</u>	<u>\$ 654,091</u>	<u>\$ 5,834,231</u>	<u>\$ 10,498,623</u>

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, 2023

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

Net change in fund balances - total governmental funds \$ 1,234,347

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	1,035,373
- Depreciation expense	(1,028,125)

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	(23,481)
- Loss on the sale of capital assets	2,482

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)	43,523
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The change in compensated absences is shown as an expense in the Statement of Activities	(551)
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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	300,805
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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	(7,673)
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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

(185,911)

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

28,196

Change in net position - Statement of Activities	\$ <u>1,398,985</u>
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See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 1,215,123	\$ 8,899,819
Taxes receivable	388,722	-
TOTAL ASSETS	\$ 1,603,845	\$ 8,899,819
LIABILITIES		
Due to others	\$ 562,999	\$ -
Total liabilities	\$ 562,999	\$ -
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 8,899,819
Individuals, organizations, and other governments	\$ 1,040,846	-
Total net position	\$ 1,040,846	\$ 8,899,819
TOTAL LIABILITIES AND NET POSTION	\$ 1,603,845	\$ 8,899,819

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, 2023

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions	\$ -	\$ 10,729,859
Interest and change in fair value of investments	-	417,746
Taxes, licenses, and fees collected for other governments	6,022,092	-
Property taxes collected for school districts	3,702,282	-
Intergovernmental grants and entitlements collected for school districts	15,271,316	-
Investment pool distributions - net	1,391,714	-
Total additions	\$ 26,387,404	\$ 11,147,605
DEDUCTIONS		
Distributions from investment trust fund	\$ -	\$ 12,539,319
Taxes, licenses, and fees distributed to other governments	5,883,148	-
School district claims and payroll expense	18,578,904	-
Total deductions	\$ 24,462,052	\$ 12,539,319
Change in net position	\$ 1,925,352	\$ (1,391,714)
Net Position - Beginning of the year	\$ 421,569	\$ 8,985,458
Restatements	(1,306,075)	1,306,075
Net Position - Beginning of the year - Restated	\$ (884,506)	\$ 10,291,533
Net Position - End of the year	\$ 1,040,846	\$ 8,899,819

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The County has implemented this pronouncement in the current fiscal year.

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 unit's 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 an elected Board of 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

The Statement of Net Position presents the financial condition of the governmental and business-type 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.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the 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.

Road Fund – A special revenue fund that accounts for the activities of the County’s road maintenance and construction operations.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Ambulance Fund – A special revenue fund that accounts for the revenues received and expended for ambulance services.

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

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the County in a custodial capacity. This fund primarily consist reporting of resources held by the County as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2023, 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	2,535,807
Savings deposits	5,073,001
Time deposits	6,500,000
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	6,002,000
U.S. Government Securities	1,000,000
Total	\$ <u><u>21,111,108</u></u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 market participants at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

- (a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.
- (b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.
- (c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Government Securities are valued using quoted market prices (Level 1 inputs).

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

(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.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2023, (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	\$ 543,893	A-1+	8
Agency of Government Related	847,891	A-1+	12
Corporate:			
Commercial Paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of Deposit	<u>1,254,156</u>	A-1+	40
Total Investments	<u>\$ 3,978,820</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor in Helena, Montana.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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, 2023, the government’s bank balance was exposed to custodial credit risk as follows:

	June 30, 2023 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 7,352,678
- Collateralized	6,373,492
- Uninsured and Uncollateralized	250,000
Total deposits and investments	<u>\$ 13,976,170</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, 2023, equaled or exceeded the amount required by State statutes.

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2023 along with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
FHLB	1.06%	7/25/2024	\$ 250,000
FHLB	1.13%	1/27/2025	250,000
FHLB	1.25%	1/28/2025	250,000
FHLB	1.38%	12/26/2025	250,000
STIP	0.10%	N/A	6,002,000
Total			<u>\$ 7,002,000</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Cash and Investment Pool

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

Investment in the Treasurer’s Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County’s investment policy and Montana law. The County’s pools are managed by the County Treasurer. The external portion of the County’s investment pools are accounted for as investment trust funds. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has one pooled fund, invested in STIP, savings, and 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, 2023 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, 2023.

