

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2018

BOARD OF COUNTY COMMISSIONERS

Janice Hoppes
Dale J Seifert
Thomas A. Kuka

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Mary Ann Ries
Jeanne Moon
Kody L. Farkell
Laurie Eisenzimer
Amber N. Schoenrock
Jeanne Moon
William Gobert

County Attorney
Treasurer
Clerk and Recorder
Clerk of District Clerk
Justice of the Peace
School Superintendent
Appointed Sheriff

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2017-2018 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 a \$.40 per hour and health insurance contribution remained at 100% of employee premium for employees who wish to change to \$1,500 deductible insurance.
- Interest revenue: Pondera County's interest revenue for the fiscal year totaled \$53,396. While this amount is \$19,997 more than the prior fiscal year, it certainly has not recovered from the 2008 economic recession which hit the nation. Our interest received in FY2008-09 totaled \$77,580 and the decrease in interest revenue continues to have an impact on all budget areas.
- Area Development: Pondera County participated fiscally in Sweet Grass Development, and the Northern Transit Inter-Local.
- Pondera Medical Center: In FY2013-14, the County secured a Montana Department of Commerce InterCap loan in the total amount of \$622,578 for the Pondera Medical Center to be used to consolidate debt and purchase equipment. The debt was repaid in full with final payment in FY2017-18. The County was also able to reimburse Pondera Medical Center \$71,105 for medical equipment. PMC Capital Improvement Fund voted levy was in its third year.
- Public Safety: One vehicle was purchased and equipped for law enforcement at a total cost of \$43,789. One vehicle was repaired for \$16,897. The repair cost was covered by insurance. The county purchased new software to make it possible to text to 911.
- Roads and Bridges: The County graveled 19 miles of county roads and replaced 7 culverts that were affected by a spring 2018 snowstorm. Approximately \$111,833 of FEMA monies are expected to be received to help cover these costs the award from FEMA is currently pending as of January 2019. Materials were purchased for the repairs to the East Lake Bridge with repairs completed in FY2017-18. The county purchased one loader for use on snow and gravel for \$238,985. The county road department also purchased a new pickup for \$33,977 and a trailer for \$6,250.
- Courthouse Improvements: \$369,841 spent on Heating and Air Conditioning (HVAC) upgrades in the County Courthouse in the prior year, with additional costs of \$37,689 in fiscal year 2018. The project was to be completed in FY2017-18, the county was not satisfied with the way the chiller was working. This will be corrected in fiscal year 2018-19. The county financed the HVAC upgrade with an InterCap loan in the amount of \$359,000 as well as the use of PILT funds. As of June 30, 2018, the County had drawn down an additional \$37,689 on the InterCap loan.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

- Pondera Center: Purchased new stove for the Pondera Center for the kitchen which is rented by Pondera Council on Aging for Senior Citizen meals.
- Conrad Airport: FAA cost-share for runway and taxiway upgrades and construction of 6-bay hangar project was started in fiscal year 2017-18 at the Conrad Airport. The total cost of the project is \$1,225,000 with 90% funded by an FAA grant and 10% by the County. At the end of fiscal year 2017-18, the total construction costs for this project was \$1,195,522.
- Emergency services: The County contributed \$16,214 for the match on a new ambulance. The balance of the \$145,926 was paid by a MT Dept. of Transportation grant.
- Tax Benefit: The County Granted a 50% tax benefit as a new or expanding industrial classification to Windrift Hills.

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.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

Condensed Financial Statements

Government-wide STATEMENT OF NET POSITION:

	FY 2017-18	Post Audit
	Governmental	FY 2016-17
	<u>Activities</u>	Governmental
		<u>Activities</u>
Current and other assets	\$ 7,643,596	\$ 6,804,401
Capital assets	<u>7,312,167</u>	<u>6,452,095</u>
Total assets	\$ <u>14,955,763</u>	\$ <u>13,256,496</u>
Long-term debt outstanding	\$ 2,538,884	\$ 2,530,328
Other liabilities	<u>3,829,572</u>	<u>3,709,571</u>
Total liabilities	\$ <u>6,368,456</u>	\$ <u>6,239,899</u>
Net position:		
Net investment in capital assets	\$ 5,118,189	\$ 4,259,779
Restricted	2,965,824	2,759,942
Unrestricted (deficit)	<u>503,294</u>	<u>(3,124)</u>
Total net position	\$ <u>8,587,307</u>	\$ <u>7,016,597</u>

Government-wide STATEMENT OF ACTIVITIES

	FY 2017-18	Post Audit
	Governmental	FY 2016-17
	<u>Activities</u>	Governmental
		<u>Activities</u>
<u>Program Revenues</u>		
Charges for Services	\$ 311,041	\$ 366,466
Operating Grants and Contributions	1,192,805	1,409,612
Capital Grants and Contributions	<u>992,033</u>	<u>120,379</u>
Total Program Revenues	\$ <u>2,495,879</u>	\$ <u>1,896,457</u>

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

General Revenues

Property Taxes	\$ 3,669,683	\$ 3,520,314
Licenses & Permits	45	-
Video Poker Apportionment	2,625	1,650
Miscellaneous	123,120	161,348
Interest/Investment Earnings	53,396	33,399
PILT	289,984	233,444
MT Oil and Gas Production Tax	38,927	23,511
Local Options Tax	228,195	218,407
Unrestricted fed/state shared revenues	16,949	-
State Entitlement	712,611	710,011
Grants & Entitlements not restricted to specific programs	5,723	20,830
Contributions & donations	147,350	-
Royalties	-	3,642
State contributions to Retirement	34,564	35,987
Total General Revenues	<u>\$ 5,323,172</u>	<u>\$ 4,962,543</u>
Total Revenues	<u>\$ 7,819,051</u>	<u>\$ 6,859,000</u>

Government-wide STATEMENT OF ACTIVITIES

	FY 2017-18	Post Audit
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
<u>Program Expenses by Function</u>		
General Government	\$ 2,073,156	\$ 1,834,616
Public Safety	1,207,9062	1,318,543
Public Works	1,308,050	1,810,255
Public Health	1,185,542	1,126,135
Social & Economic Services	137,702	145,939
Culture & Recreation	283,872	273,235
Housing & Community Development	625	13,578
Debt Service Interest	67,491	24,821
Miscellaneous	<u>218,700</u>	<u>185,125</u>
Total Expenses	<u>\$ 6,483,044</u>	<u>\$ 6,732,255</u>
Gain (loss) on sale of capital assets	(12,617)	-
Changes in net position	<u>\$ 1,323,390</u>	<u>\$ 126,745</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.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$6,483,044 compared to \$6,732,255 for fiscal year 2016-17 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 \$3,669,683, up by \$149,369 from \$3,520,314 in fiscal year 2016-17. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented above.

Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>Airport</u>	<u>County Hospital</u>
Fund Balance – Current Year	1,287,791	642,809	259	117,504
Fund Balance – Prior Year	1,233,070	405,957	1,139	83,858
Change in fund balance	54,721	236,852	(880)	33,646
% change in fund balance	4.3%	58.3%	(77.3%)	40.1%

	<u>Public Safety</u>	<u>Road/Bridge Capital Improvements</u>
Fund Balance – Current Year	396,004	796,308
Fund Balance – Prior Year	525,664	558,973
Change in fund balance	(129,660)	237,335
% change in fund balance	(24.7%)	42.5%

The increase in the fund balance in the General Fund is due an increase in county office fees, oil & gas revenue, and decrease in transfers to the General Fund capital improvement fund. This increase occurred despite the decrease in tax revenue and increase in youth detention charges, new payments to an InterCap loan (HVAC system), and an increase in salaries and benefits.

