

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

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PONDERA COUNTY, MONTANA

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2024

BOARD OF COUNTY COMMISSIONERS

Jim Morren
Thomas A. Kula
Zane Drishinski

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Shari M. Lennon
Shaunna Graham
Kody L. Farkell
Laurie Eisenzimer
Cody J. Shaw
Robert C. Skorupa

County Attorney/Public Administrator
Treasurer/Superintendent of Schools
Clerk and Recorder / Auditor
Clerk of District Clerk
Justice of the Peace
Sheriff/Coroner

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2024

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2023-2024 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should review the principal financial statements found in the annual report to augment their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- Budget Status: We maintained a basic status quo budget with an emphasis on maintaining cash reserves to ensure fiscal stability. Wages were increased by approximately 5% and health insurance contribution remained at 100% of employee premium for employees who enroll in the \$1,500 deductible insurance plan.
- Tax Revenue: Pondera County's tax revenue for the fiscal year totaled \$4,761,185. This amount is \$270,919 more than the prior fiscal year.
- Interest revenue: Pondera County's interest revenue for the fiscal year totaled \$354,957. This amount is \$200,325 more than the prior fiscal year.
- Area Development: Pondera County participated fiscally in Sweet Grass Development (\$2,000), and the Northern Transit Inter-Local (\$20,000).
- Public Safety: Due to careful budgeting, an additional \$70,000 was transferred into the Sheriff Capital Improvement Fund from their operating fund this year (original budget only included a transfer of \$77,500 but the total transfer in fiscal year 2024 was \$147,500). As the cost of vehicles and equipment continues to rise, we felt it was important to add some additional funds there for future purchases.
- Roads and Bridges: The County purchased two Case tractors in the amount of \$127,500 each, a 2009 Kenworth truck for \$50,000 as well as a 46' trailer for \$109,426. Grader lease payments were made in the amount of \$195,693 to principal. Like the Public Safety department, fuel costs were higher than expected for the year.
- Courthouse Improvements: A new boiler system was completed utilizing a variety of funding sources. The Clerk & Recorder's office is continuing records preservation of microfilm records in order to provide more services to the public.
- Conrad Airport: The FAA provided a cost share of 90% (\$350,000 paid to the County so far) for runway replacement engineering services at the Conrad Airport. The road into the airport is currently being redone also with the assistance of FAA money. Pondera County also continues to make payments on loans of a new fuel system as well as a 6-bay hangar built at the Conrad Airport.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2024

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
Management Discussion and Analysis (MD&A)
Fiscal Year 2024

Condensed Financial Statements

Table 1 - Net Position

	Governmental Activities		
	FY24	FY23	Change Inc (Dec)
	Current and other assets	\$ 14,676,083	\$ 13,143,960
Capital assets	7,793,393	5,858,799	1,934,594
Total assets	<u>\$ 22,469,476</u>	<u>\$ 19,002,759</u>	<u>\$ 3,466,717</u>
Long-term debt outstanding	\$ 4,587,685	\$ 4,125,887	\$ 461,798
Other liabilities	1,933,132	1,678,995	254,137
Total liabilities	<u>\$ 6,520,817</u>	<u>\$ 5,804,882</u>	<u>\$ 715,935</u>
Net investment in capital assets	\$ 7,493,317	\$ 5,583,923	\$ 1,909,394
Restricted	5,253,007	4,152,368	1,100,639
Unrestricted (deficit)	3,202,335	3,461,586	(259,251)
Total net position	<u>\$ 15,948,659</u>	<u>\$ 13,197,877</u>	<u>\$ 2,750,782</u>

Table 2 - Changes in Net Position

	Governmental Activities		
	FY24	FY23	Change Inc (Dec)
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 591,518	\$ 391,418	\$ 200,100
Operating grants and contributions	815,256	1,586,020	(770,764)
Capital grants and contributions	1,577,896	199,421	1,378,475
<i>General revenues (by major source):</i>			
Property taxes for general purposes	4,761,185	4,490,266	270,919
Licenses and permits	223	15	208
Video poker apportionment	2,500	2,825	(325)
Miscellaneous	158,121	234,365	(76,244)
Interest/investment earnings	354,957	154,632	200,325
Local option taxes	262,211	253,825	8,386
Unrestricted federal/state shared revenues	1,285	1,299	(14)
Montana oil and gas production tax	74,259	108,685	(34,426)
State entitlement	903,834	824,986	78,848
Grants and entitlements not restricted to specific programs	657,532	297,172	360,360
Contributions & donations	240	5,235	(4,995)
State Contribution to Retirement	63,537	74,864	(11,327)
Total revenues	<u>\$ 10,224,554</u>	<u>\$ 8,625,028</u>	<u>\$ 1,599,526</u>
Program expenses			
General government	\$ 2,827,009	\$ 2,617,633	\$ 209,376
Public safety	1,429,019	1,453,687	(24,668)
Public works	1,774,624	1,735,046	39,578
Public health	596,283	671,914	(75,631)
Social and economic services	162,356	139,387	22,969
Culture and recreation	363,450	341,267	22,183
Housing and community development	40,192	625	39,567
Debt service - interest	38,200	32,981	5,219
Miscellaneous	241,602	235,985	5,617
Total expenses	<u>\$ 7,472,735</u>	<u>\$ 7,228,525</u>	<u>\$ 244,210</u>
Excess (deficiency) before special items and transfers	\$ 2,751,819	\$ 1,396,503	\$ 1,355,316
Gain (loss) on sale of capital assets	-	2,482	(2,482)
Increase (decrease) in net position	<u>\$ 2,751,819</u>	<u>\$ 1,398,985</u>	<u>\$ 1,352,834</u>

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2024**

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

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$7,472,735 compared to \$7,228,525 for fiscal year 2022-23 as found in the Statement of Activities. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants.

The amount that our taxpayers ultimately financed for these activities through county taxes was, \$4,761,185 up by \$270,919 from \$4,490,266 in fiscal year 2023. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County’s programs net costs are presented above.

Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Airport</u>	<u>Public Safety</u>
Fund Balance – Current Year	2,906,776	464,555	734,106
Fund Balance – Prior Year	3,202,643	38,977	654,091
Change in unassigned fund balance	(295,867)	425,578	80,015
% change in fund balance	-10.17%	91.61%	10.90%

The decrease in the fund balance in the General Fund is due an increase in fuel, insurance, and mostly transfers to Capital Improvement funds for future expenditures.

The increase in the Airport cash balance is a result of the County receiving FAA grant funds for the Airport Runway project. Cash from the FAA was in the fund at fiscal year end and paid out to vendors shortly after.

The Public Safety Fund saw an overall increase in revenues and relatively little change in expenditures.

Revenue Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	2,011,362	2,245,077	233,710	11.62%

There was a variance between the final budget amount and actual amount of revenue received in the General Fund of \$233,710 for a 11.62% variance. The variance was due primarily to additional charges for services and investments and royalty earnings.