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, 2023.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 9,675,181
Equity of external pool participants	8,899,819
Total equity	\$ 18,575,000

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 417,746	\$ 458,409
Contributions to trust	10,729,859	13,555,868
Distributions paid	(12,539,319)	(11,580,049)
Net change in net position	\$ (1,391,714)	\$ 2,434,228
Net position at beginning of year	8,985,458	6,322,028
Restatements	1,306,075	918,925
Net position at end of year	\$ 8,899,819	\$ 9,675,181

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 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, 2023

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

Governmental activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 265,409	\$ -	\$ -	\$ 265,409
Pondera Medical Center - Land	20,000	-	-	20,000
Construction in progress	-	170,581	-	170,581
Total capital assets not being depreciated	<u>\$ 285,409</u>	<u>\$ 170,581</u>	<u>\$ -</u>	<u>\$ 455,990</u>
Other capital assets:				
Buildings	\$ 4,533,110	\$ 528,289	\$ -	\$ 5,061,399
Improvements other than buildings	5,187,781	-	-	5,187,781
Machinery and equipment	5,307,970	219,241	(76,697)	5,450,514
Infrastructure	207,192	117,262	-	324,454
Pondera Medical Center	7,137,594	-	-	7,137,594
Total other capital assets at historical cost	<u>\$ 22,373,647</u>	<u>\$ 864,792</u>	<u>\$ (76,697)</u>	<u>\$ 23,161,742</u>
Less: accumulated depreciation	<u>(17,030,212)</u>	<u>(784,419)</u>	<u>55,698</u>	<u>(17,758,933)</u>
Total	<u>\$ 5,628,844</u>	<u>\$ 250,954</u>	<u>\$ (20,999)</u>	<u>\$ 5,858,799</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$139,049
Public safety	210,230
Public works	320,451
Public health	113,817
Culture and recreation	247
Housing and community development	<u>625</u>
Total governmental activities depreciation expense	<u>\$784,419</u>

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>	
Loans/Contracted debt	\$ 46,713	\$ -	\$ (38,691)	\$ 8,022	\$ 3,850	
Compensated absences	225,902	551	-	226,453	172,711	
Intercap loans	299,829	-	(32,553)	267,276	33,181	
Total	<u>\$ 572,444</u>	<u>\$ 551</u>	<u>\$ (71,244)</u>	<u>\$ 501,751</u>	<u>\$ 209,742</u>	

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

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2023, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2023</u>
MDT Aeronautics Loan	9/27/17	1.88%	10 yrs	3/1/27	\$ 11,500	\$ 4,600
MDT Aeronautics Loan	1/17/19	2.75%	10 yrs	3/1/29	27,000	3,422
Total					<u>\$ 38,500</u>	<u>\$ 8,022</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 3,850	\$ 161
2025	1,872	97
2026	1,150	65
2027	1,150	43
Total	<u>\$ 8,022</u>	<u>\$ 366</u>

Intercap Loans

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Interacap loans outstanding as of June 30, 2023, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2023</u>
Building for Senior Center - remodel	8/12/11	1.00-4.85%	15 yrs	8/15/26	\$113,841	\$ 30,287
HVAC system	4/13/17	1.00-4.85%	14.5 yrs	2/15/32	<u>359,000</u>	<u>236,989</u>
Total					<u>\$472,841</u>	<u>\$ 267,276</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 33,181	\$ 4,143
2025	33,731	3,628
2026	34,291	3,106
2027	30,362	2,574
2028	26,313	2,104
2029	26,721	1,696
2030	27,137	1,281
2031	27,560	861
2032	27,980	434
Total	<u>\$ 267,276</u>	<u>\$ 19,827</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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7. LEASES

Leased Assets and Lease Liabilities

During fiscal year 2022 the County entered into multiple lease agreements for CAT Graders. Each agreement is a four-year term requiring annual payments.