The increase in the Road Fund is a result of revenues reimbursing the fund due to expenses repairing roads due to flooding. \$320,388 was received from FEMA and transferred in to the Road Fund. Overall expenses decreased over \$56,443 due to a large decrease in gravel and asphalt.

The Airport Fund saw a significant increase in revenue due receiving a grant from the FAA to build a 6-bay hangar, as well as a loan from the Pondera Regional Port Authority and Montana Aeronautics to cover the County's share of the building costs and airport improvements. These funds were passed through the Airport Fund and showed as expenditures as well. Overall, operating expenses increased due to snow removal costs as well as new loan payments starting.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

The increase in the County Hospital Fund is a result of an InterCap loan for equipment purchases being paid off while revenues remained fairly stable.

The Public Safety Fund saw very little change in overall revenues. However, the fund balance decreased due to a significant increase in salaries, fuel costs, and increases in inmate food and medical expenses.

Revenue Budget to Actual Variances:

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>		<u>% Variance</u>
<u>General Fund</u>	\$ 1,543,607	\$	1,553,954	\$	10,347		0.7%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the General Fund of \$10,347 for a 0.7% variance.

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>		<u>% Variance</u>
<u>Road Fund</u>	\$ 699,892	\$	751,099	\$	51,207		7.4%

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of \$51,207 for a 7.4% variance, primarily due to a Forest Reserve Payment much higher than was anticipated.

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>		<u>% Variance</u>
<u>Airport Fund</u>	\$ 1,157,531	\$	1,002,999	\$	(54,532)		(13.4%)

There was a variance between the final budget amount and actual amount of revenue received in the Airport Fund of -\$154,532 for a -13.4% variance, due to a lower amount received for loans (Conrad hangars) and leases of the hangars not being paid before the end of the fiscal year, as anticipated.

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>		<u>% Variance</u>
<u>County Hospital and Nursing Home Fund</u>	\$ 767,428	\$	793,343	\$	25,915		3.4%

There was a variation between the final budget amount and actual amount of revenue received in the County Hospital and Nursing Home Fund of \$25,915 for a 3.4% variance due to more than expected miscellaneous revenues.

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>		<u>% Variance</u>
<u>Public Safety Fund</u>	\$ 887,580	\$	897,117	\$	9,537		1.1%

There was an insignificant variation between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$9,537 for a 1.1% variance.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

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 took out a loan from the Montana Department of Transportation Aeronautics Division in the amount of \$11,500 and a loan from the Pondera Regional Port Authority in the amount of \$80,000 to help fund the building of a 6-bay hangar at the Conrad Airport. Draws in the amount of \$131,419 were taken from an InterCap loan for a new HVAC system for the courthouse. An InterCap loan for hospital equipment was paid off and other InterCap loan payments were made for remodeling the Pondera Center and the HVAC system. As of June 30, 2018 the principal due to InterCap loans decreased from \$437,394 to \$423,951 from the beginning of the fiscal year. Capital lease payments decreased by \$68,093 leaving a balance of \$1,684,233. Compensated absences balance as of June 30, 2018 was \$258,855 an increase of \$1,239 over the prior year.

Capital Assets

The purchase of new assets, sale of assets, depreciation and other factors resulted in the current value of Pondera County net capital assets as of June 30, 2018 of \$7,312,167. The largest purchase during the year was the FAA Airport Project at the Conrad Airport that totaled \$1,073,293 in FY 2017-2018.

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 FY2018-19 Taxable Valuation increased in Pondera County from \$16,389,956 to \$16,596,563 increasing the value of a county-wide mill from \$16,389 to \$16,596. The FY18-19 budget did not allow for the reservation of any floated mills; all were levied.

The county has set up a fund to account for our enhanced gas tax funds (BaRSAA) of \$25,917 and a county match of \$1,296. The \$25,917 is the amount attributed to Pondera County by the State of Montana for July thru December 2017. We anticipate future revenue from additional gas tax to be approximately \$75,000 per year. This money is restricted for road maintenance.

We anticipate completing the upgrade of our HVAC system early in FY2018-19 as we are still not satisfied with the way the chiller is operating.

A 2.25% COLA and wage increase (2.10% cost of living adjustment plus .15% wage increase), equal to \$.50 per hour, was approved for elected officials. Hourly employees received an equal increase of \$.50 per hour.

While aiming for a 33% reserve in all funds, reserve amounts range from 22.7% (Public Safety) to 33.0% (General Fund). Our goal remains to achieve the 33% reserve in all funds. The higher reserve amounts in some funds can be attributed to the decrease in protested taxes in FY17-18.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2018

There are three newly elected officials in Pondera County and several new employee hires. They will need to go to training classes, therefore, our expenses for training will be higher than in the last several years.

The County joined in a lawsuit to recover shortages from PILT funds that are owed to the County. Pondera County is entitled to \$8,978 before attorney's fees.

REQUESTS FOR INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Pondera County
Conrad, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 9, 55 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the Pondera County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pondera County, Montana's internal control over financial reporting and compliance.

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

March 22, 2019

Pondera County, Montana
Statement of Net Position
June 30, 2018

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and investments	\$ 5,992,735	\$ 5,992,735
Taxes and assessments receivable, net	122,410	122,410
Accounts receivable - net	44	44
Due from other governments	13,309	13,309
Inventories	312,599	312,599
Total current assets	\$ 6,441,097	\$ 6,441,097
Noncurrent assets		
Capital assets - land	\$ 285,409	285,409
Capital assets - depreciable, net	7,026,758	7,026,758
Total noncurrent assets	\$ 7,312,167	\$ 7,312,167
Total assets	\$ 13,753,264	\$ 13,753,264
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$ 1,202,499	1,202,499
Total deferred outflows of resources	\$ 1,202,499	\$ 1,202,499
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 14,955,763	\$ 14,955,763
LIABILITIES		
Current liabilities		
Warrants payable	\$ 678	678
Accounts payable	22,991	22,991
Accrued payroll	43,495	43,495
Due to other governments	260	260
Current portion of long-term capital liabilities	114,603	114,603
Current portion of compensated absences payable	182,624	182,624
Total current liabilities	\$ 364,651	\$ 364,651
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$ 86,051	86,051
Noncurrent portion of long-term capital liabilities	2,079,375	2,079,375
Noncurrent portion of compensated absences	76,231	76,231
Net pension liability	2,934,315	2,934,315
Total noncurrent liabilities	\$ 5,175,972	\$ 5,175,972
Total liabilities	\$ 5,540,623	\$ 5,540,623
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	\$ 827,833	827,833
Total Deferred Inflows of resources	\$ 827,833	\$ 827,833
NET POSITION		
Net investment in capital assets	\$ 5,118,189	5,118,189
Restricted by donors for specific purposes	3,912	3,912
Restricted for debt service	1,244	1,244
Restricted for special projects	2,960,668	2,960,668
Unrestricted	503,294	503,294
Total net position	\$ 8,587,307	\$ 8,587,307
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 14,955,763	\$ 14,955,763