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2024**

<u>Public Safety Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,253,164	1,263,808	10,644	0.85%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$10,644 for a 0.85% variance.

<u>Airport Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	5,182,020	1,621,388	(3,560,632)	-68.71%

There was a significant variance between the final budget amount and actual amount of revenue received in the Public Safety Fund of -\$3,560,632 for a -68.74% variance. The variance is due to budgeting the full amount of the runway repair project, but it still being in progress at fiscal year end.

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 started the Conrad Airport runway reconstruction project with assistance from the FAA. The total remaining on loans for the 6-bay hangar is \$3,450 as of June 30, 2024. The first payment for an Airport Equipment loan was made for \$5,979, leaving a balance of \$53,808. InterCap loan payments were made for remodeling the Pondera Center and the HVAC system. As of June 30, 2024, the principal due to InterCap loans decreased from \$267,276 to \$235,959 from the beginning of the fiscal year. The lease for graders left a capital lease balance of \$494,270. Compensated absences balance as of June 30, 2024 was \$319,431.

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, 2024 of \$7,793,393 and leased assets net of amortization of \$487,411.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The FY2023-24 Taxable Valuation decreased in Pondera County from \$20,589,570 to \$20,348,661, decreasing the value of a county-wide mill from \$20,589 to \$20,348. The FY24-25 budget did not allow for the reservation of any floated mills; all were levied.

The County continues to receive enhanced gas tax funds (BaRSAA) each year. This money has now been combined with the regular Gas Tax Fund payments. We anticipate future revenue to the Gas Tax Fund to be approximately \$170,000 this year.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2024

A 4.5% COLA and wage increase was approved for elected officials and employees. A longevity payment program was also implemented for elected officials who do not already receive longevity per MCA (Sheriff), as recommended by the County Compensation Board.

While aiming for a 33% reserve in all funds, reserve amounts range from 31% (County Fair) to 33.3% (Road Fund, Bridge Fund & PERS Fund). Our goal remains to achieve the 33% reserve in all funds.

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

The County completed replacement of the boiler and all heat registers in the courthouse using County funds, Care Act funds, and possible a loan. We are still working on finding additional funding to build an ambulance barn.

The Road/Bridge Department hopes to add an addition on to their Valier office. They have also budgeted for a backhoe, 2 v-plows, and a 1-ton truck. Grader lease payments will continue to be made.

The Public Safety Department continues to replace at least one vehicle per fiscal year. They will also be due for a new server this year and continue to save to keep the dispatch/communications equipment updated.

REQUESTS FOR INFORMATION

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

Pondera County Clerk & Recorder's Office
20 4th Ave SW, Ste 202
Conrad, MT 59425-2340
Or e-mail to: kody.farkell@ponderacounty.org

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pondera County
Conrad, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pondera County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of June 30, 2024, 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.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024, Pondera County adopted new accounting guidance, GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pondera County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pondera County, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Entity's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report May 14, 2025, on our consideration of Pondera County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pondera County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pondera County, Montana's internal control over financial reporting and compliance.

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

May 14, 2025

Pondera, County Montana
Statement of Net Position
June 30, 2024

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	11,965,595
Taxes and assessments receivable, net		181,204
Accounts receivable - net		44
Due from other governments		907,098
Inventories		106,833
Lease receivable		73,211
Total current assets	\$	13,233,985
Noncurrent assets		
Lease receivable	\$	286,883
Capital assets - land		285,409
Capital assets - construction in progress		1,548,378
Capital assets - depreciable, net		5,959,606
Leased assets, net of amortization		487,411
Total noncurrent assets	\$	8,567,687
Total assets	\$	21,801,672
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$	667,804
Total deferred outflows of resources	\$	667,804
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$	22,469,476
LIABILITIES		
Current liabilities		
Warrants payable	\$	373,435
Accounts payable		959,313
Accrued payroll		38,664
Other payroll liabilities		14,259
Current portion of lease liabilities		243,494
Current portion of long-term capital liabilities		40,254
Current portion of compensated absences payable		266,518
Total current liabilities	\$	1,935,937
Noncurrent liabilities		
Other post employment benefits (OPEB)	\$	84,363
Noncurrent portion of lease liabilities		250,776
Noncurrent portion of long-term capital liabilities		252,963
Noncurrent portion of compensated absences		52,913
Net pension liability		3,480,767
Total noncurrent liabilities	\$	4,121,782
Total liabilities	\$	6,057,719
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	\$	103,004
Deferred inflows of resources - leases		360,094
Total deferred inflows of resources	\$	463,098
NET POSITION		
Net investment in capital assets	\$	7,493,317
Restricted for special projects		5,253,007
Unrestricted		3,202,335
Total net position	\$	15,948,659
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
	\$	22,469,476

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2024

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 2,827,009	\$ 134,817	\$ 80,680	\$ -	\$ (2,611,512)
Public safety	1,429,019	168,516	171,992	-	(1,088,511)
Public works	1,774,624	70,049	368,649	1,577,896	241,970
Public health	596,283	208,984	126,566	-	(260,733)
Social and economic services	162,356	1,597	67,369	-	(93,390)
Culture and recreation	363,450	-	-	-	(363,450)
Housing and community development	40,192	-	-	-	(40,192)
Conservation of natural resources	-	2,555	-	-	2,555
Debt service - interest	38,200	-	-	-	(38,200)
Miscellaneous	241,602	5,000	-	-	(236,602)
Total governmental activities	<u>\$ 7,472,735</u>	<u>\$ 591,518</u>	<u>\$ 815,256</u>	<u>\$ 1,577,896</u>	<u>\$ (4,488,065)</u>
Total primary government	<u>\$ 7,472,735</u>	<u>\$ 591,518</u>	<u>\$ 815,256</u>	<u>\$ 1,577,896</u>	<u>\$ (4,488,065)</u>
General Revenues:					
Property taxes for general purposes				\$	4,761,185
Licenses and permits					223
Video poker apportionment					2,500
Miscellaneous					158,121
Interest/investment earnings					354,957
Local option taxes					262,211
Unrestricted federal/state shared revenues					1,285
Montana oil and gas production tax					74,259
State entitlement					903,834
Grants and entitlements not restricted to specific programs					657,532
Contributions & donations					240
State Contribution to Retirement					<u>63,537</u>
Total general revenues, special items and transfers				\$	<u>7,239,884</u>
Change in net position				\$	<u>2,751,819</u>
Net position - beginning				\$	13,197,877
Restatements					<u>(1,037)</u>
Net position - beginning - restated				\$	<u>13,196,840</u>
Net position - end				\$	<u>15,948,659</u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2024