A summary of changes in governmental leased assets and liabilities was as follows as of June 30, 2023:

Governmental Activities:

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>July 1, 2022</u>		<u>June 30, 2023</u>
Leased assets being amortized			
Machinery and Equipment	\$ 1,218,529	\$ -	\$ 1,218,529
Total Lease assets being amortized	<u>1,218,529</u>	<u>-</u>	<u>1,218,529</u>
Less accumulated amortization	<u>(243,706)</u>	<u>(243,706)</u>	<u>(487,412)</u>
Total	<u>\$ 974,823</u>	<u>\$ -</u>	<u>\$ 731,117</u>

Below is the annual principal and interest requirements of the lease liabilities:

<u>Purpose</u>	<u>Origination</u>	<u>Interest</u>	<u>Term</u>	<u>Maturity</u>	<u>Annual</u>	<u>Principal</u>	<u>Balance</u>
	<u>Date</u>	<u>Rate</u>		<u>Date</u>	<u>Payment</u>	<u>Amount</u>	<u>June 30, 2023</u>
Road Graders	12/6/21	2.99%	4 yrs	12/6/25	\$ <u>258,273</u>	\$ <u>1,218,529</u>	\$ <u>731,117</u>

Annual requirement to amortize debt:

<u>For Fiscal</u>	<u>Principal</u>	<u>Interest</u>
<u>Year Ended</u>		
2023	\$ 214,053	\$ 44,220
2024	214,053	44,220
2025	214,053	44,220
2026	<u>214,052</u>	<u>44,221</u>
Total	<u>\$ 856,211</u>	<u>\$ 176,881</u>

Leased Receivables

The County leases out three ambulance vehicles to Pondera Medial Center. The term of the agreement is 10 years. The agreement requires monthly payments to the County. The total lease payments received during the fiscal year equaled \$26,638. As of June 30, 2023 the County total value of the receivables equaled \$266,309.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8. 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.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	0
Active employees	51
Total employees	51

Total OPEB Liability

The County's total OPEB liability of \$85,700 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022, using standard roll-forward procedures to June 30, 2023.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, 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)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (County Experience)	4.50%
Participation rate	10.00%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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.

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>78,027</u>
Changes for the year:	
Service Cost	\$ <u>7,673</u>
Net Changes	\$ <u>7,673</u>
Balance at 6/30/2023	\$ <u><u>85,700</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 (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability	\$ 88,828	\$ 78,027	\$ 69,134

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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	\$ 67,023	\$ 78,027	\$ 91,638

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

In fiscal year ending June 30, 2023, 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, 2022, calculated liability per valuation completed on June 30, 2022.

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2023, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	<u>PERS</u>	<u>SRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 2,425,354	\$ 962,357	\$ 3,387,711
Deferred outflows of resources*	\$ 451,921	\$ 409,340	\$ 861,261
Deferred inflows of resources	\$ 177,558	\$ 23,179	\$ 200,737
Pension expense	\$ 363,200	\$ 136,926	\$ 500,126

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$173,304 and \$93,331, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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).

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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;
- 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.

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;

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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.

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
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%

1. Member contributions to the system of 7.9% are 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.
2. 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.
3. 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 \$34,633,570.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022, 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 \$2,425,354 and the County’s proportionate share was 0.101996 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,425,354	\$ 1,733,009	0.101996%	0.095576%	0.006420%
State of Montana Proportionate Share associated with Employer	722,276	509,071	0.030375%	0.028075%	0.002300%
Total	\$ 3,147,630	\$ 2,242,080	0.132371%	0.123651%	0.008720%

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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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, 2023, the County recognized a Pension Expense of \$288,336 for its proportionate share of the pension expense. The County also recognized grant revenue of \$74,864 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 6/30/23		Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 288,336	\$	67,702
State of Montana Proportionate Share associated with the Employer	74864		146658
Total	\$ 363,200	\$	214,360

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County’s fiscal year 2022 contributions of \$434,131.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 30,918	\$ -
Actual vs. Expected Investment Earnings	71,280	-
Changes in Assumptions	90,383	177,558
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	86,036	-
Employer contributions subsequent to the measurement date - FY23	173,304	-
Total	<u>\$ 451,921</u>	<u>\$ 177,558</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, 2023.

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

<u>For the Measurement Year ended June 30:</u>	<u>Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense</u>
2023	\$ 63,926
2024	\$ (48,277)
2025	\$ (76,879)
2026	\$ 162,290
Thereafter	\$ -

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2023 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- 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:

- Active Participants - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Contingent Survivors - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. 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. 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 2126. 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.