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
<u>Governmental activities:</u>					<u>Governmental Activities</u>
General government	\$ 2,073,156	\$ 122,020	\$ 72,380	\$ -	(1,878,756)
Public safety	1,207,906	112,292	178,549	-	(917,065)
Public works	1,308,050	34,933	106,901	992,033	(174,183)
Public health	1,185,542	25,921	830,704	-	(328,917)
Social and economic services	137,702	15,875	4,271	-	(117,556)
Culture and recreation	283,872	-	-	-	(283,872)
Housing and community development	625	-	-	-	(625)
Debt service - interest	67,491	-	-	-	(67,491)
Miscellaneous	218,700	-	-	-	(218,700)
Total primary government	\$ 6,483,044	\$ 311,041	\$ 1,192,805	\$ 992,033	\$ (3,987,165)
<u>General Revenues:</u>					
				\$	
Property taxes for general purposes					3,669,683
Licenses and permits					45
Video poker apportionment					2,625
Miscellaneous					123,120
Interest/investment earnings					53,396
Local option taxes					228,195
Unrestricted federal/state shared revenues					16,949
Montana oil and gas production tax					38,927
State entitlement					712,611
Grants and entitlements not restricted to specific programs					5,723
PILT					289,984
Contributions & donations					147,350
State contributions to retirement					34,564
Gain (loss) on sale of capital assets					(12,617)
Total general revenues, special items and transfers				\$	5,310,555
Change in net position				\$	1,323,390
Net position - beginning				\$	7,016,597
Restatements					247,320
Net position - beginning - restated				\$	7,263,917
Net position - end				\$	8,587,307

See accompanying Notes to the Financial Statements

**Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2018**

	<u>General</u>	<u>Road</u>	<u>Airport</u>	<u>County Hospital and Nursing Home</u>	<u>Public Safety</u>	<u>Road/Bridge Equipment Purchase</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 1,298,201	\$ 535,428	\$ 290	\$ 117,504	\$ 410,697	\$ 779,303	\$ 2,851,312	\$ 5,992,735
Taxes and assessments receivable, net	35,748	14,271	-	3,051	15,139	-	54,201	122,410
Accounts receivable - net	-	-	-	-	-	-	44	44
Due from other funds	13,309	-	-	-	-	-	-	13,309
Due from other governments	-	-	-	-	-	-	13,309	13,309
Inventories	-	125,359	-	-	-	17,005	170,235	312,599
TOTAL ASSETS	<u>\$ 1,347,258</u>	<u>\$ 675,058</u>	<u>\$ 290</u>	<u>\$ 120,555</u>	<u>\$ 425,836</u>	<u>\$ 796,308</u>	<u>\$ 3,089,101</u>	<u>\$ 6,454,406</u>
LIABILITIES								
Current liabilities:								
Warrants payable	\$ 182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 496	\$ 678
Accounts payable	6,243	12,159	-	-	3,075	-	1,514	22,991
Accrued payroll	17,034	5,819	31	-	11,618	-	8,993	43,495
Due to other funds	-	-	-	-	-	-	13,309	13,309
Due to other governments	260	-	-	-	-	-	-	260
Total liabilities	<u>\$ 23,719</u>	<u>\$ 17,978</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 14,693</u>	<u>\$ -</u>	<u>\$ 24,312</u>	<u>\$ 80,733</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	\$ 35,748	\$ 14,271	\$ -	\$ 3,051	\$ 15,139	\$ -	\$ 54,201	\$ 122,410
Total deferred inflows of resources	<u>\$ 35,748</u>	<u>\$ 14,271</u>	<u>\$ -</u>	<u>\$ 3,051</u>	<u>\$ 15,139</u>	<u>\$ -</u>	<u>\$ 54,201</u>	<u>\$ 122,410</u>
FUND BALANCES								
Nonspendable	\$ -	\$ 125,359	\$ -	\$ -	\$ -	\$ 17,005	\$ 174,147	\$ 316,511
Restricted	-	517,450	259	117,504	396,004	-	1,552,668	2,583,885
Committed	-	-	-	-	-	779,303	1,284,269	2,063,572
Unassigned fund balance	<u>1,287,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(496)</u>	<u>1,287,295</u>
Total fund balance	<u>\$ 1,287,791</u>	<u>\$ 642,809</u>	<u>\$ 259</u>	<u>\$ 117,504</u>	<u>\$ 396,004</u>	<u>\$ 796,308</u>	<u>\$ 3,010,588</u>	<u>\$ 6,251,263</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1,347,258</u>	<u>\$ 675,058</u>	<u>\$ 290</u>	<u>\$ 120,555</u>	<u>\$ 425,836</u>	<u>\$ 796,308</u>	<u>\$ 3,089,101</u>	<u>\$ 6,454,406</u>

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, 2018

Total fund balances - governmental funds	\$	6,251,263
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,312,167
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.		122,410
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,538,884)
Proportionate share of ending collective net pension liability		(2,934,315)
Deferred outflows related to net pension liability		1,202,499
Deferred inflows related to net pension liability		(827,833)
Total net position - governmental activities	\$	<u><u>8,587,307</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, 2018

