

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor’s Report	9-10
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Fiduciary Fund Types	17
Statement of Changes in Net Position – Fiduciary Fund Types	18
Notes to Financial Statements	19-55
Required Supplementary Information	
Budgetary Comparison Schedule	56-59
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	60
Schedule of Changes in the Total OPEB Liability and Related Ratios	61
Schedule of Proportionate share of the Net Pension Liability	62
Schedule of Contributions	63
Notes to Required Pension Supplementary Information	64-67
Independent Auditor’s Report on Compliance and 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	68-69

PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2020

BOARD OF COUNTY COMMISSIONERS

Thomas A. Kuka
Dale J. Seifert
Conrad James Morren

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Mary Ann Ries
Elaine J. McLean
Kody L. Farkell
Cody J. Shaw
Robert Skorupa

County Attorney
Treasurer and Superintendent
Clerk and Recorder
Justice of Peace
Sheriff

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2019-2020 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should review the principal financial statements found in the annual report to augment their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- Budget Status: We maintained a basic status quo budget with an emphasis on maintaining cash reserves to ensure fiscal stability. Wages were increased by approximately 3.0% 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 \$3,989,139. This amount is \$219,573 more than the prior fiscal year.
- Interest revenue: Pondera County's interest revenue for the fiscal year totaled \$107,389. This amount is \$10,391 more than the prior fiscal year. Due to COVID-19 the County saw a substantial decrease in interest during the last quarter of the fiscal year.
- Area Development: Pondera County participated fiscally in Sweet Grass Development (\$2,000), and the Northern Transit Inter-Local (\$20,000).
- Pondera Medical Center: The PMC Capital Improvement Fund voted levy was in its fifth year. PMC has not expended any fund from there yet.
- Public Safety: Due to computers not being updated for several years, the County had to purchase 6 computers to ensure all equipment was updated. The DES Coordinator was able to secure a grant in the amount of \$250,000 for the purchase of a new dispatch console, which will be installed in fiscal year 2020/21. A decrease in vehicle repairs expenses allowed the County to transfer an additional \$20,000 to the Public Safety Capital Improvement fund.
- Roads and Bridges: The County purchased \$80,000 worth of asphalt mix. Road Department worked diligently to keep up on culvert replacement and road graveling throughout the County. Grader lease payments were made in the amount of \$75,000 to principle and \$49,012 in interest. \$43,000 was spent on new culverts, two trucks were purchased for a total of \$192,000 and two dump trucks for a total cost of \$120,000.
- Courthouse Improvements: The sewer line to the courthouse needed to be replaced and cost approximately \$12,000. Seven computers were due for replacement on the current rotation and the County contracted out the website management. Updates to the boiler system continues and the Elections Department was able to replace six AutoMark ballot marking machines with the updated Express Vote machines with the assistance of HAVA money through the State of Montana.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

- Conrad Airport: The FAA provided a cost share of 90% to install a new fueling system at the Conrad Airport. The total cost of the project is \$315,000 with a match from the County of approximately \$31,500. The County also continues to make payments on loans of a 6- bay hangar built at the Conrad Airport.
- Records Preservation: The Clerk & Recorder's office started working with DIS Technologies to have all microfilm digitized. In addition, the County will be implementing Square-9, an online program for records preservation and searching capabilities.
- Cares Act: As a result of COVID-19, the Cares Act provided reimbursement to counties. As of the end of the fiscal year, Pondera County submitted for reimbursement of Sheriff Dept salaries for March through June.

USING THIS ANNUAL FINANCIAL REPORT

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

FINANCIAL STATEMENTS

Statement of Net Position and the Statement of Activities

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

A compliance analysis is provided.

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

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

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

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.