1.0% Decrease	Current	1.0% Increase
<u>(6.30%)</u>	<u>Discount Rate</u>	<u>(8.30%)</u>
\$ 3,496,262	\$ 2,425,354	\$ 1,526,876

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) 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.

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, 2023, 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 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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>.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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).

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.

PONDERA COUNTY, MONTANA
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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
 - 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.

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

PONDERA COUNTY, MONTANA
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 June 30, 2023

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>
2018-2023	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

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, 2023, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022, 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 \$962,357 and the County’s proportionate share was 0.7028 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 962,357	\$ 527,896	0.7028%	0.7247%	-0.0219%
Total	\$ 962,357	\$ 527,896	0.7028%	0.7247%	-0.0219%

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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

3. All mortality assumptions were updated to the PUB2010 tables for public safety employees.
4. Rates of withdrawal, retirements, disability retirement, and merit increases were updated.
5. Payroll growth assumption was lowered from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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.

Pension Expense:

At June 30, 2023, the County recognized a Pension Expense of \$136,926 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 136,926	\$ 2,232
Total	\$ 136,926	\$ 2,232

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$357,134.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Recognition of Deferred Inflows and Outflows:

At June 30, 2023, 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	\$ 133,368	\$ -
Actual vs. Expected Investment Earnings	40,849	
Changes in Assumptions	138,577	23,179
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	3,215	-
Employer contributions subsequent to the measurement date - FY23	93,331	-
Total	\$ 409,340	\$ 23,179

*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, 2023.

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	
2023	\$	85,481
2024	\$	97,858
2025	\$	32,565
2026	\$	76,926
Thereafter	\$	-

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2023, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
 *includes inflation at 2.75%
- Merit Increases 1.0% to 6.40%

• 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, 2007

Mortality:

- Active Participant - PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Healthy Retiree - PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021 set forward one year and adjusted 105% for males. Projected generationally using MP-2021.
- Contingent Survivor - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Disabled Retiree - PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. 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 2127. 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.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 1,565,281	\$ 962,357	\$ 471,580

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena 620-0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Deficit Cash	General – Major Governmental	Predatory Animal – Nonmajor Governmental	\$ 359
Deficit Cash	General – Major Governmental	Pondera Co Growth Policy CDGB Grant – Nonmajor Governmental	2,022
Deficit Cash	General – Major Governmental	E-911 & GPS/GIS Project Grant – Nonmajor Governmental	4,703
Deficit Cash	General – Major Governmental	Alliance for Youth – Nonmajor Governmental	1,876
Deficit Cash	General – Major Governmental	WIC Grant – Nonmajor Governmental	<u>5,087</u>
			<u>\$ 14,047</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Road – Major Governmental	PILT* – Major Governmental	\$ 54,000
Residual Equity Transfer to close fund	County Hospital & Nursing Home – Nonmajor Governmental	Debt Service Hospital 95 – Nonmajor Governmental	7
Health Insurance Allocation	PERS - Employer Contribution – Nonmajor Governmental	Sheriff Retirement Permissive Levy – Nonmajor Governmental	14,214
Health Insurance Allocation	PERS - Employer Contribution – Nonmajor Governmental	Sheriff Retirement Permissive Levy – Nonmajor Governmental	8,373
Health Insurance Allocation	Health Ins - Employer Contribution – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	155,223
Health Insurance Allocation	Health Ins - Employer Contribution – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	91,428
Operating Transfer	Northern Transit Interlocal – Nonmajor Governmental	PILT* – Major Governmental	20,000

