

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2017

BOARD OF COUNTY COMMISSIONERS ETC.

Janice Hoppes
Dale J. Seifert
Thomas A. Kuka

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Mary Ann Ries
Jeanne Moon
Kody L. Farkell
Laurie Eisenzimer
Amber Schoenrock
Jeanne Moon
Carl Suta

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

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2016-2017

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2016-2017 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

- We maintained a basic status quo budget with an emphasis on maintaining cash reserves to insure fiscal stability. Wages were increased by a \$.50 per hour and health insurance contribution remained at 100% of employee premium.
- Pondera County's interest revenue for the fiscal year totaled \$33,399. While this amount is comparable 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.
- Pondera County participated fiscally in Sweet Grass Development, the Pondera Regional Port Authority, 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 is being repaid with final payment due 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 second year.
- Public Safety: Two vehicles were purchased and equipped for law enforcement at a total cost of \$83,901.
- Roads and Bridges: The County graveled 6.75 miles of county roads that were affected by a spring 2016 snowstorm. \$312,218 of FEMA monies were received due to the flooding damage. Two 2017 Silverado flatbeds and equipped with base plates and hitches were purchased for \$66,738 and 41.02 tons of emulsion was purchased for \$22,643. Materials were purchased for the repairs to the Eastlake Bridge with repairs scheduled for FY2017-18.
- Courthouse Improvements: \$369,841 spent on Heating and Air Conditioning (HVAC) upgrades in the County Courthouse. The project will be completed in FY2017-18. The county financed the HVAC upgrade with an InterCap Loan in the amount of \$359,000 as well as use of PILT funds. As of June 30, 2017 the County had drawn down \$227,581 on the InterCap Loan.

- Conrad and Valier Airports: Perimeter fencing at the Valier Airport was completed at a cost of \$13,862. FAA cost-share for runway and taxiway upgrades and construction of 6-bay hangar project was started in fiscal year 2017 at the Conrad Airport. Total cost of the project is \$1,225,000 with 90% funded by a FAA grant and 10% by the County. At the End of fiscal year 2017, the total construction costs for this project was \$122,229

USING THIS ANNUAL FINANCIAL REPORT

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

FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities

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

A compliance analysis is provided.

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

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

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

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.

**Pondera County, Montana
MD & A Comparisons
June 30, 2017**

Table 1 - Net Position

	Governmental Activities		
	<u>FY17</u>	<u>FY16</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 6,804,401	\$ 5,896,077	\$ 908,324
Capital assets	6,452,095	6,450,746	1,349
Total assets	<u>\$ 13,256,496</u>	<u>\$ 12,346,823</u>	<u>\$ 909,673</u>
Long-term debt outstanding	\$ 2,530,328	\$ 2,622,966	\$ (92,638)
Other liabilities	3,709,571	2,819,042	890,529
Total liabilities	<u>\$ 6,239,899</u>	<u>\$ 5,442,008</u>	<u>\$ 797,891</u>
Net investment in capital assets	\$ 4,259,779	\$ 4,171,264	\$ 88,515
Restricted	2,759,942	3,017,898	(257,956)
Unrestricted (deficit)	(3,124)	(284,347)	281,223
Total net position	<u><u>\$ 7,016,597</u></u>	<u><u>\$ 6,904,815</u></u>	<u><u>\$ 111,782</u></u>

Pondera County, Montana
MD & A Comparisons
June 30, 2017

Table 2 - Changes in Net Position

	Governmental Activities		Change Inc (Dec)
	<u>FY17</u>	<u>FY16</u>	
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 366,466	\$ 346,485	\$ 19,981
Operating grants and contributions	1,409,612	1,127,359	282,253
Capital grants and contributions	120,379	-	120,379
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,520,314	3,400,148	120,166
Video poker apportionment	1,650	2,225	(575)
Miscellaneous	161,348	111,305	50,043
Interest/investment earnings	33,399	23,646	9,753
Local option taxes	218,407	216,694	1,713
Montana oil and gas production tax	23,511	66,256	(42,745)
State entitlement	710,011	694,704	15,307
Grants and entitlements not restricted to specific programs	20,830	20,529	301
PILT	233,444	240,268	(6,824)
Intergovernmental Agreement	-	2,122	(2,122)
Royalties	3,642	4,112	(470)
State Contributions to Retirement	35,987	37,427	(1,440)
Total revenues	<u>\$ 6,859,000</u>	<u>\$ 6,293,280</u>	<u>\$ 565,720</u>
Program expenses			
General government	\$ 1,834,616	\$ 1,737,414	\$ 97,202
Public safety	1,318,542	1,097,336	221,206
Public works	1,810,255	1,320,031	490,224
Public health	1,126,135	1,029,633	96,502
Social and economic services	145,939	142,178	3,761
Culture and recreation	273,235	281,740	(8,505)
Housing and community development	13,587	625	12,962
Debt service - interest	24,821	50,278	(25,457)
Miscellaneous	185,125	167,009	18,116
Total expenses	<u>\$ 6,732,255</u>	<u>\$ 5,826,244</u>	<u>\$ 906,011</u>
Increase (decrease) in net position	<u>\$ 126,745</u>	<u>\$ 467,036</u>	<u>\$ (340,291)</u>

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

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$6,732,255 compared to \$5,826,244 for fiscal year 2015-16 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 \$3,520,314, up by \$120,166 from \$3,400,148 in fiscal year 2015-16. 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)

	General	Road	Airport	County Hospital
Fund Balance – Current Year	1,233,070	405,957	1,139	83,858
Fund Balance – Prior Year	1,357,297	652,768	8,855	177,300
Change in unassigned fund balance	-124,227	-246,811	-7,716	-93,442
% change in fund balance	-10.1%	-60.8%	-677.4%	-111.4%
	Public Safety			
Fund Balance – Current Year	525,664			
Fund Balance – Prior Year	658,411			
Change in fund balance	-132,747			
% change in fund balance	-25.3%			

The decrease in the fund balance in the General Fund is due to an increase in salaries, debt payments, and services, despite an overall increase in revenues.