Condensed Financial Statements

Government-wide STATEMENT OF NET POSITION:

Table 1 - Net Position

	Governmental Activities		Change Inc (Dec)
	<u>FY20</u>	<u>FY19</u>	
Current and other assets	\$ 9,400,472	\$ 8,359,700	\$ 1,040,772
Capital assets	6,698,289	6,724,336	(26,047)
Total assets	<u>\$ 16,098,761</u>	<u>\$ 15,084,036</u>	<u>\$ 1,014,725</u>
Long-term debt outstanding	\$ 4,760,151	\$ 4,822,828	\$ (62,677)
Other liabilities	1,146,853	1,162,160	(15,307)
Total liabilities	<u>\$ 5,907,004</u>	<u>\$ 5,984,988</u>	<u>\$ (77,984)</u>
Net investment in capital assets	\$ 4,721,112	\$ 4,658,006	\$ 63,106
Restricted	3,911,162	4,013,751	(102,589)
Unrestricted (deficit)	1,559,483	427,291	1,132,192
Total net position	<u><u>\$ 10,191,757</u></u>	<u><u>\$ 9,099,048</u></u>	<u><u>\$ 1,092,709</u></u>

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

Government-wide STATEMENT OF ACTIVITIES

Table 2 - Changes in Net Position

	Governmental Activities		Change Inc (Dec)
	<u>FY20</u>	<u>FY19</u>	
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 365,528	\$ 325,494	\$ 40,034
Operating grants and contributions	1,288,443	1,026,263	262,180
Capital grants and contributions	112,381	57,715	54,666
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,989,139	3,769,563	219,576
Licenses and permits	223	110	113
Video poker apportionment	3,475	2,400	1,075
Miscellaneous	227,052	86,729	140,323
Interest/investment earnings	107,389	96,998	10,391
Local option taxes	233,784	230,584	3,200
Unrestricted federal/state shared revenues	1,332	342	990
Montana oil and gas production tax	41,491	70,670	(29,179)
State entitlement	734,505	713,671	20,834
PILT	247,335	237,420	9,915
State contribution to retirement	-	43,764	(43,764)
Contributions & donations	390	275	115
State contribution to retirement	44,734	-	44,734
Total revenues	<u>\$ 7,397,201</u>	<u>\$ 6,661,998</u>	<u>\$ 735,203</u>
Program expenses			
General government	\$ 2,199,864	\$ 1,899,491	\$ 300,373
Public safety	1,044,245	1,147,962	(103,717)
Public works	1,592,018	1,562,809	29,209
Public health	728,540	829,154	(100,614)
Social and economic services	142,428	136,651	5,777
Culture and recreation	301,027	285,474	15,553
Housing and community development	625	625	-
Debt service - interest	64,208	67,003	(2,795)
Miscellaneous	231,537	221,088	10,449
Total expenses	<u>\$ 6,304,492</u>	<u>\$ 6,150,257</u>	<u>\$ 154,235</u>
Increase (decrease) in net position	<u>\$ 1,092,709</u>	<u>\$ 511,741</u>	<u>\$ 580,968</u>

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

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities this year was \$6,304,492 compared to \$6,150,257 for fiscal year 2018-19 as found in the Statement of Activities. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants.

The amount that our taxpayers ultimately financed for these activities through county taxes was, \$3,989,139 up by \$219,576 from \$3,769,563 in fiscal year 2018-19. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented above.

Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Hospital Capital Impr</u>
Fund Balance – Current Year	1,757,851	807,385	879,083	949,721
Fund Balance – Prior Year	1,495,662	819,843	434,795	737,695
Change in unassigned fund balance	262,189	-12,458	444,288	212,026
% change in fund balance	15.0%	-1.6%	102%	22.4%

The increase in the fund balance in the General Fund is due an increase in county office fees, and an increase in entitlement shares, despite a slight decrease in taxes collected. Overall, there was very little change in expenditures of the Fund.

The decrease in the Road Fund cash balance is a result of increased expenditures such as equipment maintenance, tools, an increase of \$50,000 in asphalt purchases. The prior year no money was transferred to the Capital Improvement fund and this year \$85,966 was transferred. Sale of surplus items and oil and gas revenues were down, helping to result in an overall decrease of revenues for the Road Fund.

The Public Safety Fund saw an increase in revenues of \$19,000 due to increased tax collections, entitlement monies, and an increase of \$35,000 in board of prisoners despite a decrease in oil & gas revenues and interest revenues. The Public Safety Fund saw a \$20,000 increase in transfers to the Capital Improvement Fund. The main reason for the increase is due to the COVID 19 funding that covered over \$245,482 of originally budgeted costs.