	<u>General</u>	<u>Airport</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 3,264,451	\$ 554,235	\$ 745,482	\$ 7,401,427	\$ 11,965,595
Taxes and assessments receivable, net	53,930	-	27,188	100,086	181,204
Accounts receivable - net	-	-	-	44	44
Due from other funds	50,398	-	-	-	50,398
Due from other governments	-	840,223	-	66,875	907,098
Inventories	-	-	-	106,833	106,833
Lease receivable	6,563	28,661	-	37,987	73,211
Total current assets	<u>\$ 3,375,342</u>	<u>\$ 1,423,119</u>	<u>\$ 772,670</u>	<u>\$ 7,713,252</u>	<u>\$ 13,284,383</u>
Noncurrent assets:					
Lease receivable	\$ 88,457	\$ 165,290	\$ -	\$ 33,136	\$ 286,883
TOTAL ASSETS	<u>\$ 3,463,799</u>	<u>\$ 1,588,409</u>	<u>\$ 772,670</u>	<u>\$ 7,746,388</u>	<u>\$ 13,571,266</u>
LIABILITIES					
Current liabilities:					
Warrants payable	\$ 373,348	\$ -	\$ -	\$ 87	\$ 373,435
Accounts payable	5,133	929,881	354	23,945	959,313
Accrued payroll	15,333	22	11,022	12,287	38,664
Due to other funds	-	-	-	50,398	50,398
Other payroll liabilities	14,259	-	-	-	14,259
Total current liabilities	<u>\$ 408,073</u>	<u>\$ 929,903</u>	<u>\$ 11,376</u>	<u>\$ 86,717</u>	<u>\$ 1,436,069</u>
Total liabilities	<u>\$ 408,073</u>	<u>\$ 929,903</u>	<u>\$ 11,376</u>	<u>\$ 86,717</u>	<u>\$ 1,436,069</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes and assessments	\$ 53,930	\$ -	\$ 27,188	\$ 100,086	\$ 181,204
Deferred Inflows of resources - Leases	95,020	193,951	-	71,123	360,094
Total deferred inflows of resources	<u>\$ 148,950</u>	<u>\$ 193,951</u>	<u>\$ 27,188</u>	<u>\$ 171,209</u>	<u>\$ 541,298</u>
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ 106,833	\$ 106,833
Restricted	-	464,555	734,106	3,829,257	5,027,918
Committed	-	-	-	3,552,372	3,552,372
Unassigned fund balance	2,906,776	-	-	-	2,906,776
Total fund balance	<u>\$ 2,906,776</u>	<u>\$ 464,555</u>	<u>\$ 734,106</u>	<u>\$ 7,488,462</u>	<u>\$ 11,593,899</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,463,799</u>	<u>\$ 1,588,409</u>	<u>\$ 772,670</u>	<u>\$ 7,746,388</u>	<u>\$ 13,571,266</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, 2024

Total fund balances - governmental funds	\$ 11,593,899
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,793,393
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.	181,204
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,106,918)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,565,130)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	667,804
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(103,004)
Lease assets used in governmental activities are not financial resources and therefore, are not reported in the funds	487,411
Total net position - governmental activities	\$ <u>15,948,659</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, 2024

	<u>General</u>	<u>Airport</u>	<u>Public Safety</u>	<u>Road</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 1,625,415	\$ -	\$ 988,258	\$ -	\$ -	\$ 2,687,783	\$ 5,301,456
Licenses and permits	223	-	1,865	-	-	95,096	97,184
Intergovernmental	725,032	1,577,895	110,554	-	-	1,244,326	3,657,807
Charges for services	295,508	30,288	162,628	-	-	75,110	563,534
Fines and forfeitures	48,074	-	-	-	-	12,069	60,143
Miscellaneous	32,020	13,205	503	-	-	153,117	198,845
Investment earnings	177,368	-	-	-	-	148,505	325,873
Total revenues	<u>\$ 2,903,640</u>	<u>\$ 1,621,388</u>	<u>\$ 1,263,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,416,006</u>	<u>\$ 10,204,842</u>
EXPENDITURES							
General government	\$ 1,498,741	\$ -	\$ -	\$ -	\$ -	\$ 847,378	\$ 2,346,119
Public safety	53,695	-	1,036,293	-	-	134,036	1,224,024
Public works	-	26,508	-	-	-	1,141,069	1,167,577
Public health	246,511	-	-	-	-	236,757	483,268
Social and economic services	7,150	-	-	-	-	155,206	162,356
Culture and recreation	3,633	-	-	-	-	359,570	363,203
Debt service - principal	32,354	10,550	-	-	-	236,426	279,330
Debt service - interest	15,612	741	-	-	-	21,847	38,200
Miscellaneous	-	-	-	-	-	241,602	241,602
Capital outlay	741,160	1,377,798	-	-	-	744,716	2,863,674
Total expenditures	<u>\$ 2,598,856</u>	<u>\$ 1,415,597</u>	<u>\$ 1,036,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,118,607</u>	<u>\$ 9,169,353</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 304,784</u>	<u>\$ 205,791</u>	<u>\$ 227,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,399</u>	<u>\$ 1,035,489</u>
OTHER FINANCING SOURCES (USES)							
Proceeds of general long term debt	\$ -	\$ 59,787	\$ -	\$ -	\$ -	\$ -	\$ 59,787
Transfers in	-	160,000	-	-	-	1,073,913	1,233,913
Transfers out	(597,898)	-	(147,500)	-	-	(488,515)	(1,233,913)
Total other financing sources (uses)	<u>\$ (597,898)</u>	<u>\$ 219,787</u>	<u>\$ (147,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,398</u>	<u>\$ 59,787</u>
Net Change in Fund Balance	<u>\$ (293,114)</u>	<u>\$ 425,578</u>	<u>\$ 80,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882,797</u>	<u>\$ 1,095,276</u>
Fund balances - beginning	\$ 3,202,643	\$ -	\$ 654,091	\$ 722,155	\$ 85,503	\$ 5,834,231	\$ 10,498,623
Restatements	(2,753)	38,977	-	(722,155)	(85,503)	771,434	-
Fund balances - beginning, restated	<u>\$ 3,199,890</u>	<u>\$ 38,977</u>	<u>\$ 654,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,605,665</u>	<u>\$ 10,498,623</u>
Fund balance - ending	<u>\$ 2,906,776</u>	<u>\$ 464,555</u>	<u>\$ 734,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,488,462</u>	<u>\$ 11,593,899</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, 2024

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

Net change in fund balances - total governmental funds \$ 1,095,276

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	2,863,674
- Depreciation and amortization expense	(1,151,257)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Gain (loss) on the disposal of capital assets	(21,529)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred inflows)	26,533
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The change in compensated absences is shown as an expense in the Statement of Activities	(92,978)
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Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal and lease payments	279,330
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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	(59,787)
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability	1,337
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Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	(474,941)
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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	14,708
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Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	271,453
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Change in net position - Statement of Activities	\$ <u>2,751,819</u>
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See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2024