The decrease in the Road Fund is a result of decreased tax revenue and decreased intergovernmental revenues. Overall expenses increased over \$100,000 due to a large increase in gravel and asphalt as well as an increase in salaries and general expenses.

The Airport Fund saw an increase in revenue due to increased interfund transfers, but also saw a significant increase in operating costs primarily due to grounds maintenance (snow removal) from prior years.

The decrease in the County Hospital Fund is a result of a decrease in property taxes and proceeds from notes as well as an increase in debt payments.

The Public Safety Fund saw virtually no change in overall revenues. However, the fund balance decreased due to a significant increase in salaries, contract services, inmate medical expenses, and an increase in the amount transferred to the capital improvement fund.

Revenue Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,688,170	1,645,962	-42,208	-2.6%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the General Fund of -\$42,208 for a -2.6% variance.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	691,423	665,328	-26,095	-3.9%

There was a variance between the final budget amount and actual amount of revenue received in the Road Fund of -\$26,095 for a -3.9% variance, primarily due to a protested tax settlement with Northwestern Energy resulting in lower revenues than expected.

<u>Airport Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	17,000	134,289	117,289	87.3%

There was a variance between the final budget amount and actual amount of revenue received in the Airport Fund of \$117,289 for a 87.3% variance, due to higher than expected transfers.

County Hospital and

<u>Nursing</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
<u>Home Fund:</u>	824,747	807,164	17,583	2.18%

There was an insignificant variation between the final budget amount and actual amount of revenue received in the County Hospital and Nursing Home Fund of \$17,583 for a 2.18% variance.

Public Safety

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	854,780	864,341	9,561	1.1%

There was a variation between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$9,561 for a 1.1% variance, primarily due to a protested tax settlement with Northwestern Energy resulting in lower revenues than expected.

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 obtained a new capital lease for 2 walk and rollers for a total of \$40,000. The County also drew down \$227,581 on a new InterCap Loan for the HVAC upgrades. Principle payments were \$354,747 which reduced the capital lease and InterCap Debt Balances from \$4,757,112 to \$3,947,238. Compensated absences balance as of June 30, 2017 was \$257,616 a reduction of \$5,472 over the prior year. Other post-employment benefits remained consistent with the prior year at \$80,396 while net pension liability increased \$1,049,680 to a balance of \$3,298,833 as of June 30, 2017.

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, 2017 of \$6,452,095.

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 Taxable Valuation increased in Pondera County from \$15,957,802 to \$16,389,956 increasing the value of a county-wide mill from \$15,957 to \$16,389. The FY18 budget did not allow for the reservation of any floated mills; all were levied.

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

A 1.85% COLA and wage increase (1.3% cost of living adjustment plus .55% wage increase), equal to \$.40 per hour, was approved for elected officials. Hourly employees received an equal increase of \$.40 per hour.

While aiming for a 33% reserve in all funds, reserve amounts range from 16% (Public Safety) to 33.0% (General Fund). Our goal remains to achieve the 33% reserve in all funds. The lower reserve amounts in some funds can be attributed to the need to use more reserves in FY16-17 because of the Northwest Energy untimely protested tax settlement entered into by the State of Montana in FY2016-17.

REQUESTS FOR INFORMATION

This financial report provides a general over view 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, 2017, 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, 2017, 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 8, 51 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2018, 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.

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

February 2, 2018

Pondera County, Montana
Statement of Net Position
June 30, 2017

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	5,368,008
Taxes and assessments receivable, net		178,872
Accounts receivable - net		44
Due from other governments		135,489
Inventories		30,540
Total current assets	\$	5,712,953
Noncurrent assets		
Capital assets - land	\$	285,409
Capital assets - construction in progress		122,229
Capital assets - depreciable, net		6,044,457
Total noncurrent assets	\$	6,452,095
Total assets	\$	12,165,048
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$	1,091,448
Total deferred outflows of resources	\$	1,091,448
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	13,256,496
LIABILITIES		
Current liabilities		
Warrants payable	\$	251
Accounts payable		131,924
Accrued payables		43,752
Due to other governments		185
Current portion of long-term capital liabilities		271,732
Current portion of compensated absences payable		169,927
Total current liabilities	\$	617,771
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	80,396
Noncurrent portion of long-term capital liabilities		1,920,584
Noncurrent portion of compensated absences		87,689
Net pension liability		3,298,833
Total noncurrent liabilities	\$	5,387,502
Total liabilities	\$	6,005,273
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	\$	234,626
Total Deferred Inflows of resources	\$	234,626
NET POSITION		
Net investment in capital assets	\$	4,259,779
Restricted by donors for specific purposes		3,864
Restricted for debt service		1,306
Restricted for special projects		2,754,772
Unrestricted		(3,124)
Total net position	\$	7,016,597
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$	13,256,496