Revenue Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	1,651,605	1,751,854	59,673	3.4%

**Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020**

There was a variance between the final budget amount and actual amount of revenue received in the General Fund of \$59,673 for a 3.4% variance. The variance was due to receiving approximately \$27,057 more in investment earnings than anticipated as well as more office fees collected and monies received \$20,000 received from a bond forfeiture, as ordered by the District Court Judge, designating the forfeiture money to be used in the General Fund for public safety purposes.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
	799,858	787,744	-12,114	-1.6%

There was an insignificant variance between the final budget amount and actual amount of revenue received in the Road Fund of -\$12,114 for a -1.6% variance.

<u>Public Safety Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	1,095,782	1,122,969	26,787	2.4%

There was a small variance between the final budget amount and actual amount of revenue received in the Public Safety Fund of \$26,787 for a 2.4% variance. The variance was due to an increase in revenue from Board of Prisoners \$32,000 over what was initially budgeted.

CAPITAL ASSETS AND LONG-TERM DEBT

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

Long Term Debt

During the fiscal year, the County installed a new fuel system at the Conrad Airport with assistance from the FAA. The total remaining on loans for the 6-bay hangar as well as the fuel system was \$79,986 as of June 30, 2020. InterCap loan payments were made for remodeling the Pondera Center and the HVAC system. As of June 30, 2020 the principal due to InterCap loans decreased from \$390,399 to \$360,852 from the beginning of the fiscal year. Capital lease payments decreased by \$75,055 leaving a balance of \$1,536,339. Compensated absences balance as of June 30, 2020 was \$223,917 an increase of \$5,986 over the prior year. The reported OPEB and Net Pension Liabilities equaled \$86,821 and \$2,559,057

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, 2020 of \$6,698,289.

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 FY20-21 Taxable Valuation decreased in Pondera County from \$17,189,869 to \$17,481,779, decreasing the value of a county-wide mill from \$17,481 to \$17,189. The FY20-21 budget did not allow for the reservation of any floated mills; all were levied.

Pondera County, Montana
Management Discussion and Analysis (MD&A)
For Fiscal Year Ending June 30, 2020

The county has set up a fund to account for our enhanced gas tax funds (BaRSAA). We anticipate future revenue from additional gas tax to be approximately \$75,000 per year. This money is restricted for road maintenance.

A 3.0% COLA and wage increase was approved for elected officials. Hourly employees received an equal increase of \$0.70 per hour.

While aiming for a 33% reserve in all funds, reserve amounts range from 25.1% (Road Fund) to 33.3% (Bridge & Weed Funds). Our goal remains to achieve the 33% reserve in all funds.

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

The Road/Bridge Department hopes to purchase or lease new road graders as the lease and warranty on the current graders are up in spring 2021.

The Sheriff Department is working to replace the Dispatch console and upgrade radios and equipment, funded primarily through grants from the Montana Land Information Act (MLIA).

REQUESTS FOR INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Pondera County
Conrad, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2020, and the respective changes in financial position and thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2020, the County adopted new accounting guidance, GASB statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, and 56 through 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021, on our consideration of the Pondera County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pondera County, Montana's internal control over financial reporting and compliance.

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

June 7, 2021

Pondera County, Montana
Statement of Net Position
June 30, 2020

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	8,124,159
Taxes and assessments receivable, net		129,051
Accounts receivable - net		44
Due from other governments		267,583
Inventories		239,309
Total current assets	\$	8,760,146
Noncurrent assets		
Capital assets - land	\$	285,409
Capital assets - construction in progress		150,602
Capital assets - depreciable, net		6,262,278
Total noncurrent assets	\$	6,698,289
Total assets	\$	15,458,435
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$	640,326
Total deferred outflows of resources	\$	640,326
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	16,098,761
 LIABILITIES		
Current liabilities		
Warrants payable	\$	350,738
Accounts payable		6,360
Accrued payables		5,929
Accrued payroll		43,625
Due to other governments		260
Current portion of long-term capital liabilities		119,302
Current portion of compensated absences payable		167,070
Total current liabilities	\$	693,284
Noncurrent liabilities		
Total OPEB liability	\$	86,821
Noncurrent portion of long-term capital liabilities		1,857,875
Noncurrent portion of compensated absences		56,847
Net pension liability		2,559,057
Total noncurrent liabilities	\$	4,560,600
Total liabilities	\$	5,253,884
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	\$	653,120
Total deferred inflows of resources	\$	653,120
 NET POSITION		
Net investment in capital assets	\$	4,721,112
Restricted for debt service		264
Restricted for special projects		3,910,898
Unrestricted		1,559,483
Total net position	\$	10,191,757
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	16,098,761