	<u>General</u>	<u>Road</u>	<u>Airport</u>	<u>County Hospital and Nursing Home</u>	<u>Public Safety</u>	<u>Road/Bridge Equipment Purchase</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 947,019	\$ 494,199	\$ -	\$ 73,060	\$ 689,092	\$ -	\$ 1,754,213	\$ 3,957,583
Licenses and permits	45	-	-	-	1,755	-	-	1,800
Intergovernmental	620,590	255,255	981,098	29,612	96,819	-	530,026	2,513,400
Charges for services	182,988	-	10,136	-	106,270	-	32,760	332,154
Fines and forfeitures	39,584	-	-	-	-	-	3,614	43,198
Miscellaneous	25,267	1,645	11,765	690,671	3,181	3,723	57,241	793,493
Investment earnings	28,445	-	-	-	-	8,324	16,626	53,395
Total revenues	<u>\$ 1,843,938</u>	<u>\$ 751,099</u>	<u>\$ 1,002,999</u>	<u>\$ 793,343</u>	<u>\$ 897,117</u>	<u>\$ 12,047</u>	<u>\$ 2,394,480</u>	<u>\$ 7,695,023</u>
EXPENDITURES								
General government	\$ 1,206,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 574,389	\$ 1,780,767
Public safety	120,463	-	-	-	936,777	-	117,118	1,174,358
Public works	-	562,594	39,943	-	-	-	372,993	975,530
Public health	170,955	-	-	641,539	-	-	125,677	938,171
Social and economic services	10,505	-	-	-	-	-	121,612	132,117
Culture and recreation	1,315	-	-	-	-	-	282,310	283,625
Debt service - principal	28,063	68,093	5,706	116,799	-	-	-	218,661
Debt service - interest	7,631	55,975	2,437	1,448	-	-	-	67,491
Miscellaneous	-	-	-	-	-	-	218,700	218,700
Capital outlay	-	-	1,073,293	-	-	279,211	125,750	1,478,254
Total expenditures	<u>\$ 1,545,310</u>	<u>\$ 686,662</u>	<u>\$ 1,121,379</u>	<u>\$ 759,786</u>	<u>\$ 936,777</u>	<u>\$ 279,211</u>	<u>\$ 1,938,549</u>	<u>\$ 7,267,674</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 298,628</u>	<u>\$ 64,437</u>	<u>\$ (118,380)</u>	<u>\$ 33,557</u>	<u>\$ (39,660)</u>	<u>\$ (267,164)</u>	<u>\$ 455,931</u>	<u>\$ 427,349</u>
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ -	\$ -	\$ 91,500	\$ -	\$ -	\$ -	\$ 131,419	\$ 222,919
Transfers in	2,500	366,238	26,000	89	-	494,238	387,410	1,276,475
Transfers out	(239,750)	(313,534)	-	-	(90,000)	-	(633,191)	(1,276,475)
Total other financing sources (uses)	<u>\$ (237,250)</u>	<u>\$ 52,704</u>	<u>\$ 117,500</u>	<u>\$ 89</u>	<u>\$ (90,000)</u>	<u>\$ 494,238</u>	<u>\$ (114,362)</u>	<u>\$ 222,919</u>
Net Change in Fund Balance	<u>\$ 61,378</u>	<u>\$ 117,141</u>	<u>\$ (880)</u>	<u>\$ 33,646</u>	<u>\$ (129,660)</u>	<u>\$ 227,074</u>	<u>\$ 341,569</u>	<u>\$ 650,268</u>
Fund balances - beginning	\$ 1,233,070	\$ 405,957	\$ 1,139	\$ 83,858	\$ 525,664	\$ 558,973	\$ 2,549,308	\$ 5,357,969
Restatements	(6,657)	119,711	-	-	-	10,261	119,711	243,026
Fund balances - beginning, restated	<u>\$ 1,226,413</u>	<u>\$ 525,668</u>	<u>\$ 1,139</u>	<u>\$ 83,858</u>	<u>\$ 525,664</u>	<u>\$ 569,234</u>	<u>\$ 2,669,019</u>	<u>\$ 5,600,995</u>
Fund balance - ending	<u>\$ 1,287,791</u>	<u>\$ 642,809</u>	<u>\$ 259</u>	<u>\$ 117,504</u>	<u>\$ 396,004</u>	<u>\$ 796,308</u>	<u>\$ 3,010,588</u>	<u>\$ 6,251,263</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, 2018

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

Net change in fund balances - total governmental funds \$ 650,268

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	1,478,254
- Depreciation expense	(751,491)

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:

- Gain on the sale of capital assets	(12,617)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Donated capital assets	145,926
- Long-term receivables (deferred revenue)	(56,462)

The change in compensated absences is shown as an expense in the Statement of Activities

(1,239)

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	218,661
-------------------------------------	---------

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(222,919)
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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	(7,353)
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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

(152,202)

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

34,564

Change in net position - Statement of Activities **\$ 1,323,390**

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 10,725,223	\$ 760,682
Other receivables	-	317
Taxes receivable	-	292,016
Total assets	\$ 10,725,223	\$ 1,053,015
LIABILITIES		
Warrants payable	\$ -	\$ 279,547
Accounts payable	-	5,477
Due to others	-	767,991
Total liabilities	\$ -	\$ 1,053,015
NET POSITION		
Assets held in trust	\$ 10,725,223	

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, 2018

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	11,593,681
Investment earnings	\$	<u>109,039</u>
Total additions	\$	<u>11,702,720</u>
 DEDUCTIONS		
Distributions from investment trust fund	\$	<u>12,782,437</u>
Total deductions	\$	<u>12,782,437</u>
Change in net position	\$	<u>(1,079,717)</u>
 Net Position - Beginning of the year	 \$	 11,804,940
 Net Position - End of the year	 \$	 <u>10,725,223</u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.

Financial Reporting Entity

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the County appointed a voting majority of the component units' 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 three-member Board of Commissioners. 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 reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Government-Wide Financial Statements:

On the government-wide Statement of Net Position and the Statement of Activities, the 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 position 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 separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts.

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

All governmental funds are accounted for using 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 to be available 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 account or the activities of the County’s Road maintenance and construction operations.

Airport Fund - A special revenue fund that accounts for the maintenance and construction activities for the County Airport.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

County Hospital and Nursing Home Fund - A special revenue fund used for revenues received and expended for public health.

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

Road/Bridge Equipment Purchases Fund - A capital projects fund used to account for the transfers in from the Road and Bridge Funds for future capital expenditures.

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:

Investment Trust Funds - To report the external portion of investment pools reported by the sponsoring government.

Agency Funds - To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the County as an agent for individuals, private organizations, other local governmental entities and the County's claims and payroll clearing funds

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2018, 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	2,277,666
Savings deposits	2,099,052
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	4,002,338
Certificates of desposits	9,099,284
Total	\$ <u>17,478,640</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Credit Risk

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

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

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

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

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

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

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2018, (in thousands) unaudited:

<u>Security Investment Type</u>	<u>Total Fixed Income Investments at Fair Value</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity in Days</u>
Treasuries	\$ 19,900	A-1+	97
Corporate:			
Corporate Commercial Paper	288,944	A-1	71
Corporate Notes	225,944	A-1+	67
Certificates of Deposit	<u>546,591</u>	A-1	41
Total Investments	<u>\$ 1,080,556</u>		

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2018 the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2018 <u>Balance</u>
Insured	\$ 9,550,169
- Collateral held by the pledging bank's trust department but not in the County's name	<u>3,390,477</u>
Total deposits and investments	<u>\$ 12,940,646</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, 2018, equaled or exceeded the amount required by State statutes.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.

The County has one pooled investment trust fund, invested in STIP, non-negotiable certificates of deposit and money market deposits. The pooled funds are carried at fair value.

Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2018 to support the value of the shares in the pool.

As noted below State statutes limit the type of investments but provide no other regulatory oversight.

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, 2018.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Statement of Net Position

Net position held in trust for all pool participants:	
Equity of internal pool participants	\$ 4,249,399
Equity of external pool participants	<u>10,725,223</u>
Total equity	<u><u>\$ 14,974,622</u></u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 109,039	\$ 43,202
Contributions to trust	11,593,681	4,722,259
Distributions paid	<u>(12,782,437)</u>	<u>(5,013,460)</u>
Net change in net position	\$ (1,079,717)	\$ (247,999)
Net position at beginning of year	<u>11,804,940</u>	<u>4,497,398</u>
Net position at end of year	<u><u>\$ 10,725,223</u></u>	<u><u>\$ 4,249,399</u></u>

NOTE 3. 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 costs of inventories are recorded as an expenditure when purchased and an adjustment is made to inventory at the year-end of any amounts which are not consumed.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2018 Basic Financial Statements.