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 1,319,774	\$ 11,391,053
Taxes receivable	475,399	-
Total receivables	475,399	-
TOTAL ASSETS	\$ 1,795,173	\$ 11,391,053
LIABILITIES		
Due to others	\$ 636,086	\$ -
TOTAL LIABILITIES	\$ 636,086	\$ -
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 11,391,053
Individuals, organizations, and other governments	1,159,087	-
Total net position	\$ 1,159,087	\$ 11,391,053
TOTAL LIABILITIES AND NET POSTION	\$ 1,795,173	\$ 11,391,053

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, 2024

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions to investment pool	\$ -	\$ 6,823,231
Interest and change in fair value of investments	-	352,482
Taxes, licenses, and fees collected for other governments	7,337,035	-
Property taxes collected for school districts	3,741,261	-
Intergovernmental grants and entitlements collected for school districts	17,555,272	-
Total additions	\$ 28,633,568	\$ 7,175,713
DEDUCTIONS		
Distributions from investment pool	\$ -	\$ 4,684,479
Taxes, licenses, and fees distributed to other governments	7,245,248	-
School district claims and payroll expense	18,778,845	-
Investment pool distributions - net	2,491,234	-
Total deductions	\$ 28,515,327	\$ 4,684,479
Change in net position	\$ 118,241	\$ 2,491,234
Net Position - Beginning of the year	\$ 1,040,846	\$ 8,899,819
Net Position - End of the year	\$ 1,159,087	\$ 11,391,053

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The County has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

Primary Government

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Fund Financial Statements

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

Airport Fund – A special revenue fund to account for the resources received and expended for the airport maintenance and airport services. This fund is also accounting for the FAA grant revenues received and reconstruction of the runways, taxiways, aprons, taxi lanes, runways lighting, airfield signs, install runway vertical/visual guidance system and seal the taxi lane pavement surface and pavement joints project that the Count is completing.

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

Fiduciary Funds

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2024, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 300
Cash in banks:	
Demand deposits	2,408,056
Savings deposits	7,766,066
Time deposits	7,500,000
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	6,002,000
U.S. Government Securities	1,000,000
Total	<u>\$ 24,676,422</u>

Fair Value Measurements

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

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Credit Risk

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

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

- (a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;
- (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or
- (c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):
 - (i) federal home loan bank;
 - (ii) federal national mortgage association;
 - (iii) federal home mortgage corporation; and
 - (iv) federal farm credit bank.

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

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

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

The government has no investments that require credit risk disclosure.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2024, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 1,200,441	A-1+	75
Agency or Government Related	1,254,907	A-1+	67
Asset Backed Commercial Paper	151,592	A-1+	4
Corporate:			
Commercial Paper	495,575	A-1+	39
Notes	727,551	A-1+	27
Certificates of Deposit	<u>1,485,073</u>	A-1+	112
Total Investments	<u>\$ 5,315,139</u>		

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2024, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2024 <u>Balance</u>
Insured	\$ 8,162,011
- Collateral held by the pledging bank's trust department but not in the County's name	9,557,558
- Uninsured and Uncollateralized deposits	<u>3,004</u>
Total deposits and investments	<u>\$ 17,722,573</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, 2024, equaled or exceeded the amount required by State statutes.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2024 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
STIP	5.396%	N/A	\$ 6,002,000
FHLB	1.06%	7/25/2024	250,000
FHLB	1.13%	1/27/2025	250,000
FHLB	1.25%	1/28/2025	250,000
FHLB	1.38%	12/26/2025	250,000
Total			<u>\$ 7,002,000</u>

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 funds. There are two types of investment funds reported by the County, pooled and individually directed investment funds.

The County has one pooled fund, invested in STIP, savings, and non-negotiable certificates of deposit. The County invests funds for external entities. The externally directed fund is invested in a money market account.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2024 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2024.

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

Investment Income

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, 2024.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$	10,877,013
Equity of external pool participants		<u>11,391,053</u>
Total equity	\$	<u><u>22,268,066</u></u>

Condensed Statement of Changes in Net Position

		External		Internal
Investment earnings	\$	352,482	\$	337,340
Contributions to trust		6,823,231		5,870,476
Distributions paid		<u>(4,684,479)</u>		<u>(5,005,984)</u>
Net change in net position	\$	2,491,234	\$	1,201,832
Net position at beginning of year		8,899,819		9,675,181
Net position at end of year	\$	<u><u>11,391,053</u></u>	\$	<u><u>10,877,013</u></u>

NOTE 3. RECEIVABLES

Tax Receivables

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 4. INVENTORIES AND PREPAIDS

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

NOTE 5. CAPITAL ASSETS

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

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

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

Governmental activities:

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2023</u>	<u>Additions</u>	<u>June 30, 2024</u>
Capital assets not being depreciated:			
Land	\$ 265,409	\$ -	\$ 265,409
Pondera Medical Center - Land	20,000	-	20,000
Construction in progress	170,581	1,377,797	1,548,378
Total capital assets not being depreciated	\$ 455,990	\$ 1,377,797	\$ 1,833,787
Other capital assets:			
Buildings	\$ 5,061,399	\$ 747,661	\$ 5,809,060
Improvements other than buildings	5,187,781	-	5,187,781
Machinery and equipment	5,450,514	497,577	5,782,162
Infrastructure	324,454	42,804	367,258
Pondera Medical Center	7,137,594	197,835	7,335,429
Total other capital assets at historical cost	\$ 23,161,742	\$ 1,485,877	\$ 24,481,690
Less: accumulated depreciation	(17,758,933)	(907,551)	(18,522,084)
Total	\$ 5,858,799	\$ 1,956,123	\$ 7,793,393

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$185,761
Public safety	204,995
Public works	363,341
Public health	113,015
Culture and recreation	247
Housing and community development	<u>40,192</u>
Total governmental activities depreciation expense	<u>\$907,551</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, 2024, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance				Balance	Due Within
	July 1, 2023	Additions	Deletions	Restatements		
Intercap loans	\$ 267,276	\$ -	\$ (32,354)	\$ 1,037	\$ 235,959	\$ 33,125
Loans/Contracted debt	8,022	59,787	(10,551)	-	57,258	7,129
Compensated absences	226,453	92,978	-	-	319,431	266,518
Total	<u>\$ 501,751</u>	<u>\$ 152,765</u>	<u>\$ (42,905)</u>	<u>\$ 1,037</u>	<u>\$ 612,648</u>	<u>\$ 306,772</u>

In prior years the General Fund was used to liquidate Compensated Absences and claims and judgments.