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs Primary government:	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,199,864	\$ 117,197	\$ 85,681	\$ -	\$ (1,996,986)
Public safety	1,044,245	149,706	448,436	-	(446,103)
Public works	1,592,018	46,539	252,624	112,381	(1,180,474)
Public health	728,540	36,046	500,059	-	(192,435)
Social and economic services	142,428	16,040	1,643	-	(124,745)
Culture and recreation	301,027	-	-	-	(301,027)
Housing and community development	625	-	-	-	(625)
Debt service - interest	64,208	-	-	-	(64,208)
Miscellaneous	231,537	-	-	-	(231,537)
Total governmental activities	\$ 6,304,492	\$ 365,528	\$ 1,288,443	\$ 112,381	\$ (4,538,140)
Total primary government	\$ 6,304,492	\$ 365,528	\$ 1,288,443	\$ 112,381	\$ (4,538,140)
General Revenues:					
Property taxes for general purposes					\$ 3,989,139
Licenses and permits					223
Video poker apportionment					3,475
Miscellaneous					227,052
Interest/investment earnings					107,389
Local option taxes					233,784
Unrestricted federal/state shared revenues					1,332
Montana oil and gas production tax					41,491
State entitlement					734,505
PILT					247,335
Contributions & donations					390
State contribution to retirement					44,734
Total general revenues, special items and transfers					\$ 5,630,849
Change in net position					\$ 1,092,709
Net position - beginning					\$ 9,099,048
Net position - end					\$ 10,191,757

See accompanying Notes to the Financial Statements

Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	General	Road	Public Safety	Hospital Capital Improvements	CARES Act Reimbursement	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 2,119,638	\$ 662,185	\$ 646,132	\$ 949,721	\$ -	\$ 3,746,483	\$ 8,124,159
Taxes and assessments receivable, net	35,127	14,090	18,802	5,864	-	55,168	129,051
Accounts receivable - net	-	-	-	-	-	44	44
Due from other funds	3,087	-	245,482	-	-	-	248,569
Due from other governments	6,648	-	-	-	245,482	15,453	267,583
Inventories	-	159,031	-	-	-	80,278	239,309
TOTAL ASSETS	\$ 2,164,500	\$ 835,306	\$ 910,416	\$ 955,585	\$ 245,482	\$ 3,897,426	\$ 9,008,715
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 350,669	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ 350,738
Accounts payable	-	6,360	-	-	-	-	6,360
Accrued payables	1,285	326	546	-	-	3,772	5,929
Accrued payroll	19,308	7,145	11,985	-	-	5,187	43,625
Due to other funds	-	-	-	-	245,482	3,087	248,569
Due to other governments	260	-	-	-	-	-	260
Total liabilities	\$ 371,522	\$ 13,831	\$ 12,531	\$ -	\$ 245,482	\$ 12,115	\$ 655,481
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes and assessments	\$ 35,127	\$ 14,090	\$ 18,802	\$ 5,864	\$ -	\$ 55,168	\$ 129,051
Total deferred inflows of resources	\$ 35,127	\$ 14,090	\$ 18,802	\$ 5,864	\$ -	\$ 55,168	\$ 129,051
FUND BALANCES							
Nonspendable	\$ -	\$ 159,031	\$ -	\$ -	\$ -	\$ 80,278	\$ 239,309
Restricted	-	648,354	879,083	-	-	2,056,425	3,583,862
Committed	-	-	-	949,721	-	1,693,509	2,643,230
Unassigned fund balance	1,757,851	-	-	-	-	(69)	1,757,782
Total fund balance	\$ 1,757,851	\$ 807,385	\$ 879,083	\$ 949,721	\$ -	\$ 3,830,143	\$ 8,224,183
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,164,500	\$ 835,306	\$ 910,416	\$ 955,585	\$ 245,482	\$ 3,897,426	\$ 9,008,715