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 1,834,616	\$ 131,045	\$ 69,469	\$ -	\$ (1,634,102)
Public safety	1,318,542	140,579	187,834	-	(990,129)
Public works	1,810,255	47,911	406,455	120,379	(1,235,510)
Public health	1,126,135	43,122	734,667	-	(348,346)
Social and economic services	145,939	3,809	11,187	-	(130,943)
Culture and recreation	273,235	-	-	-	(273,235)
Housing and community development	13,587	-	-	-	(13,587)
Debt service - interest	24,821	-	-	-	(24,821)
Miscellaneous	185,125	-	-	-	(185,125)
Total primary government	<u>\$ 6,732,255</u>	<u>\$ 366,466</u>	<u>\$ 1,409,612</u>	<u>\$ 120,379</u>	<u>\$ (4,835,798)</u>
		General Revenues:			
				\$	3,520,314
					1,650
					161,348
					33,399
					218,407
					23,511
					710,011
					20,830
					233,444
					3,642
					35,987
				\$	<u>4,962,543</u>
				\$	<u>126,745</u>
				\$	6,904,815
					(14,963)
				\$	<u>6,889,852</u>
				\$	<u>7,016,597</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General</u>	<u>Road</u>	<u>Airport</u>	<u>County Hospital and Nursing Home</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 1,226,869	\$ 417,670	\$ 10,425	\$ 83,858	\$ 539,304	\$ 3,089,882	\$ 5,368,008
Taxes and assessments receivable, net	53,515	23,689	-	5,260	21,582	74,826	178,872
Accounts receivable - net	-	-	-	-	-	44	44
Due from other funds	22,515	-	-	-	-	-	22,515
Due from other governments	-	-	112,974	-	-	22,515	135,489
Inventories	-	2,220	-	-	-	28,320	30,540
Total assets	<u>\$ 1,302,899</u>	<u>\$ 443,579</u>	<u>\$ 123,399</u>	<u>\$ 89,118</u>	<u>\$ 560,886</u>	<u>\$ 3,215,587</u>	<u>\$ 5,735,468</u>
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 182	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ 251
Accounts payable	48	8,415	122,229	-	-	1,232	131,924
Accrued payables	15,899	5,518	31	-	13,640	8,664	43,752
Due to other funds	-	-	-	-	-	22,515	22,515
Due to other governments	185	-	-	-	-	-	185
Total liabilities	<u>\$ 16,314</u>	<u>\$ 13,933</u>	<u>\$ 122,260</u>	<u>\$ -</u>	<u>\$ 13,640</u>	<u>\$ 32,480</u>	<u>\$ 198,627</u>
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources	<u>\$ 53,515</u>	<u>\$ 23,689</u>	<u>\$ -</u>	<u>\$ 5,260</u>	<u>\$ 21,582</u>	<u>\$ 74,826</u>	<u>\$ 178,872</u>
FUND BALANCES							
Nonspendable	\$ -	\$ 2,220	\$ -	\$ -	\$ -	\$ 32,184	\$ 34,404
Restricted	-	403,737	1,139	83,858	525,664	1,599,981	2,614,379
Committed	-	-	-	-	-	1,476,185	1,476,185
Unassigned fund balance	1,233,070	-	-	-	-	(69)	1,233,001
Total fund balance	<u>\$ 1,233,070</u>	<u>\$ 405,957</u>	<u>\$ 1,139</u>	<u>\$ 83,858</u>	<u>\$ 525,664</u>	<u>\$ 3,108,281</u>	<u>\$ 5,357,969</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 1,302,899</u>	<u>\$ 443,579</u>	<u>\$ 123,399</u>	<u>\$ 89,118</u>	<u>\$ 560,886</u>	<u>\$ 3,215,587</u>	<u>\$ 5,735,468</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, 2017

Total fund balances - governmental funds	\$	5,357,969
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,452,095
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.		178,872
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,530,328)
Proportionate share of ending collective net pension liability		(3,298,833)
Deferred outflows related to net pension liability		1,091,448
Deferred inflows related to net pension liability		(234,626)
Total net position - governmental activities	\$	<u><u>7,016,597</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, 2017

	<u>General</u>	<u>Road</u>	<u>Airport</u>	<u>County Hospital and Nursing Home</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 1,033,082	\$ 468,898	\$ -	\$ 70,283	\$ 631,360	\$ 1,535,607	\$ 3,739,230
Licenses and permits	55	-	-	-	-	-	55
Intergovernmental	559,333	193,502	112,974	28,847	96,568	819,554	1,810,778
Charges for services	190,212	-	9,227	-	134,731	43,948	378,118
Fines and forfeitures	38,782	-	-	-	-	5,168	43,950
Miscellaneous	38,823	2,928	12,088	708,034	1,682	47,669	811,224
Investment earnings	22,713	-	-	-	-	10,735	33,448
Total revenues	<u>\$ 1,883,000</u>	<u>\$ 665,328</u>	<u>\$ 134,289</u>	<u>\$ 807,164</u>	<u>\$ 864,341</u>	<u>\$ 2,462,681</u>	<u>\$ 6,816,803</u>
EXPENDITURES							
General government	\$ 1,178,935	\$ -	\$ -	\$ -	\$ -	\$ 531,277	\$ 1,710,212
Public safety	91,190	-	-	-	917,088	104,821	1,113,099
Public works	-	808,572	34,776	-	-	630,919	1,474,267
Public health	154,017	-	-	593,134	-	126,149	873,300
Social and economic services	9,271	-	-	-	-	131,083	140,354
Culture and recreation	801	-	-	-	-	272,187	272,988
Housing and community development	12,962	-	-	-	-	-	12,962
Debt service - principal	17,490	105,395	-	231,862	-	-	354,747
Debt service - interest	1,645	18,672	-	4,504	-	-	24,821
Miscellaneous	-	-	-	-	-	185,125	185,125
Capital outlay	-	40,000	122,229	71,106	-	534,342	767,677
Total expenditures	<u>\$ 1,466,311</u>	<u>\$ 972,639</u>	<u>\$ 157,005</u>	<u>\$ 900,606</u>	<u>\$ 917,088</u>	<u>\$ 2,515,903</u>	<u>\$ 6,929,552</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 416,689</u>	<u>\$ (307,311)</u>	<u>\$ (22,716)</u>	<u>\$ (93,442)</u>	<u>\$ (52,747)</u>	<u>\$ (53,222)</u>	<u>\$ (112,749)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds of general long term debt	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ 227,581	\$ 267,581
Transfers in	3,383	104,500	15,000	-	-	877,471	1,000,354
Transfers out	(529,336)	(84,000)	-	-	(80,000)	(307,018)	(1,000,354)
Total other financing sources (uses)	<u>\$ (525,953)</u>	<u>\$ 60,500</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 798,034</u>	<u>\$ 267,581</u>
Net Change in Fund Balance	<u>\$ (109,264)</u>	<u>\$ (246,811)</u>	<u>\$ (7,716)</u>	<u>\$ (93,442)</u>	<u>\$ (132,747)</u>	<u>\$ 744,812</u>	<u>\$ 154,832</u>
Fund balances - beginning	\$ 1,357,297	\$ 652,768	\$ 8,855	\$ 177,300	\$ 658,411	\$ 2,363,469	\$ 5,218,100
Restatements	(14,963)	-	-	-	-	-	(14,963)
Fund balances - beginning, restated	<u>\$ 1,342,334</u>	<u>\$ 652,768</u>	<u>\$ 8,855</u>	<u>\$ 177,300</u>	<u>\$ 658,411</u>	<u>\$ 2,363,469</u>	<u>\$ 5,203,137</u>
Fund balance - ending	<u>\$ 1,233,070</u>	<u>\$ 405,957</u>	<u>\$ 1,139</u>	<u>\$ 83,858</u>	<u>\$ 525,664</u>	<u>\$ 3,108,281</u>	<u>\$ 5,357,969</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, 2017