PONDERA COUNTY, MONTANA
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Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	5,000
Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	28,750
Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	5,000
Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	5,000
Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	28,750
Future capital asset purchases	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety (Law Enforcement) – Major Governmental	5,000
Future capital asset purchases	Junk Vehicle Capital Improvement – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	680
Future capital asset purchases	Ambulance Capital Improvement – Nonmajor Governmental	Ambulance – Major Governmental	12,500
Future capital asset purchases	Ambulance Capital Improvement – Nonmajor Governmental	Ambulance – Major Governmental	12,500
Future capital asset purchases	General Fund Capital Improvement – Nonmajor Governmental	General Fund – Major Governmental	76,250
Future capital asset purchases	General Fund Capital Improvement – Nonmajor Governmental	General Fund – Major Governmental	67,000
Future capital asset purchases	General Fund Capital Improvement – Nonmajor Governmental	Extension Service – Nonmajor Governmental	3,000
Future capital asset purchases	Road/Bridge Equip Transfer – Nonmajor Governmental	PILT* – Major Governmental	54,000
Future capital asset purchases	Road/Bridge Equip Transfer – Nonmajor Governmental	Bridge – Nonmajor Governmental	22,500
Future capital asset purchases	Road/Bridge Equip Transfer – Nonmajor Governmental	Gas Apportionment Tax – Nonmajor Governmental	40,000
Future capital asset purchases	Road/Bridge Equip Transfer – Nonmajor Governmental	Bridge – Nonmajor Governmental	22,500

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Future capital asset purchases	Road/Bridge Equip Transfer – Nonmajor Governmental	Road – Major Governmental	55,000
Future capital asset purchases	Weed District Capital Improvement – Nonmajor Governmental	Weed– Nonmajor Governmental	4,500
Future capital asset purchases	Weed District Capital Improvement – Nonmajor Governmental	Weed – Nonmajor Governmental	4,500
Operating Transfer	General – Major Governmental	Junk Vehicle – Nonmajor Governmental	2,500
			<u>\$ 798,175</u>

* These funds are combined with the General Fund for reporting purposes per GASB 54.

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	\$ 54,870	Repairs and maintenance
All Other Aggregate	<u>36,291</u>	Inventory
Total	<u>\$ 91,161</u>	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 667,285	Repairs and maintenance
Ambulance	85,503	Law enforcement, emergency services, and supplies
Public Safety	654,091	Law enforcement, emergency services, and supplies
All Other Aggregate	152,628	General Government administration and services
	580,556	Law Enforcement, emergency services, and supplies
	664,884	Road Repair, maintenance and supplies
	417,648	Public Health Services and Supplies
	188,348	Noxious Weed Management
	761	Social and Economic Services and travel
	4,981	Culture and recreation
	215,587	Miscellaneous
	38,977	Airport
	<u>288,405</u>	Employer Benefits
Total	<u>\$ 3,959,654</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 3,248,018</u>	Constructions and/or capital asset purchases

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
District Court	\$ 100	Expenditures in excess of cash balances	Short term loan from the general fund
WIC	\$ 2,753	Expenditures in excess of cash balances	Short term loan from the general fund

NOTE 13. 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>
Governmental	\$ (292,947)	To restate the prior year deferred inflows from leases.
Custodial Funds	\$(1,306,075)	To restate the custodial funds for external investment activity that was not reported in the prior year.
External Investment Pool Fund	\$ 1,306,075	To restate the custodial funds for external investment activity that was not reported in the prior year.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 14. 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 15. 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 16. COST SHARING AGREEMENT

During the year, the County approved a cost sharing agreement with the City of Conrad to update the growth policy. The total cost is expected to be \$45,000.00, of which \$40,000.00 is to be paid by the County from grant funds the County received.

NOTE 17. 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.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

- 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 proved to member counties to protect member employees from on-the-job injuries and occupational diseases.

Health Care Insurance

The County is part of a public entity risk sharing pool that provides group health benefits for Montana Counties called the Montana Association of Counties Health Care Trust (MACo HCT). The plan provides medical, pharmacy, Vision and Dental benefits.

NOTE 18. 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. The County has liability insurance which may cover all or part of the damages requested.