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2024, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2024</u>
MDT Aeronautics Loan	9/27/17	1.88%	10yrs	3/1/27	\$ 11,500	\$ 3,450
MDT Aeronautics Loan	9/22/23	3.75%	10yrs	3/1/33	<u>59,787</u>	<u>53,808</u>
Total					<u>\$ 71,287</u>	<u>\$ 57,258</u>

Reported in the governmental activities.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2025	\$ 7,129	\$ 2,104
2026	7,129	1,859
2027	7,128	1,612
2028	5,979	1,345
2029	5,979	1,121
2030	5,978	897
2031	5,979	673
2032	5,979	448
2033	5,978	224
Total	<u>\$ 57,258</u>	<u>\$ 10,283</u>

Intercap Loans

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

Intercap loans outstanding as of June 30, 2024, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2024</u>
Building for Senior Center - remodel	8/12/11	1.00- 4.85%	15yrs	8/15/26	\$ 113,841	\$ 21,842
HVAC system	4/13/17	1.00- 4.85%	14.5yrs	2/15/32	<u>359,000</u>	<u>214,117</u>
Total					<u>\$ 472,841</u>	<u>\$ 235,959</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2025	\$ 33,125	\$ 3,657
2026	33,917	3,144
2027	30,228	2,618
2028	26,430	2,150
2029	27,101	1,740
2030	27,790	1,320
2031	28,496	889
2032	28,872	448
Total	<u>\$ 235,959</u>	<u>\$ 15,966</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 7. LEASES

Leased Assets and Lease Liabilities

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

A summary of changes in governmental leased assets and liabilities for these grades was as follows as of June 30, 2024:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2024</u>
Lease assets being amortized:			
Machinery and Equipment	\$ 1,218,529	\$ -	\$ 1,218,529
Total Lease assets being amortized	\$ 1,218,529	\$ -	\$ 1,218,529
Less accumulated amortization	\$ (487,412)	\$ (243,706)	\$ (731,118)
Total	\$ 731,117	\$ (243,706)	\$ 487,411

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

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2024</u>
8 Road Graders	12/6/21	2.99%	4yrs	12/6/25	\$1,218,529	\$ 494,270

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 243,494	\$ 14,779
2026	250,776	7,498
Total	\$ 494,270	\$ 22,277

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Leases Receivable

The County leases out three ambulance vehicles to Pondera Medical Center. The lease was remeasured in current year due to an identified error in the term. The term was adjusted from 10 years to 5 years. The agreement requires monthly payments to the County. The total lease payments received during the fiscal year equaled \$40,680. As of June 30, 2024 the County total value of the receivables equaled \$71,123.

The County leases out land lots and hangers at Conrad Airports to the general public. The term of the agreements is between ten and twenty years. Each agreement requires annual payments to the County, and no interest rate is stated in the agreements. As of June 30, 2024 the County had 13 active lease agreements, and the total value of the receivables equaled \$193,951. The total lease payments received during the fiscal year equaled \$28,661.

The County leases office space in the courthouse to the North Central Area Agency on Aging. The initial term of the lease is 5 years with an extension period of 10 years. The County is reasonably certain that the 10-year extension will be executed. The lease requires monthly payments be made, and the total collected for the year equaled \$9,600. The lease receivable recognized as of the end of June 30, 2024 equaled \$95,020.

The 30-year municipal bond rate that equaled 3.30% was used for calculation of the lease receivables.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Employees covered by benefit terms. At June 30, 2024, 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 \$84,363 at June 30, 2024, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2024.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2024, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.80%
Average salary increase (Consumer Price Index)	4.50%
Participation rate	10.00%

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

<u>Year</u>	<u>% Increase</u>
2024	5.2%
2025	4.9%
2026	5.0%
2027	5.9%
2028	5.5%
2029	5.8%
2030	5.4%
2031	5.4%
2032	5.4%
2033	5.4%
2034 and after	5.4%

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

Life expectancy of employees was based on the Montana Life Tables, 2021 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 73, No. 3, August 21, 2024.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Changes in the Total OPEB Liability

Balance at 6/30/2023	\$ <u>85,700</u>
Changes for the year:	
Service Cost	\$ 18,975
Changes in Assumptions	<u>(20,311)</u>
Net Changes	\$ <u>(1,337)</u>
Balance at 6/30/2024	\$ <u><u>84,363</u></u>

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

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 94,651	\$ 84,363	\$ 75,704

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 72,788	\$ 84,363	\$ 98,388

**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, 2024, the County recognized an OPEB expense of \$(1,337). 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, 2024

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2024, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:	PERS	SRS	Pension Totals
Net Pension Liability	\$ 2,459,745	\$ 1,021,022	\$ 3,480,767
Deferred outflows of resources*	\$ 321,020	\$ 346,784	\$ 667,804
Deferred inflows of resources	\$ 87,733	\$ 15,271	\$ 103,004
Pension expense	\$ 322,249	\$ 198,032	\$ 520,281

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$187,054 and \$84,399 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2024.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Plan Descriptions

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

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

PONDERA COUNTY, MONTANA
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 June 30, 2024

- 0% whenever the amortization period for PERS is 40 years or more.

Contributions

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

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

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

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

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2024	7.900%	7.900%	9.070%	0.100%
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,979,900.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$2,459,745 and the County's proportionate share was 0.100795 percent.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,459,745	\$ 2,425,354	0.100795%	0.101996%	-0.001201%
State of Montana Proportionate Share associated with Employer	677,255	722,276	0.027752%	0.030375%	-0.002623%
Total	<u>\$ 3,137,000</u>	<u>\$ 3,147,630</u>	<u>0.128547%</u>	<u>0.132371%</u>	<u>-0.003824%</u>

Changes in actuarial assumptions and methods:

There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

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

Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2024, the County recognized a Pension Expense of \$258,712 for its proportionate share of the pension expense. The County also recognized grant revenue of \$63,537 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	Pension Expense as of 6/30/24	Pension Expense as of 6/30/23
Employer Proportionate Share	\$ 258,712	\$ 288,336
State of Montana Proportionate Share associated with the Employer	63,537	74,864
Total	<u>\$ 322,249</u>	<u>\$ 363,200</u>

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$173,304.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 97,967	\$ -
Actual vs. Expected Investment Earnings	6,241	-
Changes in Assumptions	-	87,733
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	29,758	-
Employer contributions subsequent to the measurement date - FY24*	187,054	-
Total	\$ 321,020	\$ 87,733

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
For the Measurement Year ended June 30:		
2024	\$	(27,724)
2025	\$	(56,562)
2026	\$	145,448
2027	\$	(14,929)
Thereafter	\$	-

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Actuarial Assumptions

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

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 4.80%

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

Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

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

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 3,553,093	\$ 2,459,745	\$ 1,542,524

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2023, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Sheriff's Retirement System

Summary of Significant Accounting Policies

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

Plan Descriptions

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

The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Service retirement:

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

Early retirement:

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Second Retirement:

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

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Contributions

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

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2024	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

For reporting date June 30, 2025: During the 2023 Legislative session, House Bill 569 was signed into law which states that an actuarially determined contribution will be developed and contributed beginning fiscal year end 2025. The new policy will use a layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability and 10-year closed amortization period for contemporary unfunded liabilities for SRS. For July 1, 2024 and after, contribution rates are actuarially determined beginning with the June 30, 2023 actuarial valuation and applying to the year beginning July 1, 2024 and ending June 30, 2025. For July 1, 2024 through June 30, 2025, the contribution rate will be 12.074%. This rate may not exceed last year’s statutory rate of 13.115% by more than the statutory rate increase limit of 0.500%. This is a change in actuarial methods.