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

Governmental activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:					
Land	\$ 265,409	\$ -	\$ -	\$ -	\$ 265,409
Pondera Medical Center	20,000	-	-	-	20,000
CIP	122,229	1,073,293	-	(1,195,522)	-
Total capital assets not being depreciated	<u>\$ 407,638</u>	<u>\$ 1,073,293</u>	<u>\$ -</u>	<u>\$ (1,195,522)</u>	<u>\$ 285,409</u>
Other capital assets:					
Buildings	\$ 4,357,895	\$ 9,248	\$ -	\$ -	\$ 4,367,143
Improvements other than buildings	3,570,934	37,689	-	1,195,522	4,804,145
Machinery and equipment	5,825,495	503,950	(560,855)	-	5,768,590
Infrastructure	168,827	-	-	-	168,827
Pondera Medical Center	7,042,733	-	-	-	7,042,733
Total other capital assets at historical cost	<u>\$ 20,965,884</u>	<u>\$ 550,887</u>	<u>\$ (560,855)</u>	<u>\$ 1,195,522</u>	<u>\$ 22,151,438</u>
Less: accumulated depreciation	<u>\$ (14,921,427)</u>	<u>\$ (751,491)</u>	<u>\$ 548,238</u>	<u>\$ -</u>	<u>\$ (15,124,680)</u>
Total Governmental Capital Assets, Net	<u><u>\$ 6,452,095</u></u>	<u><u>\$ 872,689</u></u>	<u><u>\$ (12,617)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,312,167</u></u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 97,290
Public safety	67,853
Public works	332,520
Public health	247,371
Social and economic services	5,585
Culture and recreation	247
Housing and community development	<u>625</u>
Total governmental activities depreciation expense	<u>\$ 751,491</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.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restatements</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Compensated absences	\$ 257,616	\$ 1,239	\$ -	\$ -	\$ 258,855	\$ 182,624
Capital leases	1,754,922	-	(68,093)	(2,596)	1,684,233	72,839
Intercap loans	437,394	131,419	(144,862)	-	423,951	33,735
Loans	-	91,500	(5,706)	-	85,794	8,029
Net pension liability*	3,298,833	-	(364,518)	-	2,934,315	-
Other post-employment benefits**	80,396	7,353	-	(1,698)	86,051	-
Total	<u>\$ 5,829,161</u>	<u>\$ 231,511</u>	<u>\$ (583,179)</u>	<u>\$ (4,294)</u>	<u>\$ 5,473,199</u>	<u>\$ 297,227</u>

*See Note 9

**See Note 7

Loans

Loans/contracted debts outstanding as of June 30, 2018 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, 2018</u>
MDT Aeronautics Loan	9/27/17	1.88%	10 yrs	3/1/27	\$ 11,500	\$ 10,350
Port Authority Loan	11/1/17	4.00%	10 yrs	10/5/27	<u>80,000</u>	<u>75,444</u>
Total					<u>\$ 91,500</u>	<u>\$ 85,794</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 8,029	\$ 3,303
2020	8,279	2,836
2021	8,601	2,494
2022	8,904	2,168
2023	9,220	1,830
2024	9,579	1,450
2025	9,891	1,116
2026	10,247	739
2027	10,618	346
2028	2,426	17
Total	\$ 85,794	\$ 16,300

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.

Intercap loans outstanding as of June 30, 2018 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, 2018</u>
Building for Senior Center	7/3/08	1.00-4.85%	10 yrs.	8/15/18	\$ 89,550	\$ 4,781
Building for Senior Center - remodel	8/12/11	1.00-4.85%	15 yrs.	8/15/26	113,841	70,164
HVAC system	4/13/17	1.00-4.85%	14.5 yrs.	2/15/32	<u>359,000</u>	<u>349,006</u>
Total					<u>\$ 562,391</u>	<u>\$ 423,951</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 33,735	\$ 14,060
2020	29,547	12,292
2021	30,260	11,361
2022	30,989	10,408
2023	31,737	9,432
2024	32,505	8,432
2025	33,289	7,408
2026	34,095	6,360
2027	30,393	5,286
2028	26,635	4,328
2029	27,322	3,489
2030	28,026	2,628
2031	28,525	1,746
2032	26,893	847
Total	<u>\$ 423,951</u>	<u>\$ 98,076</u>

Capital Leases

The County has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2018 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Term of Bond</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Remaining Payments as of June 30, 2018</u>
New 8 Caterpillar Motor Graders (2015)	5/4/16	3.00%	5 yrs	11/1/20	\$ 1,780,317	\$ 1,660,006
2 Walk & Rollers	7/1/16	3.00%	5 yrs	11/1/20	<u>40,000</u>	<u>24,227</u>
Total					<u>\$ 1,820,317</u>	<u>\$ 1,684,233</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 72,839	\$ 51,228
2020	75,221	48,846
2021	77,177	46,754
2022	1,458,996	29,449
Total	<u>\$ 1,684,233</u>	<u>\$ 176,278</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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 no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow 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 MCA 2-18-704. 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	51
Total employees	<hr style="border: none; border-top: 1px solid black; margin-bottom: 2px;"/> <hr style="border: none; border-top: 3px double black; margin-top: 2px;"/> 52

Total OPEB Liability

The County’s total OPEB liability of \$86,051 at June 30, 2018, and was determined by using the alternative measurement method as of that date.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 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)	65
Discount rate (average anticipated rate)	3.96%
Average salary increase (Consumer Price Index)	2.25%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2018	5.7%
2019	5.2%
2020	6.1%
2021	5.9%
2022	5.8%
2023	5.9%
2024	5.9%
2025	5.7%
2026	6.5%
2027	6.5%
2028 and after	6.5%

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, 2011 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 66, No. 4, August 14, 2017.

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 6/30/2017	\$ <u>80,396</u>
Changes for the year:	
Service Cost	\$ 7,353
Restatement	(1,698)
Net Changes	\$ <u>5,655</u>
Balance at 6/30/2018	\$ <u><u>86,051</u></u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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 (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
Total OPEB Liability \$	\$ 96,391	\$ 86,051	\$ 77,517

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 \$	\$ 74,967	\$ 86,051	\$ 99,801

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

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

For the year ended June 30, 2018, the County recognized an OPEB expense of \$7,353. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2018, was as follows:

	Due to/from other funds:		
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clear negative cash balance	General – Major Governmental	Northern Transit Interlocal– Nonmajor Governmental	\$ 2,382
Clear negative cash balance	General – Major Governmental	WIC Grant – Nonmajor Governmental	2,947
Clear negative cash balance	General – Major Governmental	Chronic Disease – Nonmajor Governmental	<u>7,980</u>
Total			<u>\$ 13,309</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2018:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	Road – Major Governmental	PILT** – Major Governmental	\$ 54,000
Transfer FEMA money to reimburse road fund	Road – Major Governmental	Emergency Disaster– Nonmajor Governmental	312,238
Operating	Airport – Major Governmental	General Fund – Major Governmental	16,000
Operating	Airport – Major Governmental	PILT** – Major Governmental	10,000
Residual equity transfer	County Hospital and Nursing Home – Major Governmental	Debt Service Hospital– Nonmajor Governmental	89
Operating	PERS Employer Contributions– Nonmajor Governmental	Sheriff Retirement Permissive Levy– Nonmajor Governmental	18,744
Operating	Health Insurance– Nonmajor Governmental	Permissive Levy– Nonmajor Governmental	112,048
Operating	Health Insurance– Nonmajor Governmental	Permissive Levy– Nonmajor Governmental	85,849
Operating	Enhanced Gas Tax– Nonmajor Governmental	Road – Major Governmental	1,296
Operating	Northern Transit Interlocal– Nonmajor Governmental	PILT**– Major Governmental	26,000
Future capital projects and equipment purchases	Public Safety Cap Improvement– Nonmajor Governmental	Public Safety – Major Governmental	90,000
Future capital projects and equipment purchases	Junk Vehicle Capital Improvement– Nonmajor Governmental	Junk Vehicle– Nonmajor Governmental	7,223
Future capital projects and equipment purchases	Ambulance Capital Improvement – Nonmajor Governmental	Ambulance– Nonmajor Governmental	10,000