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

NOTE 19. SUBSEQUENT EVENTS

After June 30, 2023, the County received loan proceeds of \$59,787 for the purpose of Airport Improvements. In addition, the County had capital outlay related to the Conrad Airport Project of \$329,370 , and \$619,852 for Courthouse boilers after fiscal year end.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,211,755	\$ 1,211,755	\$ 1,214,477	\$ 2,722
Licenses and permits	50	50	15	(35)
Intergovernmental	337,426	337,426	352,533	15,107
Charges for services	185,553	185,553	198,844	13,291
Fines and forfeitures	35,500	35,500	41,193	5,693
Miscellaneous	27,230	27,230	23,168	(4,062)
Investment earnings	13,240	13,240	81,350	68,110
Amounts available for appropriation	\$ 1,810,754	\$ 1,810,754	\$ 1,911,580	\$ 100,826
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,742,651	\$ 1,756,114	\$ 1,365,458	\$ 390,656
Public safety	113,300	113,300	58,211	55,089
Public health	229,148	229,148	171,575	57,573
Social and economic services	5,000	5,000	4,750	250
Culture and recreation	3,900	3,900	4,112	(212)
Debt service - principal	32,660	32,660	32,553	107
Debt service - interest	4,700	4,700	3,577	1,123
Capital outlay	3,500	3,500	-	3,500
Total charges to appropriations	\$ 2,134,859	\$ 2,148,322	\$ 1,640,236	\$ 508,086
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (156,213)	\$ (143,250)	\$ (143,250)	\$ -
Total other financing sources (uses)	\$ (156,213)	\$ (143,250)	\$ (140,750)	\$ 2,500
Net change in fund balance			\$ 130,594	
Fund balance - beginning of the year			\$ 1,233,922	
Fund balance - end of the year			\$ 1,364,516	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 598,362	\$ 598,363	\$ 599,786	\$ 1,423
Intergovernmental	266,542	266,542	290,823	24,281
Miscellaneous	9,100	9,100	23,282	14,182
Amounts available for appropriation	\$ 874,004	\$ 874,005	\$ 913,891	\$ 39,886
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 956,722	\$ 956,722	\$ 652,670	\$ 304,052
Debt service - principal	194,355	194,355	229,561	(35,206)
Debt service - interest	63,918	63,918	28,712	35,206
Total charges to appropriations	\$ 1,214,995	\$ 1,214,995	\$ 910,943	\$ 304,052
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 150,000	\$ 150,000	\$ 54,000	\$ (96,000)
Transfers out	(57,190)	(57,444)	(55,000)	2,444
Total other financing sources (uses)	\$ 92,810	\$ 92,556	\$ (1,000)	\$ (93,556)
Net change in fund balance			\$ 1,948	
Fund balance - beginning of the year			\$ 720,207	
Fund balance - end of the year			\$ 722,155	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	Ambulance			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 35,178	\$ 35,178	\$ 35,083	\$ (95)
Intergovernmental	5,465	5,465	5,969	504
Miscellaneous	40,810	40,810	37,545	(3,265)
Investment earnings	-	-	14,042	14,042
Amounts available for appropriation	\$ 81,453	\$ 81,453	\$ 92,639	\$ 11,186
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 43,710	\$ 43,710	\$ 4,249	\$ 39,461
Miscellaneous	6,700	6,700	6,700	-
Capital outlay	7,334	7,334	-	7,334
Total charges to appropriations	\$ 57,744	\$ 57,744	\$ 10,949	\$ 46,795
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ -
Total other financing sources (uses)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ -
Net change in fund balance			\$ 56,690	
Fund balance - beginning of the year			\$ 28,813	
Fund balance - end of the year			\$ 85,503	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 908,431	\$ 908,430	\$ 922,987	\$ 14,557
Licenses and permits	2,000	2,000	1,915	(85)
Intergovernmental	95,908	95,908	108,634	12,726
Charges for services	129,815	129,815	124,618	(5,197)
Miscellaneous	68,836	68,836	69,101	265
Amounts available for appropriation	\$ 1,204,990	\$ 1,204,989	\$ 1,227,255	\$ 22,266
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 1,273,235	\$ 1,273,235	\$ 1,068,655	\$ 204,580
Total charges to appropriations	\$ 1,273,235	\$ 1,273,235	\$ 1,068,655	\$ 204,580
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (77,500)	\$ (77,500)	\$ (77,500)	\$ -
Total other financing sources (uses)	\$ (77,500)	\$ (77,500)	\$ (77,500)	\$ -
Net change in fund balance			\$ 81,100	
Fund balance - beginning of the year			\$ 572,991	
Fund balance - end of the year			\$ 654,091	