For reporting date June 30, 2025: House Bill 569 also provides a one-time appropriation of general fund dollars to the SRS of \$26.8 million.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan’s actuary as of June 30, 2024.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County’s and the state of Montana’s NPL for June 30, 2024, and 2023 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer’s contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$1,021,022 and the County’s proportionate share was 0.6946 percent.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,021,022	\$ 962,357	0.6946%	0.7028%	-0.0082%
Total	<u>\$ 1,021,022</u>	<u>\$ 962,357</u>	<u>0.6946%</u>	<u>0.7028%</u>	<u>-0.0082%</u>

Changes in actuarial assumptions and methods:

There have been no changes to the actuarial assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

The change in benefit terms since the previous measurement date:

- Effective July 1, 2023, the retirement eligibility criteria for new hires first entering the system on or after July 1, 2023, changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

Changes in proportionate share:

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

Pension Expense:

At June 30, 2024, the County recognized a Pension Expense of \$198,032 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/24	Pension Expense as of 6/30/23
Employer Proportionate Share	\$ 198,032	\$ 136,926
Total	<u>\$ 198,032</u>	<u>\$ 136,926</u>

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$93,331.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 161,378	\$ -
Actual vs. Expected Investment Earnings	7,254	-
Changes in Assumptions	82,269	15,271
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	11,484	-
Employer contributions subsequent to the measurement date - FY24*	84,399	-
Total	<u>\$ 346,784</u>	<u>\$ 15,271</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
For the Measurement Year ended June 30:		
2024	\$	125,345
2025	\$	60,716
2026	\$	68,538
2027	\$	(7,486)
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Actuarial Assumptions

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

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

Post Retirement Benefit Increased - Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2207

Mortality

- Mortality assumptions among contributing members are based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for males.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 105% for males. Projected generationally using MP-2021.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

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

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

	1.0% Decrease	Current	1.0% Increase
	(6.30%)	Discount Rate	(8.30%)
\$	1,658,633	\$	1,021,022
		\$	502,159

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

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

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To clear Deficit cash balance	General – Major Governmental	MDT Bridge Rapid Repair – Nonmajor Governmental	\$ 7,443
To clear Deficit cash balance	General – Major Governmental	Predatory Animal – Nonmajor Governmental	768
To clear Deficit cash balance	General – Major Governmental	Pondera Co. Growth Policy CDBG Grant – Nonmajor Governmental	29,045
To clear Deficit cash balance	General – Major Governmental	Northern Transit Interlocal – Nonmajor Governmental	4,814
To clear Deficit cash balance	General – Major Governmental	MDT High Visibility Enforcement Mini Grant – Nonmajor Governmental	1,206
To clear Deficit cash balance	General – Major Governmental	Alliance for Youth – Nonmajor Governmental	1,859
To clear Deficit cash balance	General – Major Governmental	WIC – Nonmajor Governmental	<u>5,263</u>
			<u>\$ 50,398</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2024:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Road – Major Governmental	PILT* – Major Governmental	\$ 54,000
Operating Transfer	Airport – Nonmajor Governmental	PILT* – Major Governmental	160,000
Residual Equity Transfer	County Hospital & Nursing Home – Nonmajor Governmental	Debt Service Hospital – Nonmajor Governmental	12
Permissive Health Levy	PERS – Nonmajor Governmental	Sheriff Retirement Permissive Levy – Nonmajor Governmental	25,119
Permissive Health Levy	Health Insurance – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	252,352
Operating	Pondera Co. Growth Policy CDBG Grant – Nonmajor Governmental	General – Major Governmental	5,000
Operating	Northern Transit Interlocal – Nonmajor Governmental	PILT* – Major Governmental	20,000
Future capital projects	Extension Service Capital Improvement – Nonmajor Governmental	General Fund Capital Improvement – Nonmajor Governmental	35,000
Future Capital Projects	Extension Service Capital Improvement – Nonmajor Governmental	Extension – Nonmajor Governmental	6,000
Future Capital Projects	Public Safety Capital Improvement – Nonmajor Governmental	Public Safety – Major Governmental	147,500
Future Capital Projects	Junk Vehicle Capital Improvement – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	1,032
Future Capital Projects	Ambulance Capital Improvement – Nonmajor Governmental	Ambulance – Major Governmental	25,000

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Future Capital Projects	General Fund Capital Improvement – Nonmajor Governmental	General – Major Governmental	278,250
Future Capital Projects	Road/Bridge Equipment Purchase – Nonmajor Governmental	Road – Major Governmental	55,000
Future Capital Projects	Road/Bridge Equipment Purchase	Bridge – Nonmajor Governmental	40,000
Future Capital Projects	Road/Bridge Equipment Purchase – Nonmajor Governmental	Gas Tax – Nonmajor Governmental	40,000
Future Capital Projects	Road/Bridge Equipment Purchase – Nonmajor Governmental	PILT* – Major Governmental	80,000
Future Capital Projects	Weed Capital Improvement – Nonmajor Governmental	Weed – Nonmajor Governmental	9,000
Operating	WIC – Nonmajor Governmental	General – Major Governmental	<u>648</u>
			<u>\$1,233,913</u>

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

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

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

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

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All Other Aggregate	\$ <u>106,833</u>	Inventory

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Airport	\$ 464,555	Airport services and construction
Public Safety	734,106	Public Health Services and Supplies
All Other Aggregate	352,928	Employer Costs of benefits
	299,598	General Government administration and services
	750,489	Law Enforcement, emergency services, and supplies
	1,652,250	Road/Bridge Repair, maintenance and supplies
	480,993	Public Health Services and Supplies
	203,615	Noxious Weed Management
	2,413	Repairs and maintenance
	78,489	Social and Economic Services and travel
	3,482	Culture and recreation
	<u>5,000</u>	Parks and recreation services and supplies
	<u>\$ 5,027,918</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>3,552,372</u>	Constructions and/or capital asset purchases

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>
Road	\$ (722,155)	GASB Statement No. 100 - Major Funds in the prior year that are not major funds in the current year which are now showing Other Governmental Funds on the Financial Statements.
Ambulance	(85,503)	GASB Statement No. 100 - Major Funds in the prior year that are not major funds in the current year which are now showing Other Governmental Funds on the Financial Statements.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

		GASB Statement No. 100 - Major Funds in the prior year that are not major funds in the current year which are now showing Other Governmental Funds on the Financial Statements.
Other Governmental Funds	807,658	
Airport	38,977	GASB Statement No. 100 - Airport Fund was not a major fund in the prior year but is a major fund in the current year
Other Governmental Funds	(38,977)	GASB Statement No. 100 - Airport Fund was not a major fund in the prior year but is a major fund in the current year
General	(2,753)	Understated prior year accounts payable
WIC	2,753	Overstated prior year accounts payable
Government-Wide	<u>(1,037)</u>	GASB Statement No. 100 - Major Funds in the prior year that are not major funds in the current year which are now showing Other Governmental Funds on the Financial Statements.
\$ <u>(1,037)</u>		

NOTE 13. RELATED PARTY TRANSACTIONS

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

NOTE 14. SERVICES PROVIDED FROM OTHER GOVERNMENTS

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 15. COST SHARING AGREEMENT

During the year, the County approved a cost sharing agreement with the City of Conrad to update the growth policy. The total cost is expected to be \$45,000, of which \$40,000 is to be paid by the County from grant funds the County received.