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Future capital projects and equipment purchases	General Capital Improvement – Nonmajor Governmental	Northern Transit Interlocal – Nonmajor Governmental	1,000
Future capital projects and equipment purchases	General Capital Improvement – Nonmajor Governmental	General Fund – Major Governmental	15,250
Future capital projects and equipment purchases	General Capital Improvement – Nonmajor Governmental	General Fund – Major Governmental	14,000
Future capital projects and equipment purchases	General Capital Improvement – Nonmajor Governmental	Extension Service– Nonmajor Governmental	6,000
Future capital projects and equipment purchases	Road/Bridge Capital Improvement – Major Governmental	Road – Major Governmental	312,238
Future capital projects and equipment purchases	Road/Bridge Capital Improvement – Major Governmental	Bridge– Nonmajor Governmental	20,000
Future capital projects and equipment purchases	Road/Bridge Capital Improvement – Major Governmental	Gas Tax Apportionment– Nonmajor Governmental	37,500
Future capital projects and equipment purchases	Road/Bridge Capital Improvement – Major Governmental	PILT**– Major Governmental	104,500
Future capital projects and equipment purchases	Road/Bridge Capital Improvement – Major Governmental	Bridge– Nonmajor Governmental	20,000
Reimbursement for administrator expenditures	General– Major Governmental	Junk Vehicle– Nonmajor Governmental	<u>2,500</u>
			<u>\$ 1,276,475</u>

**The PILT fund was combined with the General Fund under GASB 54 for financial reporting purposes. This is reflected in the fund Statement of Revenues, Expenditures, and Changes in Fund Balance.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 9. NET PENSION LIABILITY

Plan Descriptions

PERS

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 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.

SRS

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

Summary of Benefits

PERS

Member's highest average compensation (HAC)

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Eligibility for benefit

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

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 .77% effective July 1, 2017).
- 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Vesting

5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

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.

SRS

Eligibility for benefit

Service retirement:

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Overview of Contributions

PERS

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

SRS

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>
2010-2018	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

Stand-Alone Statements

The PERS's and SRS financial statements 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 the MPERA website at <http://mpera.mt.gov>.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System(PERS) and Sheriffs' Retirement System (SRS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2018 (reporting dates).

	PERS NPL as of 6/30/2018	PERS NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	SRS NPL as of 6/30/2018	SRS NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Total Collective NPL as of 6/30/2018	Percent Totals as of 6/30/2018
Employer Proportionate Share	\$ 2,308,087	\$ 1,940,621	0.1185%	\$ 626,228	\$ 1,358,212	0.8229%	\$ 2,934,315	0.9414%
State of Montana Proportionate Share associated with Employer	28,996	23,712	0.1478%	-	-	-	28,996	0.1478%
Total	<u>\$ 2,337,083</u>	<u>\$ 1,964,333</u>	<u>0.2663%</u>	<u>\$ 626,228</u>	<u>\$ 1,358,212</u>	<u>0.8229%</u>	<u>\$ 2,963,311</u>	<u>1.0892%</u>

At June 30, 2018, the employer recorded a liability of \$2,934,315 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS and SRS, during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS and SRS participating employers. At June 30, 2018, the employer's proportion was 0.9414 percent.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Changes in actuarial assumptions and methods:

PERS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

SRS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.17% to 0.21%.

Effective July 1, 2017, the following contributions changes were used:

- Effective July 1, 2017, SRS employee contributions increase from 9.245% to 10.495% of the member's compensation.
- SRS employer additional contributions increase 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.

Effective July 1, 2017, the following method changes were used:

- 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.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Changes in benefit terms:

PERS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

SRS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

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 as of 6/30/18

	PERS	SRS	Total
Employer Proportionate Share	\$ 279,847	\$ 44,028	\$ 323,875
State of Montana Proportionate Share associated with the Employer	34,564	-	34,564
Total	\$ 314,411	\$ 44,028	\$ 358,439

At June 30, 2018, the employer recognized a Pension Expense of \$358,439 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$34,564 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2018, the employer recognized a beginning deferred outflow of resources for the employers FY 2017 contributions of \$191,636.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of PERS and SRS deferred outflows of resources and deferred inflows of resources related to PERS and SRS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 56,841	\$ 3,340	\$ 4,110	\$ 1,927	\$ 60,951	\$ 5,267
Actual vs. Expected Investment Earnings	-	15,501	-	7,687	-	23,188
Changes in Assumptions	315,491	-	488,724	799,378	804,215	799,378
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	83,734	-	41,054	-	124,788	-
Employer contributions subsequent to the measurement date - FY18	134,211	-	78,334	-	212,545	-
Total	\$ 590,277	\$ 18,841	\$ 612,222	\$ 808,992	\$ 1,202,499	\$ 827,833

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Deferred Inflows and Outflows

PERS: Year ended June 30, 2018	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ 81,758
2020	\$ 180,482
2021	\$ 140,376
2022	\$ (49,127)
2023	\$ -
Thereafter	\$ -

SRS: Year ended June 30, 2018	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ (92,951)
2020	\$ (55,216)
2021	\$ (69,935)
2022	\$ (98,055)
2023	\$ -
Thereafter	\$ -

Actuarial Assumptions

PERS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

SRS

The Total Pension Liability (TPL) used to calculate the NPL was determined taking the results of June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- | | |
|--|-------------|
| • General Wage Growth* | 3.50% |
| • *includes Inflation at | 2.75% |
| • Merit Increases | 0% to 6.30% |
| • Investment Return (net of admin expense) | 7.65% |
| • Admin Expense as a % of Payroll | 0.21% |
| • Postretirement Benefit Increases | |

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 between July 1, 2007 and June 30, 2014
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Discount Rate

PERS

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

SRS

The discount rate used to measure the TPL was 7.65%. 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 2117. 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.

Target Allocations

PERS, SRS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		2.75%
	Portfolio Return Expectation		7.12%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized above. The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

	1.0%	Current	1.0%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
PERS	\$ 3,361,531	\$ 2,308,087	\$ 1,423,800
SRS	\$ 1,105,768	\$ 626,228	\$ 233,905

PERS and SRS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

Summary of Significant Accounting Policies

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

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

Restricted - constraint is externally imposed by a third party, State Constitution, or enabling legislation.

Committed – constraint is internally imposed by the formal action of the board. This is the government’s highest level of decision making authority and a formal action is required to establish, modify, or rescind the fund balance commitment.