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

Net change in fund balances - total governmental funds	\$	154,832
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		767,677
- Depreciation expense		(766,328)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred revenue)		6,210
The change in compensated absences is shown as an expense in the Statement of Activities		
		5,472
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		354,747
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		(267,581)
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		
		(164,271)
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		
		35,987
Change in net position - Statement of Activities	\$	<u>126,745</u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2017

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 11,804,940	\$ 395,660
Other receivables	-	317
Taxes receivable	-	384,662
Total assets	<u>\$ 11,804,940</u>	<u>\$ 780,639</u>
LIABILITIES		
Warrants payable	\$ -	\$ 300,335
Due to others	-	480,304
Total liabilities	<u>\$ -</u>	<u>\$ 780,639</u>
NET POSITION		
Assets held in trust	<u>\$ 11,804,940</u>	

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$	<u>5,594,182</u>
Investment earnings:		
Interest and change in fair value of investments	\$	<u>98,679</u>
Total additions	\$	<u>5,692,861</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	<u>4,621,571</u>
Change in net position	\$	<u>1,071,290</u>
 Net Position - Beginning of the year	 \$	 10,733,650
 Net Position - End of the year	 \$	 <u><u>11,804,940</u></u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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. The statements distinguish between governmental and business-type activities. 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, 2017

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

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting County are organized into funds, each of which is considered to be 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, 2017

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.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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

Fiduciary Funds:

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

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, 2017, 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	932,257
Savings deposits	13,633,713
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	3,002,338
Total	\$ <u><u>17,568,608</u></u>

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

(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.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2017, (in thousands) unaudited:

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating*</u>	<u>Weighted Average Maturity in Days</u>
Treasuries	\$ 124,774	A-1+	80
Asset Backed Commercial Paper	1,089,830	A-1	25
Corporate Commercial Paper	356,122	A-1	63
Corporate Notes	369,751	A-1+	78
Certificates of Deposit	484,113	A-1+	35
U.S. Government Agency	389,807	A-1+	75
Money Market Funds (Unrated)	24,219	NR	1
Money Market Funds (Rated)	<u>148,000</u>	A-1+	1
Total Investments	<u>\$ 2,986,616</u>	A-1	39
Securities Lending Collateral Investment Pool	<u>\$ 11,844</u>	NR	32

*Credit Quality Rating is weighted.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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, 2017 of the government’s bank balance of was exposed to custodial credit risk as follows:

	Balance <u>June 30, 2017</u>
<u>Depository Account</u>	
Insured	\$ 10,328,426
- Collateral held by the pledging bank's trust department but not in the County's name	4,020,356
- Uninsured and uncollateralized	2,331
Total deposits and investments	<u>\$ 14,351,113</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, 2017, equaled or exceeded the amount required by State statutes.

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2017 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, 2017.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 4,497,398
Equity of external pool participants	11,804,940
Total equity	<u><u>\$ 16,302,338</u></u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 98,679	\$ 37,595
Contributions to trust	5,594,182	2,103,819
Distributions paid	(4,621,571)	(1,832,704)
Net change in net position	<u>\$ 1,071,290</u>	<u>\$ 308,710</u>
Net position at beginning of year	10,733,650	4,188,688
Net position at end of year	<u><u>\$ 11,804,940</u></u>	<u><u>\$ 4,497,398</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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

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 fixed 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 2017 Basic Financial Statements

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Governmental activities:

	Balance				Balance
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>		<u>June 30, 2017</u>
Capital assets not being depreciated:					
Land	\$ 265,409	\$ -	\$ -	\$ -	\$ 265,409
Pondera Medical Center-Land	20,000	-	-	-	20,000
CIP	-	122,229	-	-	122,229
Total capital assets not being depreciated	<u>\$ 285,409</u>	<u>\$ 122,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,638</u>
Other capital assets:					
Buildings	\$ 4,357,895	\$ -	\$ -	\$ -	\$ 4,357,895
Improvements other than buildings	3,187,231	383,703	-	-	3,570,934
Machinery and equipment	5,642,651	190,639	(7,795)	-	5,825,495
Infrastructure	168,827	-	-	-	168,827
Pondera Medical Center	6,971,627	71,106	-	-	7,042,733
Total other capital assets at historical cost	<u>\$ 20,328,231</u>	<u>\$ 645,448</u>	<u>\$ (7,795)</u>	<u>\$ -</u>	<u>\$ 20,965,884</u>
Less: accumulated depreciation	<u>\$ (14,162,894)</u>	<u>\$ (766,328)</u>	<u>\$ 7,795</u>	<u>\$ -</u>	<u>\$ (14,921,427)</u>
Total	<u>\$ 6,450,746</u>	<u>\$ 1,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,452,095</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 79,347
Public safety	91,701
Public works	335,988
Public Health	252,835
Social and Economic services	5,585
Culture and Recreation	247
Housing and Community Development	<u>625</u>
Total governmental activities depreciation expense	<u>\$766,328</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, 2017 the following changes occurred in liabilities reported in long-term debt:

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Governmental Activities:

	Balance			Balance	
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due Within</u>
					<u>One Year</u>
Compensated absences	\$ 263,088	\$ -	\$ (5,472)	\$ 257,616	\$ 169,927
Intercap loans	459,165	227,581	(249,352)	437,394	141,909
Capital leases	1,820,317	40,000	(105,395)	1,754,922	129,823
Net pension liability*	2,249,153	1,049,680	-	3,298,833	-
Other post-employment benefits**	80,396	-	-	80,396	-
Total	<u>\$ 4,872,119</u>	<u>\$ 1,317,261</u>	<u>\$ (360,219)</u>	<u>\$ 5,829,161</u>	<u>\$ 441,659</u>

*See Note 9

**See Note 7

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, 2017 were as follows:

<u>Purpose</u>	<u>Origination</u>	<u>Interest</u>		<u>Maturity</u>	<u>Principal</u>	<u>Balance</u>
	<u>Date</u>	<u>Rate</u>	<u>Term</u>	<u>Date</u>	<u>Amount</u>	<u>June 30, 2017</u>
Building for Senior Center	7/3/08	1.0-4.85%	10yrs	8/15/18	\$ 89,550	\$ 15,327
Building for Senior Center – remodel	8/12/11	1.0-4.85%	15yrs	8/15/26	113,841	77,687
Hospital Equipment	5/30/14	1.0-4.85%	3yrs	8/15/17	622,578	116,799
HVAC System	4/13/17	1.0-4.85%	14.5yrs	2/15/32	<u>359,000</u>	<u>227,581</u>
Total					<u>\$ 1,184,969</u>	<u>\$ 437,394</u>

Annual requirement to amortize debt:

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For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 141,909	\$ 3,591
2019	25,793	6,675
2020	21,498	6,149
2021	21,995	5,685
2022	22,502	5,211
2023	23,022	4,726
2024	23,557	4,229
2025	24,101	3,721
2026	24,659	3,200
2027	20,704	2,667
2028	16,685	2,191
2029	17,104	1,774
2030	17,533	1,347
2031	17,978	908
2032	18,354	459
Total	<u>\$ 437,394</u>	<u>\$ 52,534</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, 2017 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>Balance as of June 30, 2017</u>
New 8 Caterpillar Motor Graders (2015)	5/4/16	3.00%	5yrs	11/1/20	\$1,820,317	\$ 1,723,092
2 Walk & Rollers	5/4/16	3.00%	5yrs	11/1/20	<u>40,000</u>	<u>31,830</u>
Total					<u>\$1,860,317</u>	<u>\$ 1,754,922</u>

Annual requirement to amortize debt:

PONDERA COUNTY, MONTANA
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For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 129,823	\$ 52,040
2019	133,770	48,093
2020	137,883	43,980
2021	1,353,446	18,735
Total	<u>\$ 1,754,922</u>	<u>\$ 162,848</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County’s policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but 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. The liability associated with governmental fund-type employees is reported in the governmental activities.

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.

PONDERA COUNTY, MONTANA
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Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	50
Total employees	51

Total OPEB Liability

The County's total OPEB liability of \$ 80,396 at June 30, 2017, and was determined by using the alternative measurement method as of that date.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2017 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)	3.80%
Average salary increase (Consumer Price Index)	2.30%

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

Year	% Increase
2017	5.30%
2018	6.20%
2019	6.30%
2020	6.10%
2021	6.30%
2022	6.30%
2022	6.30%
2023	6.30%
2024	6.10%
2025 and after	5.90%

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. 64, No. 11, September 22, 2015.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Changes in the Total OPEB Liability

Balance at 6/30/2016		\$ <u>80,396</u>
Changes for the year:		
Service Cost		\$ -
Restatement		<u>-</u>
Net Changes		<u>\$ -</u>
Balance at 6/30/2017		<u>\$ <u>80,396</u></u>

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

	<u>1% Decrease (2.80%)</u>		<u>Discount Rate (3.80%)</u>		<u>1% Increase (4.80%)</u>
Total OPEB Liability	\$ 90,139	\$	80,396	\$	72,214

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%:

	<u>1% Decrease</u>		<u>Healthcare Cost Trends*</u>		<u>1% Increase</u>
Total OPEB Liability	\$ 69,422	\$	80,396	\$	93,845

**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, 2017, the County did not recognize an OPEB expense. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2017, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Clear Negative Cash Balance	General – Major Governmental	Norther Transit Interlocal – Nonmajor Governmental	\$ 7,948
Clear Negative Cash Balance	General – Major Governmental	FEMA PDA Grant – Nonmajor Governmental	7,405
Clear Negative Cash Balance	General – Major Governmental	WIC Grant – Nonmajor Governmental	1,150
Clear Negative Cash Balance	General – Major Governmental	Maternal Child Health – Nonmajor Governmental	1,196
Clear Negative Cash Balance	General – Major Governmental	Tobacco Use Prevention – Nonmajor Governmental	<u>4,816</u>
Total			<u>\$ 22,515</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2017:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Residual Equity Transfer	General – Major Governmental	District Court – Nonmajor Governmental	\$ 883
Operating	Road – Major Governmental	PILT* - Major Governmental	104,500
Operating	Airport –Major Governmental	PILT* - Major Governmental	15,000
Operating	Health Insurance – Nonmajor Governmental	Permissive Levy – Nonmajor Governmental	79,613
Operating	Health Insurance – Nonmajor Governmental	Permissive Levy – Nonmajor Governmental	101,950
Future Capital Projects and Equipment Purchases	Public Safety Capital Improvements – Nonmajor Governmental	Public Safety – Major Governmental	50,000
Future Capital Projects and Equipment Purchases	Public Safety Capital Improvements – Nonmajor Governmental	Public Safety – Major Governmental	15,000

PONDERA COUNTY, MONTANA
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Future Capital Projects and Equipment Purchases	Public Safety Cap Imp – Nonmajor Governmental	Public Safety – Major Governmental	15,000
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	Northern Transit Interlocal – Nonmajor Governmental	1,000
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	Extension Service – Nonmajor Governmental	1,500
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	Weed Control – Nonmajor Governmental	3,500
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	General – Major Governmental	87,750
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	Extension Services – Nonmajor Governmental	1,500
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	PILT* - Major Governmental	25,000
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	PILT* - Major Governmental	25,000
Future Capital Projects and Equipment Purchases	General Capital Improvements – Nonmajor Governmental	State Allocated Federal Mineral Royalites – Nonmajor Governmental	10,000
Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	Road – Major Governmental	42,000
Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	Bridge – Nonmajor Governmental	25,000
Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	Gas Tax Apportionment – Nonmajor Governmental	75,000
Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	Emergency Snow Removal – Nonmajor Governmental	1,359

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	PILT* - Major Governmental	262,086
Future Capital Projects and Equipment Purchases	Road and Bridge Capital Improvements – Nonmajor Governmental	Road – Major Governmental	42,000
Future Capital Projects and Equipment Purchases	Weed Capital Improvements – Nonmajor Governmental	Weed Control – Nonmajor Governmental	3,500
Future Capital Projects and Equipment Purchases	Hospital Capital Improvements – Nonmajor Governmental	Debt Service Hospital – Nonmajor Governmental	213
Reimbursement for Administrator Expenditures	General – Major Governmental	Junk Vehicle – Nonmajor Governmental	2,500
Future Ambulance Project and or Equipment	Ambulance Capital Improvements – Nonmajor Governmental	Public Safety Capital Improvements – Nonmajor Governmental	<u>9,500</u>
			<u>\$ 1,000,354</u>

*Reported with the General Fund under GASB 54

NOTE 9. NET PENSION LIABILITY

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. 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.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

PONDERA COUNTY, MONTANA
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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.