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

	<u>General</u>	<u>Road</u>	<u>Ambulance</u>	<u>Public Safety</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,911,580	\$ 913,891	\$ 92,639	\$ 1,227,255
Combined funds (GASBS 54) revenues	<u>1,221,892</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>\$ 3,133,472</u>	<u>\$ 913,891</u>	<u>\$ 92,639</u>	<u>\$ 1,227,255</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,640,236	\$ 910,943	\$ 10,949	\$ 1,068,655
Combined funds (GASBS 54) expenditures	<u>640,438</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>\$ 2,280,674</u>	<u>\$ 910,943</u>	<u>\$ 10,949</u>	<u>\$ 1,068,655</u>

Pondera County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service Cost	\$ 7,673	\$ 7,673	\$ 8,900	\$ 8,900	\$ 7,353	\$ 7,353	\$ -
Change in assumptions and inputs	-	(25,367)	-	(15,483)	-	-	-
Net change in total OPEB liability	7,673	(17,694)	8,900	(6,583)	7,353	7,353	-
Total OPEB Liability - beginning	78,027	95,721	86,821	93,404	86,051	80,396	80,396
Restatement	-	-	-	-	-	(1,698)	-
Total OPEB Liability - ending	<u>\$ 85,700</u>	<u>\$ 78,027</u>	<u>\$ 95,721</u>	<u>\$ 86,821</u>	<u>\$ 93,404</u>	<u>\$ 86,051</u>	<u>\$ 80,396</u>
Covered-employee payroll	\$ 2,104,971	\$ 2,104,971	\$ 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	4%	4%	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, 2023

	<u>PERS 2023</u>	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.101996%	0.095576%	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	\$ 2,425,354	\$ 1,733,009	\$ 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	\$ 722,276	\$ 509,071	\$ 804,288	\$ 658,932	\$ 655,744	\$ 28,996	\$ 23,712	\$ 18,565	\$ 16,938
Total	<u>\$ 3,147,630</u>	<u>\$ 2,242,080</u>	<u>\$ 3,365,199</u>	<u>\$ 2,689,416</u>	<u>\$ 2,620,917</u>	<u>\$ 2,337,083</u>	<u>\$ 1,964,333</u>	<u>\$ 1,529,990</u>	<u>\$ 1,403,961</u>
Employer's covered payroll	\$ 1,764,573	\$ 1,658,213	\$ 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	137.45%	104.51%	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	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>SRS 2023</u>	<u>SRS 2022</u>	<u>SRS 2021</u>	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	0.7028%	0.7247%	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	\$ 962,357	\$ 527,896	\$ 827,706	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Total	<u>\$ 962,357</u>	<u>\$ 527,896</u>	<u>\$ 827,706</u>	<u>\$ 528,573</u>	<u>\$ 573,394</u>	<u>\$ 626,228</u>	<u>\$ 1,358,212</u>	<u>\$ 737,728</u>	<u>\$ 327,652</u>
Employer's covered payroll	\$ 677,401	\$ 658,654	\$ 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	142.07%	80.15%	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	77.07%	86.94%	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.

Pondera County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 173,304	\$ 159,415	\$ 149,610	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 114,068	\$ 103,979
Contributions in relation to the contractually required contributions	\$ 173,304	\$ 159,415	\$ 149,610	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 116,172	\$ 108,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,932,040	\$ 1,764,573	\$ 1,658,213	\$ 1,628,679	\$ 1,602,826	\$ 1,548,446	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821
Contributions as a percentage of covered payroll	8.97%	9.03%	9.02%	8.76%	8.60%	8.47%	8.39%	8.51%	8.62%

	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 93,331	\$ 89,285	\$ 86,221	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contributions in relation to the contractually required contributions	\$ 93,331	\$ 89,285	\$ 86,221	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 711,636	\$ 677,401	\$ 658,654	\$ 598,856	\$ 538,440	\$ 591,820	\$ 614,322	\$ 545,775	\$ 520,743
Contributions as a percentage of covered payroll	13.115%	13.18%	13.09%	12.67%	12.44%	13.36%	10.14%	10.36%	10.14%

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

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, 2023

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, 2023

- 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.

2017 Legislative Changes

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

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, 2023

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actuarial administrative expenses.

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.

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, 2023

- 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.