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

The government 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 government 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	\$ 125,359	Inventories
Road/Bridge equipment purchase	17,005	Inventories
All Other Aggregate	135,120	Bridge inventories
	6,300	Emergency disaster inventories
	28,815	Gas tax inventories
	<u>3,912</u>	Permanent fund
	<u>\$ 316,511</u>	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 517,450	Road operation and maintenance
Airport	259	Airport operations
County Hospital and Nursing Home	117,504	Public health administration and services
Public Safety	396,004	Law enforcement
All Other Aggregate	292,191	Bridge operations and maintenance
	152,062	Weed control
	5,522	Miscellaneous
	147,262	Insurance
	328,015	Emergency services
	63,897	Social and economic services
	262,516	Employee benefits
	26,445	Law enforcement
	28,149	Records preservation
	196,740	Road operations and maintenance
	17,500	Geographic information systems
	14,621	Rural planning
	<u>17,748</u>	Public health services
Total	<u>\$ 2,583,885</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Road/Bridge Equipment Purchase	\$ 779,303	Road and bridge capital costs
All Other Aggregate	249,495	Law enforcement capital costs
	371,907	General government capital costs
	70,569	Emergency services capital costs
	53,671	Weed capital costs
	<u>538,627</u>	Public health capital costs
Total	<u>\$ 2,063,572</u>	

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	\$ (69)	Insufficient resources to cover short term liabilities	Future tax revenues
Northern Transit Interlocal	\$ (427)	Insufficient resources to cover short term liabilities	Future grant revenues

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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>
General	\$ (6,657)	Unreported payables in the prior year
Road	119,711	Unreported gravel inventories in prior fiscal year
Bridge	119,711	Unreported gravel inventories in prior fiscal year
Road/Bridge Equipment Purchase	10,261	Unreported inventories in prior fiscal year
Government-wide Governmental	2,596	Reclassifying long-term debt
Government-wide Governmental	<u>1,698</u>	Updated GASB 75 valuation change in beginning OPEB liability
	<u>\$ 247,320</u>	

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 TO 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. RISK MANAGEMENT

The County faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Insurance Pools:

County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, has entered into an agreement with a private management firm to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Joint Powers Insurance Trust.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 940,161	\$ 940,161	\$ 947,019	\$ 6,858
Licenses and permits	-	-	45	45
Intergovernmental	328,956	329,256	330,606	1,350
Charges for services	187,325	191,325	182,988	(8,337)
Fines and forfeitures	40,530	40,530	39,584	(946)
Miscellaneous	24,295	24,295	25,267	972
Investment earnings	18,040	18,040	28,445	10,405
Amounts available for appropriation	<u>\$ 1,539,307</u>	<u>\$ 1,543,607</u>	<u>\$ 1,553,954</u>	<u>\$ 10,347</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,391,595	\$ 1,391,595	\$ 1,198,303	\$ 193,292
Public safety	110,817	133,892	120,463	13,429
Public health	193,341	193,341	170,955	22,386
Social and economic services	12,400	13,400	10,505	2,895
Culture and recreation	2,400	15,363	1,315	14,048
Debt service - principal	46,168	46,168	28,063	18,105
Debt service - interest	8,918	8,918	7,631	1,287
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 1,765,639</u>	<u>\$ 1,802,677</u>	<u>\$ 1,537,235</u>	<u>\$ 265,442</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,500	\$ 2,500
Transfers out	(58,213)	(45,250)	(45,250)	-
Total other financing sources (uses)	<u>\$ (58,213)</u>	<u>\$ (45,250)</u>	<u>\$ (42,750)</u>	<u>\$ 2,500</u>
Net change in fund balance			<u>\$ (26,031)</u>	
Fund balance - beginning of the year			\$ 892,867	
Restatements			(6,657)	
Fund balance - beginning of the year - restated			<u>\$ 886,210</u>	
Fund balance - end of the year			<u>\$ 860,179</u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 492,201	\$ 492,201	\$ 494,199	\$ 1,998
Intergovernmental	198,514	199,891	255,255	55,364
Miscellaneous	7,800	7,800	1,645	(6,155)
Amounts available for appropriation	\$ 698,515	\$ 699,892	\$ 751,099	\$ 51,207
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 869,849	\$ 904,849	\$ 562,594	\$ 342,255
Debt service - principal	71,220	68,095	68,093	2
Debt service - interest	52,850	55,975	55,975	-
Total charges to appropriations	\$ 993,919	\$ 1,028,919	\$ 686,662	\$ 342,257
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 104,500	\$ 416,738	\$ 366,238	\$ (50,500)
Transfers out	(35,000)	(313,534)	(313,534)	-
Total other financing sources (uses)	\$ 69,500	\$ 103,204	\$ 52,704	\$ (50,500)
Net change in fund balance			\$ 117,141	
Fund balance - beginning of the year			\$ 405,957	
Restatements			119,711	
Fund balance - beginning of the year - restated			\$ 525,668	
Fund balance - end of the year			\$ 642,809	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

Airport				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Intergovernmental	\$ 1,131,259	\$ 1,131,259	\$ 981,098	\$ (150,161)
Charges for services	10,520	14,220	10,136	(4,084)
Miscellaneous	12,052	12,052	11,765	(287)
Amounts available for appropriation	\$ 1,153,831	\$ 1,157,531	\$ 1,002,999	\$ (154,532)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 1,298,877	\$ 41,568	\$ 39,943	\$ 1,625
Debt service - principal	-	-	5,706	(5,706)
Debt service - interest	-	-	2,437	(2,437)
Capital outlay	1,000	1,268,809	1,073,293	195,516
Total charges to appropriations	\$ 1,299,877	\$ 1,310,377	\$ 1,121,379	\$ 188,998
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 136,550	\$ 136,550	\$ 91,500	\$ (45,050)
Transfers in	16,000	26,000	26,000	-
Total other financing sources (uses)	\$ 152,550	\$ 162,550	\$ 117,500	\$ (45,050)
Net change in fund balance			\$ (880)	
Fund balance - beginning of the year			\$ 1,139	
Fund balance - end of the year			\$ 259	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

County Hospital and Nursing Home

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u>	
			<u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 72,365	\$ 72,365	\$ 73,060	\$ 695
Intergovernmental	29,940	29,940	29,612	(328)
Miscellaneous	600,000	665,123	690,671	25,548
Amounts available for appropriation	<u>\$ 702,305</u>	<u>\$ 767,428</u>	<u>\$ 793,343</u>	<u>\$ 25,915</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public health	\$ 686,000	\$ 686,000	\$ 641,539	\$ 44,461
Debt service - principal	117,000	117,000	116,799	201
Debt service - interest	1,500	1,500	1,448	52
Total charges to appropriations	<u>\$ 804,500</u>	<u>\$ 804,500</u>	<u>\$ 759,786</u>	<u>\$ 44,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 65,123	\$ -	\$ 89	\$ 89
Total other financing sources (uses)	<u>\$ 65,123</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 89</u>
Net change in fund balance			<u>\$ 33,646</u>	
Fund balance - beginning of the year			<u>\$ 83,858</u>	
Fund balance - end of the year			<u><u>\$ 117,504</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

Public Safety

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u>	
			<u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 661,117	\$ 661,117	\$ 689,092	\$ 27,975
Licenses and permits	-	1,700	1,755	55
Intergovernmental	97,768	97,768	96,819	(949)
Charges for services	125,145	125,145	106,270	(18,875)
Miscellaneous	1,850	1,850	3,181	1,331
Amounts available for appropriation	<u>\$ 885,880</u>	<u>\$ 887,580</u>	<u>\$ 897,117</u>	<u>\$ 9,537</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 1,138,643	\$ 1,140,543	\$ 936,777	\$ 203,766
Total charges to appropriations	<u>\$ 1,138,643</u>	<u>\$ 1,140,543</u>	<u>\$ 936,777</u>	<u>\$ 203,766</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (90,000)	\$ (90,000)	\$ (90,000)	\$ -
Total other financing sources (uses)	<u>\$ (90,000)</u>	<u>\$ (90,000)</u>	<u>\$ (90,000)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (129,660)</u>	
Fund balance - beginning of the year			<u>\$ 525,664</u>	
Fund balance - end of the year			<u>\$ 396,004</u>	