Eligibility for benefit

Service retirement:

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

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

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

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting

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;

PONDERA COUNTY, MONTANA
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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% 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

20 years of membership service, regardless of age.

Other Retirement Option

Age 50, 5 years of membership service. This benefit is the actuarial equivalent of the service retirement benefit.

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:

PONDERA COUNTY, MONTANA
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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

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Overview of Contributions

PERS

1. Rates are specified by state law for periodic employer and employee contributions.
 - a. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members’ compensation.
 - b. School district employers contributed 7.90% of members’ compensation.
 - c. 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.
 - d. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
 - e. The Plan Choice Rate (PCR), that directed a portion of employer contributions

PONDERA COUNTY, MONTANA
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for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

4. Non Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.

b. Not Special Funding

- i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

SRS

Rates are specified by state law for periodic member and employer contributions and percentage of member's compensation. Contributions are deducted from each employers. The State legislature has the authority to establish and amend contribution rates and employer contribution rates are shown in the table below.

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

Stand-Alone Statements

The PERS and SRS stand-alone financial statements, actuarial valuations and experience studies can be found online at <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

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.

PONDERA COUNTY, MONTANA
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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, 2016 and June 30, 2017 (reporting dates).

	PERS NPL as of 6/30/17	PERS NPL as of 6/30/16	Percent of Collective NPL as of 6/30/2017	SRS NPL as of 6/30/17	SRS NPL as of 6/30/16	Percent of Collective NPL as of 6/30/2017	Total Collective NPL as of 6/30/17	Total Percent of Collective NPL as of 6/30/17
Employer Proportionate Share	\$ 1,940,621	\$ 1,511,425	0.1139%	\$ 1,358,212	737,728	0.7731%	\$ 3,298,833	\$ 0.8870%
State of Montana Proportionate Share associated with Employer	23,712	18,565	0.0014%	-	-	-	23,712	0.0014%
Total	\$ 1,964,333	\$ 1,529,990	0.1153%	\$ 1,358,212	737,728	0.7731%	\$ 3,322,545	\$ 0.8884%

At June 30, 2017, the employer recorded a liability of \$3,298,833 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, 2016. 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, 2017, the employer's proportion was 0.887 percent.

Changes in actuarial assumptions and methods:

PERS

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS.

SRS

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

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

Changes in proportionate share: 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.

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Pension Expense as of 6/30/17

	<u>Pesnion Expense (PERS) as of 6/30/2017</u>	<u>Pension Expense (SRS) as of 6/30/2017</u>	<u>Total Pension Expense as of 6/30/2017</u>
Employer Proportionate Share	\$ 143,674	\$ 171,645	\$ 315,319
State of Montana Proportionate Share associated with the Employer	35,987	-	35,987
Total	<u>\$ 179,661</u>	<u>\$ 171,645</u>	<u>\$ 351,306</u>

At June 30, 2017, the employer recognized a Pension Expense of \$351,306 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$35,987 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, 2017, the employer recognized a beginning deferred outflow of resources for the employers FY 2016 contributions of \$172,963.

Deferred Inflows and Outflows

At June 30, 2017, 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:

PONDERA COUNTY, MONTANA
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	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 10,471	\$ 6,424	\$ 4,827	\$ 1,005
Changes in actuarial assumptions	-	-	587,802	218,871
Actual vs. Expected Investment Earnings	182,574	-	74,202	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	39,936	-	-	8,326
Employer contributions subsequent to the measurement date - #FY17	129,356	-	62,280	-
Total	<u>\$ 362,337</u>	<u>\$ 6,424</u>	<u>\$ 729,111</u>	<u>\$ 228,202</u>

*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, 2017.

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

PONDERA COUNTY, MONTANA
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Deferred Inflows and Outflows

PERS: Year ended June 30, 2017	Amount of deferred outflows and deferred inflows recongized in furture years as an increase or (decrease) to Pension Expense	
2018	\$	8,839
2019	\$	8,839
2020	\$	103,750
2021	\$	65,193
2022	\$	-
Thereafter	\$	-

SRS: Year ended June 30, 2017	Amount of deferred outflows and deferred inflows recongized in furture years as an increase or (decrease) to Pension Expense	
2018	\$	78,935
2019	\$	78,935
2020	\$	114,387
2021	\$	100,559
2022	\$	74,140
Thereafter	\$	-

Actuarial Assumptions

PERS

The Total Pension Liability(TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2017, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Admin Expense as a % of Payroll .27%.
- Postretirement Benefit Increases

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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, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

SRS

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- | | |
|--|------------|
| • General Wage Growth* | 4.00% |
| • *includes Inflation at | 3.00% |
| • Merit Increases | 0% to 7.3% |
| • Investment Return (net of admin expense) | 7.75% |
| • Admin Expense as a % of Payroll | 0.17% |
| • 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, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Discount Rate

PERS

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

SRS

The discount rate used to measure the TPL was 5.93%, which is a blend of the assumed long-term expected rate of return of 7.75% on Plan’s investments and a municipal bond index rate of 3.01%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers would 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 not be adequate to make all the projected future benefit payments of current plan members after June 30, 2056. Therefore, the portion of future projected benefit payments after June 30, 2056 are discounted at the municipal bond index 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		3.00%
	Portfolio Return Expectation		7.37%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is 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, 2016, are summarized in the table above.