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, 2020

Total fund balances - governmental funds	\$	8,224,183
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,698,289
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.		129,051
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,287,915)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,559,057)
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.		640,326
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.		(653,120)
Total net position - governmental activities	\$	<u><u>10,191,757</u></u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Road	Public Safety	Hospital Capital Improvements	CARES Act Reimbursement	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 1,007,984	\$ 529,115	\$ 857,307	\$ 197,420	\$ -	\$ 1,654,688	\$ 4,246,514
Licenses and permits	65	-	4,085	-	-	-	4,150
Intergovernmental	607,995	255,328	133,796	-	245,482	1,066,676	2,309,277
Charges for services	243,357	-	126,720	-	-	48,562	418,639
Fines and forfeitures	35,220	-	-	-	-	17,344	52,564
Miscellaneous	54,668	3,301	1,061	-	-	208,431	267,461
Investment earnings	57,097	-	-	14,606	-	35,686	107,389
Total revenues	\$ 2,006,386	\$ 787,744	\$ 1,122,969	\$ 212,026	\$ 245,482	\$ 3,031,387	\$ 7,405,994
EXPENDITURES							
General government	\$ 1,268,381	\$ -	\$ -	\$ -	\$ -	\$ 689,515	\$ 1,957,896
Public safety	64,902	-	601,181	-	245,482	118,407	1,029,972
Public works	-	644,169	-	-	-	528,924	1,173,093
Public health	192,289	-	-	-	-	377,763	570,052
Social and economic services	7,950	-	-	-	-	134,478	142,428
Culture and recreation	1,585	-	-	-	-	299,195	300,780
Debt service - principal	29,547	75,055	-	-	-	11,551	116,153
Debt service - interest	12,829	49,012	-	-	-	2,367	64,208
Miscellaneous	12,964	-	-	-	-	218,573	231,537
Capital outlay	-	-	-	-	-	749,021	749,021
Total expenditures	\$ 1,590,447	\$ 768,236	\$ 601,181	\$ -	\$ 245,482	\$ 3,129,794	\$ 6,335,140
Excess (deficiency) of revenues over expenditures	\$ 415,939	\$ 19,508	\$ 521,788	\$ 212,026	\$ -	\$ (98,407)	\$ 1,070,854
OTHER FINANCING SOURCES (USES)							
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,000	\$ 27,000
Transfers in	2,500	54,000	-	-	-	642,140	698,640
Transfers out	(156,250)	(85,966)	(77,500)	-	-	(378,924)	(698,640)
Total other financing sources (uses)	\$ (153,750)	\$ (31,966)	\$ (77,500)	\$ -	\$ -	\$ 290,216	\$ 27,000
Net Change in Fund Balance	\$ 262,189	\$ (12,458)	\$ 444,288	\$ 212,026	\$ -	\$ 191,809	\$ 1,097,854
Fund balances - beginning	\$ 1,495,662	\$ 819,843	\$ 434,795	\$ 737,695	\$ -	\$ 3,638,334	\$ 7,126,329
Fund balance - ending	\$ 1,757,851	\$ 807,385	\$ 879,083	\$ 949,721	\$ -	\$ 3,830,143	\$ 8,224,183

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, 2020

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

Net change in fund balances - total governmental funds	\$ 1,097,854
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	749,021
- Depreciation expense	(775,068)
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)	(8,793)
The change in compensated absences is shown as an expense in the Statement of Activities	(5,986)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	116,153
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	(27,000)
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	6,583
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	
	(60,055)
Change in net position - Statement of Activities	\$ <u><u>1,092,709</u></u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 11,722,541	\$ 397,321
Taxes receivable	-	332,963
Total assets	<u>\$ 11,722,541</u>	<u>\$ 730,284</u>
LIABILITIES		
Due to others	\$ -	\$ 730,284
Total liabilities	<u>\$ -</u>	<u>\$ 730,284</u>
NET POSITION		
Assets held in trust	<u>\$ 11,722,541</u>	