2017 Legislative Changes

Increase in SRS Employee and Employer Contributions, effective July 1, 2017:

- SRS employee contributions increase 1.25% from 9.245% to 10.495%.
- SRS employer additional contributions increase 3%, from 0.58% to 3.58%, for a total employer contributions rate of 13.115%.
- SRS employee contributions will return to 9.245% and SRS employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

Second Retirement Benefit – for SRS

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- 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:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - 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.
- 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:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and
 - 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 Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

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

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

- lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.17%

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, 2023

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six-year experience study for the period ending 2016.

SINGLE AUDIT SECTION

Pondera County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Forest Service Schools and Roads Cluster-Cluster</i>			
United States Department of Agriculture			
Schools and Roads - Grants to States			
Schools and Roads - Grants to States	10.665		\$ 54,724
Total Schools and Roads - Grants to States			<u>54,724</u>
<i>Total United States Department of Agriculture</i>			<u>54,724</u>
<i>Total Forest Service Schools and Roads Cluster-Cluster</i>			<u>\$ 54,724</u>
<i>Other Programs</i>			
Department of Homeland Security			
Emergency Management Performance Grants			
		Montana Department of Disaster and Emergency Services,22 EMPG Pondera	
Emergency Management Performance Grants	97.042		\$ 23,133
Total Emergency Management Performance Grants			<u>23,133</u>
<i>Total Department of Homeland Security</i>			<u>\$ 23,133</u>
Department of Transportation			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		\$ 190,420
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			<u>190,420</u>
<i>Total Department of Transportation</i>			<u>\$ 190,420</u>
Department of Health and Human Services			
Public Health Emergency Preparedness			
		Montana Department of Public Health and Human Services,23-07-6-11-041-0	
Public Health Emergency Preparedness	93.069		\$ 30,745
Total Public Health Emergency Preparedness Grants to States to Support Oral Health Workforce Activities			<u>30,745</u>
		Montana Department of Public Health and Human Services	
Grants to States to Support Oral Health Workforce Activities	93.236		<u>17,500</u>
Total Grants to States to Support Oral Health Workforce Activities			<u>17,500</u>
Immunization Cooperative Agreements			
		Montana Department of Public Health and Human Services,23-07-4-31-133-0	
Immunization Cooperative Agreements	93.268		<u>56,775</u>
Total Immunization Cooperative Agreements			<u>56,775</u>
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			

Pondera County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Montana Department of Public Health and Human Services,23-07-1-01-135-0	43,543
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			43,543
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health			
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	National Network of Public Health Institutes,AG-1214	9,000
Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health			9,000
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Teton County Health Department	47,660
Total Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			47,660
Maternal and Child Health Services Block Grant to the States			
Maternal and Child Health Services Block Grant to the States	93.994	Montana Department of Public Health and Human Services,23-25-5-01-037-0	6,335
Total Maternal and Child Health Services Block Grant to the States			6,335
<i>Total Department of Health and Human Services</i>			<i>\$ 211,558</i>
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		574,071
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			574,071
Local Assistance and Tribal Consistency Fund			
Local Assistance and Tribal Consistency Fund	21.032		349,589
Total Local Assistance and Tribal Consistency Fund			349,589
<i>Total Department of the Treasury</i>			<i>\$ 923,660</i>
United States Department of Agriculture			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children			

Pondera County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Montana Department of Public Health and Human Services,23-25-5-21-645-0	\$ 37,142
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			<u>37,142</u>
<i>Total United States Department of Agriculture</i>			\$ <u>37,142</u>
Total Other Programs			\$ <u>1,385,913</u>
Total Expenditures of Federal Awards			<u>\$ 1,440,637</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, 2023

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 the Pondera County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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.

The 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 County Commissioners
Pondera County
Conrad, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pondera County’s basic financial statements and have issued our report thereon dated March 20, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Pondera County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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

March 20, 2024

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 County Commissioners
Pondera County
Conrad, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pondera County's compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. Pondera County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pondera County 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, 2023.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pondera County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pondera County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pondera County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pondera County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pondera County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pondera County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pondera County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pondera County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Pondera County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Pondera County's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a types 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 20, 2024

PONDERA COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2023

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?	No

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>
21.027	Coronavirus State and Local Fiscal Recovery Funds
21.032	Local Assistance and Tribal Consistency 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

There were no financial statement findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.