Sensitivity Analysis

		1.0% Decrease		Current		1.0% Increase
		-6.75%		Discount Rate		-8.75%
PERS	\$	2,815,984	\$	1,940,621	\$	1,186,581
SRS	\$	1,934,397	\$	1,358,212	\$	889,312

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

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA (for PERS and SRS,)), prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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 of Commissioners. 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.

Assigned – constraint is internally imposed by the body or official authorized to assign amounts for a specific purpose.

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	\$ 2,220	Inventory
All Other Aggregate:	\$ 3,864	Permanent Fund
	<u>28,320</u>	Inventory
	<u>\$ 34,404</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 403,737	Road maintenance and debt service
Airport	1,139	Valier and Conrad airport services and supplies
County Hospital	83,858	Public health administration and services

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Public Safety	525,664	Public safety
All Other Aggregate:	172,135	Bridge maintenance and supplies
	645,330	Emergency services and supplies
	15,400	Geographic information systems
	218,007	Insurance
	8,076	Miscellaneous
	34,744	Public health administration and services
	33,498	Records preservation
	106,511	Retirement
	144,295	Road maintenance and supplies
	20,598	Rural planning and research
	14,283	Sheriff equipment
	42,838	Social economic administration and services
	4,829	Vehicle disposals
	<u>139,437</u>	Weed control
	<u>\$ 2,614,379</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate:	\$ 423,148	Emergency service equipment and improvements
	250,731	General government improvements in equipment
	197,053	Public safety equipment and construction
	<u>605,253</u>	Public works machine and equipment purchase and improvements
	<u>\$ 1,476,185</u>	

NOTE 12. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ <u>14,963</u>	To remove the loan from the books that was forgiven in FY16

NOTE 13. RELATED PARTY TRANSACTIONS

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 14. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

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.

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

NOTE 17. SUBSEQUENT EVENTS/CONSTRUCTION COMMITMENT

The County accepted the Federal Aviation Administration(FAA) Grant to update the Conrad Airport in the amount of \$1,125,444. The total project cost is \$1,250,493. As of December 2017, the total project cost was \$1,171,913 of which FAA had funded \$1,054,722 and the County funded the remaining \$117,191.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

General

	<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	\$ 1,055,215	\$ 1,055,215	\$ 1,033,082	\$ (22,133)
Licenses and permits	-	-	55	55
Intergovernmental	346,982	346,982	322,295	(24,687)
Charges for services	182,243	182,243	190,212	7,969
Fines and forfeitures	41,040	41,040	38,782	(2,258)
Miscellaneous	44,640	44,640	38,823	(5,817)
Investment earnings	-	-	22,713	22,713
Internal services	18,050	18,050	-	(18,050)
Amounts available for appropriation	<u>\$ 1,688,170</u>	<u>\$ 1,688,170</u>	<u>\$ 1,645,962</u>	<u>\$ (42,208)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,371,953	\$ 1,371,953	\$ 1,170,810	\$ 201,143
Public safety	77,736	93,692	91,190	2,502
Public health	187,662	187,662	154,017	33,645
Social and economic services	10,150	10,150	9,271	879
Culture and recreation	2,400	2,400	801	1,599
Housing and community development	-	-	12,962	(12,962)
Debt service - principal	19,155	19,155	17,490	1,665
Debt service - interest	-	-	1,645	(1,645)
Total charges to appropriations	<u>\$ 1,669,056</u>	<u>\$ 1,685,012</u>	<u>\$ 1,458,186</u>	<u>\$ 226,826</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 3,383	\$ 3,383
Transfers out	(187,213)	(187,213)	(87,750)	99,463
Total other financing sources (uses)	<u>\$ (187,213)</u>	<u>\$ (187,213)</u>	<u>\$ (84,367)</u>	<u>\$ 102,846</u>
Net change in fund balance			<u>\$ 103,409</u>	
Fund balance - beginning of the year			\$ 804,421	
Restatements			(14,963)	
Fund balance - beginning of the year - restated			<u>\$ 789,458</u>	
Fund balance - end of the year			<u>\$ 892,867</u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

Road

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 480,696	\$ 480,696	\$ 468,898	\$ (11,798)
Intergovernmental	203,067	203,067	193,502	(9,565)
Miscellaneous	7,660	7,660	2,928	(4,732)
Amounts available for appropriation	\$ <u>691,423</u>	\$ <u>691,423</u>	\$ <u>665,328</u>	\$ <u>(26,095)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 971,324	\$ 971,324	\$ 808,572	\$ 162,752
Debt service - principal	145,815	145,815	105,395	40,420
Debt service - interest	27,480	27,480	18,672	8,808
Capital outlay	-	-	40,000	(40,000)
Total charges to appropriations	\$ <u>1,144,619</u>	\$ <u>1,144,619</u>	\$ <u>972,639</u>	\$ <u>171,980</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 40,000	\$ 40,000
Transfers in	104,500	104,500	104,500	-
Transfers out	(84,000)	(84,000)	(84,000)	-
Total other financing sources (uses)	\$ <u>20,500</u>	\$ <u>20,500</u>	\$ <u>60,500</u>	\$ <u>40,000</u>
Net change in fund balance			\$ <u>(246,811)</u>	
Fund balance - beginning of the year			\$ <u>652,768</u>	
Fund balance - end of the year			\$ <u><u>405,957</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

Airport

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Intergovernmental	\$ -	\$ -	\$ 112,974	\$ 112,974
Charges for services	5,300	5,300	9,227	3,927
Miscellaneous	11,700	11,700	12,088	388
Amounts available for appropriation	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 134,289</u>	<u>\$ 117,289</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 24,884	\$ 39,912	\$ 34,776	\$ 5,136
Capital outlay	1,000	123,229	122,229	1,000
Total charges to appropriations	<u>\$ 25,884</u>	<u>\$ 163,141</u>	<u>\$ 157,005</u>	<u>\$ 6,136</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Total other financing sources (uses)	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (7,716)</u>	
Fund balance - beginning of the year			<u>\$ 8,855</u>	
Fund balance - end of the year			<u><u>\$ 1,139</u></u>	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