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to Investment Trust Fund	\$ <u>8,339,097</u>
Total contributions	\$ <u>8,339,097</u>
Investment earnings:	
Interest and change in fair value of investments	\$ <u>162,541</u>
Net investment earnings	\$ <u>162,541</u>
Total additions	\$ <u>8,501,638</u>
 DEDUCTIONS	
Distributions from investment trust fund	\$ <u>8,496,985</u>
Total deductions	\$ <u>8,496,985</u>
Change in net position	\$ <u>4,653</u>
 Net Position - Beginning of the year	 \$ 11,717,888
Net Position - End of the year	\$ <u><u>11,722,541</u></u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

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

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 three-member Board of Commissioners. 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, 2020

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

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

Measurement Focus and Basis of Accounting

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

Major Funds:

The County reports the following major governmental funds:

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

Road Fund – A special revenue fund that account or the activities of the County’s Road maintenance and construction operations.

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

CARES Act Reimbursement Fund – A special revenue fund that is used to account for the CARES Act Corona Virus Relief Funding used to cover expenditures related to the COVID-19 pandemic.

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Fiduciary Funds

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

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2020, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,300
Cash in banks:	
Demand deposits	776,721
Savings deposits	6,269,000
Certificates of deposit	7,195,000
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	6,002,000
Total	<u>\$ 20,244,021</u>

Cash equivalents

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

Fair Value Measurements

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2020, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income		
	<u>At Fair Value</u>	<u>Credit Quality</u> <u>Rating</u>	<u>WAM</u> <u>(Days)</u>
Treasuries	\$ 430,142	A-1+	56
Agency or Government Related	1,182,828	A-1+	52
Corporate:			
Commercial Paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of Deposit	<u>300,206</u>	A-1	56
Total Investments	<u>\$ 2,426,558</u>		

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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, 2020, the government’s bank balance was exposed to custodial credit risk as follows:

	June 30, 2020 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 2,469,405
- Collateral held by the pledging bank's trust department but not in the County's name	6,539,014
Total deposits and investments	<u>\$ 9,008,419</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, 2020, equaled or exceeded the amount required by State statutes.

Cash and Investment Pool

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

Investment in the Treasurer’s Pools

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

The County has one pooled investment trust funds, invested in STIP and the other is invested in non-negotiable certificates of deposit and savings deposits. The County invests funds for external entities.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2020 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, 2020.

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

Investment Income

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

Condensed statements of investments pools

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2020.

Statement of Net Assets

Net assets held in trust for all pool participants:

Equity of internal pool participants	\$ 7,518,459
Equity of external pool participants	11,722,541
Total equity	<u>\$ 19,241,000</u>

Condensed Statement of Changes in Net Assets

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 162,541	\$ 104,419
Contributions to trust	8,339,097	6,483,068
Distributions paid	<u>(8,496,985)</u>	<u>(4,722,140)</u>
Net change in net assets	\$ 4,653	\$ 1,865,347
Net assets at beginning of year	<u>11,717,888</u>	<u>5,653,112</u>
Net assets at end of year	<u>\$ 11,722,541</u>	<u>\$ 7,518,459</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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

NOTE 4. INVENTORIES 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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2020 Basic Financial Statements.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