NOTE 16. RISK MANAGEMENT

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

Property and Casualty Insurance

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

PCT Coverage Includes:

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

Workers Compensation Insurance

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

Health Care Insurance

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2024

NOTE 17. PENDING LITIGATION

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case. The County has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>LeAnne Stokes Orcutt vs. Pondera County, DV-19-37</i>	Unknown	Unknown

NOTE 18. SUBSEQUENT EVENTS

The County continued the airport runway resurfacing project into fiscal year 2025. Subsequent to year-end, they had spent an additional \$4,085,538 of the budgeted \$4,905,097 on the project. The project is being funded by a FAA grant with a County match of 10%. Subsequent to year end, they had been reimbursed \$3,640,051 by FAA on the project.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,347,000	\$ 1,347,000	\$ 1,317,472	\$ (29,528)
Licenses and permits	50	50	223	173
Intergovernmental	356,805	356,805	374,407	17,602
Charges for services	196,277	196,277	295,508	99,231
Fines and forfeitures	35,500	35,500	48,074	12,574
Miscellaneous	28,630	28,630	32,020	3,390
Investment earnings	47,100	47,100	177,368	130,268
Amounts available for appropriation	\$ 2,011,362	\$ 2,011,362	\$ 2,245,072	\$ 233,710
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,839,897	\$ 1,839,897	\$ 1,498,611	\$ 341,286
Public safety	109,596	109,596	53,695	55,901
Public health	261,954	261,954	246,511	15,443
Social and economic services	6,000	6,000	7,150	(1,150)
Culture and recreation	3,200	3,200	3,633	(433)
Debt service - principal	47,970	47,970	32,354	15,616
Debt service - interest	-	-	15,612	(15,612)
Total charges to appropriations	\$ 2,268,617	\$ 2,268,617	\$ 1,857,566	\$ 411,051
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (305,898)	\$ (305,898)	\$ (283,898)	\$ 22,000
Total other financing sources (uses)	\$ (305,898)	\$ (305,898)	\$ (283,898)	\$ 22,000
Net change in fund balance			\$ 103,608	
Fund balance - beginning of the year			\$ 1,364,516	
Restatements			(2,753)	
Fund balance - beginning of the year - restated			\$ 1,361,763	
Fund balance - end of the year			\$ 1,465,371	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

Airport				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Intergovernmental	\$ 513,387	\$ 5,134,562	\$ 1,577,895	\$ (3,556,667)
Charges for services	34,300	34,300	30,288	(4,012)
Miscellaneous	13,158	13,158	13,205	47
Amounts available for appropriation	\$ 560,845	\$ 5,182,020	\$ 1,621,388	\$ (3,560,632)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 5,432,530	\$ 5,432,530	\$ 26,508	\$ 5,406,022
Debt service - principal	4,037	11,307	10,550	757
Debt service - interest	-	-	741	(741)
Capital outlay	-	-	1,377,798	(1,377,798)
Total charges to appropriations	\$ 5,436,567	\$ 5,443,837	\$ 1,415,597	\$ 4,028,240
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 59,787	\$ 59,787
Other financing source (revenue)	235,214	241,214	-	(241,214)
Transfers in	-	-	160,000	160,000
Total other financing sources (uses)	\$ 235,214	\$ 241,214	\$ 219,787	\$ (21,427)
Net change in fund balance			\$ 425,578	
Fund balance - beginning of the year			\$ 38,977	
Fund balance - end of the year			\$ 464,555	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 992,425	\$ 992,425	\$ 988,258	\$ (4,167)
Licenses and permits	2,000	2,000	1,865	(135)
Intergovernmental	103,640	103,640	110,554	6,914
Charges for services	148,999	148,999	162,628	13,629
Miscellaneous	6,100	6,100	503	(5,597)
Amounts available for appropriation	\$ 1,253,164	\$ 1,253,164	\$ 1,263,808	\$ 10,644
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 1,300,536	\$ 1,300,536	\$ 1,036,293	\$ 264,243
Total charges to appropriations	\$ 1,300,536	\$ 1,300,536	\$ 1,036,293	\$ 264,243
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (147,500)	\$ (147,500)
Total other financing sources (uses)	\$ -	\$ -	\$ (147,500)	\$ (147,500)
Net change in fund balance			\$ 80,015	
Fund balance - beginning of the year			\$ 654,091	
Fund balance - end of the year			\$ 734,106	

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>Airport</u>	<u>Public Safety</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,245,072	\$ 1,621,388	\$ 1,263,808
Combined funds (GASBS 54) revenues	<u>658,568</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 2,903,640</u>	<u>\$ 1,621,388</u>	<u>\$ 1,263,808</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule			
Combined funds (GASBS 54) expenditures	\$ 1,857,566	\$ 1,415,597	\$ 1,036,293
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>741,290</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,598,856</u>	<u>\$ 1,415,597</u>	<u>\$ 1,036,293</u>

Pondera County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability								
Service Cost	\$ 18,975	\$ 7,673	\$ 7,673	\$ 8,900	\$ 8,900	\$ 7,353	\$ 7,353	\$ -
Change in assumptions and inputs	<u>(20,311)</u>	<u>-</u>	<u>(25,367)</u>	<u>-</u>	<u>(15,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(1,337)	7,673	(17,694)	8,900	(6,583)	7,353	7,353	-
Total OPEB Liability - beginning	85,700	78,027	95,721	86,821	93,404	86,051	80,396	80,396
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,698)</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 84,363</u>	<u>\$ 85,700</u>	<u>\$ 78,027</u>	<u>\$ 95,721</u>	<u>\$ 86,821</u>	<u>\$ 93,404</u>	<u>\$ 86,051</u>	<u>\$ 80,396</u>
Covered-employee payroll	\$ 2,362,987	\$ 2,104,971	\$ 2,104,971	\$ 2,043,403	\$ 2,043,403	\$ 1,816,995	\$ 1,921,708	\$ 2,513,371
Total OPEB liability as a percentage of covered -employee payroll	4%	4%	4%	5%	4%	5%	4%	3%