County Hospital and Nursing Home					
	BUDGETED AMOUNTS		ACTUAL	VARIANCE	
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL	
			(BUDGETARY	BUDGET	
			BASIS) See Note A		
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 70,515	\$ 70,515	\$ 70,283	\$	(232)
Intergovernmental	30,838	30,838	28,847	\$	(1,991)
Miscellaneous	<u>577,874</u>	<u>577,874</u>	<u>708,034</u>		<u>130,160</u>
Amounts available for appropriation	\$ <u>679,227</u>	\$ <u>679,227</u>	\$ <u>807,164</u>	\$	<u>127,937</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Public safety	\$ 45,000	\$ -	\$ -	\$	-
Public health	540,000	617,874	593,134	\$	24,740
Debt service - principal	231,880	231,880	231,862		18
Debt service - interest	6,510	6,510	4,504		2,006
Capital outlay	-	<u>45,000</u>	<u>71,106</u>		<u>(26,106)</u>
Total charges to appropriations	\$ <u>823,390</u>	\$ <u>901,264</u>	\$ <u>900,606</u>	\$	<u>658</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of general long term debt	\$ <u>145,520</u>	\$ <u>145,520</u>	\$ -	\$	<u>(145,520)</u>
Total other financing sources (uses)	\$ <u>145,520</u>	\$ <u>145,520</u>	\$ -	\$	<u>(145,520)</u>
Net change in fund balance			\$ <u>(93,442)</u>		
Fund balance - beginning of the year			\$ <u>177,300</u>		
Fund balance - end of the year			\$ <u><u>83,858</u></u>		

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

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	\$ 621,684	\$ 621,684	\$ 631,360	\$ 9,676
Intergovernmental	103,698	103,698	96,568	(7,130)
Charges for services	128,798	128,798	134,731	5,933
Miscellaneous	600	600	1,682	1,082
Amounts available for appropriation	<u>\$ 854,780</u>	<u>\$ 854,780</u>	<u>\$ 864,341</u>	<u>\$ 9,561</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ <u>1,145,932</u>	\$ <u>1,150,257</u>	\$ <u>917,088</u>	\$ <u>233,169</u>
Total charges to appropriations	<u>\$ 1,145,932</u>	<u>\$ 1,150,257</u>	<u>\$ 917,088</u>	<u>\$ 233,169</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ <u>(80,000)</u>	\$ <u>(80,000)</u>	\$ <u>(80,000)</u>	\$ <u>-</u>
Total other financing sources (uses)	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (132,747)</u>	
Fund balance - beginning of the year			<u>\$ 658,411</u>	
Fund balance - end of the year			<u><u>\$ 525,664</u></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	\$ 1,645,962	\$ 665,328	\$ 134,289	\$ 807,164	\$ 864,341
Combined funds (GASBS 54) revenues	237,038	-	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,883,000</u>	<u>\$ 665,328</u>	<u>\$ 134,289</u>	<u>\$ 807,164</u>	<u>\$ 864,341</u>
Uses/Outflows of resources					
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,458,186	\$ 972,639	\$ 157,005	\$ 900,606	\$ 917,088
Combined funds (GASBS 54) expenditures	8,125	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,466,311</u>	<u>\$ 972,639</u>	<u>\$ 157,005</u>	<u>\$ 900,606</u>	<u>\$ 917,088</u>

Pondera County, Montana
Schedule of Changes in the Entity's
Total OPEB Liability and Related Ratios
For The Year Ended June 30, 2017

	2017	2016
Total OPEB liability		
Service Cost	\$ -	\$ 7,780
Net change in total OPEB liability	-	7,780
Total OPEB Liability - beginning	80,396	256,980
Restatement	-	(184,364)
Total OPEB Liability - ending	\$ 80,396	\$ 80,396
Covered-employee payroll	\$ 2,513,371	\$ 1,772,655
 Total OPEB liability as a percentage of covered -employee payroll	3%	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 second year of implementation only two years of data is available.*

Pondera County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2017

	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.1139%	0.1081%	0.1113%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,940,621	\$ 1,511,425	\$ 1,387,023
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 23,712	\$ 18,565	\$ 16,938
Total	<u>\$ 1,964,333</u>	<u>\$ 1,529,990</u>	<u>\$ 1,403,961</u>
Employer's covered-employee payroll	\$ 1,364,681	\$ 1,261,821	\$ 1,269,671
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%

	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	0.7731%	0.7653%	0.7873%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,358,212	\$ 737,728	\$ 327,652
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ -	\$ -	\$ -
Total	<u>\$ 1,358,212</u>	<u>\$ 737,728</u>	<u>\$ 327,652</u>
Employer's covered-employee payroll	\$ 545,775	\$ 540,743	\$ 509,169
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017

	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 129,356	\$ 116,172	\$ 108,820
Contributions in relation to the contractually required contributions	\$ 129,356	\$ 116,172	\$ 108,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,527,226	\$ 1,364,681	\$ 1,261,821
Contributions as a percentage of covered-employee payroll	8.47%	8.51%	8.62%

	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 62,280	\$ 56,567	\$ 52,824
Contributions in relation to the contractually required contributions	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 615,841	\$ 545,775	\$ 520,743
Contributions as a percentage of covered-employee payroll	10.11%	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
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2017

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.

- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

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

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

General Wage Growth	4.00%
Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75% net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Sheriffs’ Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2015 Legislative Changes

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2016:

SRS Discount Rate – Used to measure the TPL	5.93%, which is a blend of the assumed long-term expected rate of return of 7.75% on System’s investments and a municipal bond index rate of 3.01%
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Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2015:

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System’s investments and a municipal bond index rate of 3.80%
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The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

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

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

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System’s investments and a municipal bond index rate of 4.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

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

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

General Wage Growth	4.00%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

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**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, 2017, and the related notes to the financial statements, which collectively comprise the Pondera County's basic financial statements and have issued our report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

February 2, 2018

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Commissioners
Pondera County
Conrad, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Exceeding Budgetary Authority	Implemented
Exceeding Mill Levy for Road Fund	Implemented

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

February 2, 2018