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>Airport</u>	<u>County Hospital and Nursing Home</u>	<u>Public Safety</u>
Sources/Inflows of resources					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,553,954	\$ 751,099	\$ 1,002,999	\$ 793,343	\$ 897,117
Combined funds (GASBS 54) revenues	289,984	-	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,843,938</u>	<u>\$ 751,099</u>	<u>\$ 1,002,999</u>	<u>\$ 793,343</u>	<u>\$ 897,117</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,537,235	\$ 686,662	\$ 1,121,379	\$ 759,786	\$ 936,777
Combined funds (GASBS 54) expenditures	8,075	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,545,310</u>	<u>\$ 686,662</u>	<u>\$ 1,121,379</u>	<u>\$ 759,786</u>	<u>\$ 936,777</u>

Pondera County, Montana
Schedule of Changes in the Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability			
Service Cost	\$ 7,353	\$ -	\$ 7,780
Net change in total OPEB liability	7,353	-	7,780
Total OPEB Liability - beginning	80,396	80,396	256,980
Restatement	(1,698)	-	(184,364)
Total OPEB Liability - ending	<u>\$ 86,051</u>	<u>\$ 80,396</u>	<u>\$ 80,396</u>
Covered-employee payroll	\$ 1,921,708	\$ 2,513,371	\$ 1,772,655
 Total OPEB liability as a percentage of covered -employee payroll	 4.5%	 3.2%	 4.5%

**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, but due to this being the first year of implementation only three years of data is available.*

Pondera County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.1185%	0.1139%	0.1081%	0.1113%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 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	\$ 28,996	\$ 23,712	\$ 18,565	\$ 16,938
Total	<u>\$ 2,337,083</u>	<u>\$ 1,964,333</u>	<u>\$ 1,529,990</u>	<u>\$ 1,403,961</u>
Employer's covered payroll	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821	\$ 1,269,671
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.71%	78.40%	79.87%
	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	0.8229%	0.7731%	0.7653%	0.7873%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Total	<u>\$ 626,228</u>	<u>\$ 1,358,212</u>	<u>\$ 737,728</u>	<u>\$ 327,652</u>
Employer's covered payroll	\$ 614,322	\$ 545,775	\$ 520,743	\$ 509,169
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	101.94%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	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
Schedule of Contributions
For the Year Ended June 30, 2018

	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 134,211	\$ 123,049	\$ 114,068	\$ 103,979
Contributions in relation to the contractually required contributions	\$ 134,211	\$ 123,049	\$ 116,172	\$ 108,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,584,541	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821
Contributions as a percentage of covered-employee payroll	8.47%	8.39%	8.51%	8.62%

	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 78,333	\$ 62,280	\$ 56,567	\$ 52,824
Contributions in relation to the contractually required contributions	\$ 78,333	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 585,003	\$ 614,322	\$ 545,775	\$ 520,743
Contributions as a percentage of covered-employee payroll	13.390%	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, 2018

PERS

Changes of Benefit Terms

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

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

1) 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 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

1) 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 the January after receiving recalculated benefit for 12 months.

2) 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 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

3) 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 the 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%, .47% and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

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, 2018

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

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.

Terminating Employers – Recovery of actuarial costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) 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.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

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.

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:

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, 2018

- a. FY2020 - \$32.277 million
- b. FY2021 - \$32.6 million
- c. FY2022 - \$32.926 million
- d. FY2023 - \$33.255 million
- e. FY2024 - \$33.588 million
- f. FY2025 - \$33.924 million

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, 2017 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
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project 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	0.23%

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.

SRS

Changes of Benefit Terms

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

2015 Legislative Changes: none

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Second Retirement Benefit – for SRS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) 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;

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, 2018

- 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.
- 3) 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.
- 4) A member who returns to covered service is not eligible for a disability benefit.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) 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.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

SRS Funding – House Bill 383, effective July 1, 2017

Increase in SRS Employee and Employer Contributions

- 1) SRS employee contributions increase 1.25% from 9.245% to 10.495%.
- 2) SRS employer additional contributions increase 3%, from 0.58% to 3.58%, for a total employer contributions rate of 13.115%.

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, 2018

3) 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.

SINGLE AUDIT SECTION

Pondera County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
Other Programs			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	EMD-2017-EP-00003	\$ 34,652
Pre-Disaster Mitigation	97.047	PDMC-PL-MT-2015-003	7,212
Total Department of Homeland Security			\$ 41,864
<u>Department of Transportation</u>			
<i>Direct</i>			
Airport Improvement Program	20.106	N/A	\$ 975,283
Total Airport Improvement Program			\$ 975,283
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	18-07-6-11-038-0	\$ 28,145
Grants to States to Support Oral Health Workforce Activities	93.236	17-07-5-01-108-0	13,908
Immunization Cooperative Agreements	93.268	17-07-4-31-133-0	5,480
Maternal and Child Health Services Block Grant to the States	93.994	18-07-05-01-037-0	3,973
Total Department of Health and Human Services			\$ 51,506
<u>United States Department of Agriculture</u>			
<i>Passed through Teton County Health Department</i>			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A	\$ 33,246
<i>Direct</i>			
Schools and Road- Grants to States	10.665	N/A	61,709
Total United States Department of Agriculture			\$ 94,955
Total Other Programs			\$ 1,163,608
Total Federal Financial Assistance			\$ 1,163,608

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, 2018

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 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, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated March 22, 2019.

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 County’s internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pondera County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

Pondera County's Response to Findings

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

Purpose of this Report

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

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

March 22, 2019

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

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

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

Board of Commissioners
Pondera County
Conrad, Montana

Report on Compliance for Each Major Federal Program

We have audited Pondera County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Pondera County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Pondera County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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

March 22, 2019

PONDERA COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Grant

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

Section II – Financial Statement Findings

2018-001 Unallowable Transfer

Condition:

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

Context:

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

Criteria:

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

Effect:

The County made unallowable transfers from the Emergency Disaster fund to the Road fund for the amount of \$312,238 and from the Junk Vehicle Fund to the General Fund for the amount of \$2,500.

Cause:

The County was not aware they could not reimburse a fund directly for expenditures related to the Emergency Disaster FEMA Grant that were incurred in the Road Fund in the prior year, or reimburse for payroll costs paid from the General Fund for the Junk Vehicle Program.

Recommendation:

The County should review the types of allowable transfers, and ensure only these types of transfers are made in the future. Also, ensure that the expenditures are recorded in the correct fund by coding those expenditures directly to the fund, or moving expenditures to the fund once the work has been performed.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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Contact Person:

Kody Farkell
Clerk & Recorder

Expected Completion Date of Corrective Action Plan:

Immediately

CORRECTIVE ACTION PLAN

FINDING 2018-001: Unallowable Transfer

Response:

Now being aware that we cannot reimburse a fund directly for expenditures related to the FEMA grant for expenditures in a prior year, we will ensure those types of transfers are not done in the future. We have discussed with the appropriate department heads how expenditures must be recorded in the correct fund rather than relying on a transfer to reimburse the fund.