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

Pondera County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.100795%	0.101996%	0.095576%	0.097070%	0.097138%	0.094156%	0.118508%	0.113930%	0.108123%	0.111317%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,459,745	\$ 2,425,354	\$ 1,733,009	\$ 2,560,911	\$ 2,030,484	\$ 1,965,173	\$ 2,308,087	\$ 1,940,621	\$ 1,511,425	\$ 1,387,023
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 677,255	\$ 722,276	\$ 509,071	\$ 804,288	\$ 658,932	\$ 655,744	\$ 28,996	\$ 23,712	\$ 18,565	\$ 16,938
Total	\$ 3,137,000	\$ 3,147,630	\$ 2,242,080	\$ 3,365,199	\$ 2,689,416	\$ 2,620,917	\$ 2,337,083	\$ 1,964,333	\$ 1,529,990	\$ 1,403,961
Employer's covered payroll	\$ 1,842,583	\$ 1,764,573	\$ 1,658,213	\$ 1,628,679	\$ 1,602,826	\$ 1,548,446	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821	\$ 1,269,671
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	133.49%	137.45%	104.51%	157.24%	126.68%	126.91%	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.93%	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	SRS 2024	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	0.6946%	0.7028%	0.7247%	0.6791%	0.6338%	0.7628%	0.8229%	0.7731%	0.7653%	0.7873%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,021,022	\$ 962,357	\$ 527,896	\$ 827,706	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Total	\$ 1,021,022	\$ 962,357	\$ 527,896	\$ 827,706	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Employer's covered payroll	\$ 711,635	\$ 677,401	\$ 658,654	\$ 598,856	\$ 538,440	\$ 591,820	\$ 614,322	\$ 545,775	\$ 520,743	\$ 509,169
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	143.48%	142.07%	80.15%	138.21%	98.17%	96.89%	101.94%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	77.09%	77.07%	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

Pondera County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 187,054	\$ 173,304	\$ 159,415	\$ 149,610	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 114,068	\$ 103,979
Contributions in relation to the contractually required contributions	\$ 187,054	\$ 173,304	\$ 159,415	\$ 149,610	\$ 142,693	\$ 137,848	\$ 131,154	\$ 123,049	\$ 116,172	\$ 108,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 2,062,337	\$ 1,932,040	\$ 1,764,573	\$ 1,658,213	\$ 1,628,679	\$ 1,602,826	\$ 1,548,446	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821
Contributions as a percentage of covered payroll	9.07%	8.97%	9.03%	9.02%	8.76%	8.60%	8.47%	8.39%	8.51%	8.62%

	SRS 2024	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 84,399	\$ 93,331	\$ 89,285	\$ 86,221	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contributions in relation to the contractually required contributions	\$ 84,399	\$ 93,331	\$ 89,285	\$ 86,221	\$ 75,889	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 643,530	\$ 711,636	\$ 677,401	\$ 658,654	\$ 598,856	\$ 538,440	\$ 591,820	\$ 614,322	\$ 545,775	\$ 520,743
Contributions as a percentage of covered payroll	13.12%	13.12%	13.18%	13.09%	12.67%	12.44%	13.36%	10.14%	10.36%	10.14%

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

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

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

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

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

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investment and administrative expenses
*Includes inflation at	2.75%
Merit salary increase	0% to 4.80%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality	
• Active Participation	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Disabled Retirees	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
• Contingent Survivors	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
• Health Retirees	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

2015 Legislative Changes

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

2017 Legislative Changes

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

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

Second Retirement Benefit – for SRS

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

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

- starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit in January immediately following second retirement, and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2024

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investments and administrative expenses
*Includes inflation at	2.75%
Merit salary increases	1% to 6.40%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality	
• Active Participation	PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Healthy Retiree	PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021, set forward one year and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.
• Disabled Retiree	PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.
• Contingent Survivor	PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.

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

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

SINGLE AUDIT SECTION

Pondera County
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2024

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Forest Service Schools and Roads Cluster-Cluster</i>			
United States Department of Agriculture Schools and Roads - Grants to States	10.665		\$ 42,207
Total Schools and Roads - Grants to States			<u>42,207</u>
<i>Total United States Department of Agriculture</i>			<u>42,207</u>
<i>Total Forest Service Schools and Roads Cluster-Cluster</i>			42,207
<i>Other Programs</i>			
Department of Homeland Security Emergency Management Performance Grants		Montana Department of Emergency Services	
Emergency Management Performance Grants	97.042		<u>24,417</u>
Total Emergency Management Performance Grants			<u>24,417</u>
<i>Total Department of Homeland Security</i>			24,417
Department of Transportation Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		<u>1,577,895</u>
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			<u>1,577,895</u>
<i>Total Department of Transportation</i>			1,577,895
Department of Health and Human Services Immunization Cooperative Agreements		Montana Department of Public Health and Human Services,23-07-4-31-133-0	
Immunization Cooperative Agreements	93.268		<u>31,034</u>
Total Immunization Cooperative Agreements			31,034
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		Teton County	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		<u>38,560</u>
Total Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			38,560
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health		Montana Department of Public Health and Human Services,24-07-1-01-100-0	
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967		<u>30,745</u>
Total Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health			30,745
Maternal and Child Health Services Block Grant to the States		Montana Department of Public Health and Human Services,24-25-5-01-037-0	
Maternal and Child Health Services Block Grant to the States	93.994		<u>6,117</u>
Total Maternal and Child Health Services Block Grant to the States			<u>6,117</u>
<i>Total Department of Health and Human Services</i>			106,456

Pondera County
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2024 - Continued

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Department of Housing and Urban Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Montana Department of Commerce, MT-CDBG-PL- 20-14	27,023
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			<u>27,023</u>
<i>Total Department of Housing and Urban Development</i>			<u>27,023</u>
Department of the Treasury CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		39,580
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			<u>39,580</u>
Local Assistance and Tribal Consistency Fund			
Local Assistance and Tribal Consistency Fund	21.032		349,589
Total Local Assistance and Tribal Consistency Fund			<u>349,589</u>
<i>Total Department of the Treasury</i>			<u>389,169</u>
United States Department of Agriculture WIC Special Supplemental Nutrition Program for Women, Infants, and Children			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Montana Department of Public Health and Human Services, 24-25-5-21-645-0	31,354
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children			<u>31,354</u>
<i>Total United States Department of Agriculture</i>			<u>31,354</u>
Total Other Programs			<u>2,156,314</u>
Total Expenditures of Federal Awards			<u>\$ 2,198,521</u>

The accompanying notes are an integral part of this schedule

PONDERA COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2024

Basis of Presentation and Significant Accounting Policies

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

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

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

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

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

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

Board of County Commissioners
Pondera County
Conrad, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 14, 2025.

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

Purpose of this Report

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

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

May 14, 2025

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

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

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

Board of County Commissioners
Pondera County
Conrad, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pondera County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pondera County's Major federal programs for the year ended June 30, 2024. Pondera County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pondera County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pondera County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pondera County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pondera County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

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

Report on Internal Control over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

May 14, 2025

PONDERA COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program, COVID-19 Airport Programs, and Infrastructure Investment and Jobs Act Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.