Governmental activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 265,409	\$ -	\$ -	\$ 265,409
Pondera Medical Center - Land	20,000	-	-	20,000
Construction in progress	45,673	150,602	(45,673)	150,602
Total capital assets not being depreciated	<u>\$ 331,082</u>	<u>\$ 150,602</u>	<u>\$ (45,673)</u>	<u>\$ 436,011</u>
Other capital assets:				
Buildings	\$ 4,446,399	\$ 11,335	\$ 45,673	\$ 4,503,407
Improvements other than buildings	4,810,701	11,753	-	4,822,454
Machinery and equipment	5,893,780	480,470	-	6,374,250
Infrastructure	168,827	-	-	168,827
Pondera Medical Center	7,042,733	94,861	-	7,137,594
Total other capital assets at historical cost	<u>\$ 22,362,440</u>	<u>\$ 598,419</u>	<u>\$ 45,673</u>	<u>\$ 23,006,532</u>
Less: accumulated depreciation	<u>\$ (15,969,186)</u>	<u>\$ (775,068)</u>	<u>\$ -</u>	<u>\$ (16,744,254)</u>
Total	<u>\$ 6,724,336</u>	<u>\$ (26,047)</u>	<u>\$ -</u>	<u>\$ 6,698,289</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$101,983
Public safety	94,800
Public works	418,925
Public health	158,488
Culture and recreation	247
Housing and community development	<u>625</u>
Total governmental activities depreciation expense	<u>\$775,068</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Capital leases	\$ 1,611,394	\$ -	\$ (75,055)	\$ 1,536,339	\$ 77,177
Intercap loans	390,399	-	(29,547)	360,852	30,260
Loans/Contracted debt	64,537	27,000	(11,551)	79,986	11,865
Compensated absences	217,931	5,986	-	223,917	167,070
Total	\$ 2,284,261	\$ 32,986	\$ (116,153)	\$ 2,201,094	\$ 286,372

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, 2020, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>
MDT Aeronautics Loan	9/27/17	1.88%	10yrs	3/1/27	\$ 11,500	Varies	\$ 8,050
Port Authority Loan	11/1/17	4.00%	10yrs	10/5/27	135,000	Varies	47,636
MDT Aeronautics Loan	1/17/19	2.75%	10yrs	3/1/19	27,000	Varies	24,300
Total					\$173,500		\$ 79,986

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,865	\$ 2,597
2022	12,192	2,174
2023	12,530	1,740
2024	12,886	1,288
2025	13,252	826
2026	8,011	1,087
2027	3,850	266
2028	2,700	149
2029	2,700	74
Total	\$ 79,986	\$ 10,201

Intercap Loans

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Inter-cap loans outstanding as of June 30, 2020, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>
Building for Senior Center - remodel	8/12/11	1.00-4.85%	15yrs	8/15/26	\$113,841	Varies	\$ 54,681
HVAC system	4/13/17	1.00-4.85%	14.5yrs	2/15/32	<u>359,000</u>	Varies	<u>306,171</u>
Total					<u>\$472,841</u>		<u>\$ 360,852</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 30,260	\$ 12,161
2022	30,989	11,141
2023	31,737	10,097
2024	32,505	9,027
2025	33,289	7,932
2026	34,095	6,810
2027	30,400	5,661
2028	26,635	4,636
2029	27,322	3,739
2030	28,026	2,818
2031	28,525	1,874
2032	<u>27,069</u>	<u>912</u>
Total	<u>\$ 360,852</u>	<u>\$ 76,808</u>

Capital Leases

The County has entered into a several leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2020, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>
New 8 Caterpillar Motor Graders (2015)	5/4/16	3.00%	5yrs	11/1/20	\$1,780,317	Varies	\$ 1,528,059
2 Walk & Rollers	7/1/16	3.00%	5yrs	11/1/20	<u>40,000</u>	Varies	<u>8,280</u>
Total					<u>\$1,820,317</u>		<u>\$ 1,536,339</u>

Reported in the governmental activities.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 77,177	\$ 46,754
2022	<u>1,459,162</u>	<u>29,449</u>
Total	<u>\$ 1,536,339</u>	<u>\$ 76,203</u>

Compensated Absences

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	48
Total employees	49

Total OPEB Liability

The County's total OPEB liability of \$86,821 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

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

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

<u>Year</u>	<u>% Increase</u>
2020	5.2%
2021	5.1%
2022	5.7%
2023	5.6%
2024	5.5%
2025	5.7%
2026	5.8%
2027	5.6%
2028	5.6%
2029	5.6%
2030 and thereafter	5.6%

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Changes in the Total OPEB Liability

Balance at 6/30/2019	\$ <u>93,404</u>
Changes for the year:	
Service Cost	\$ 8,900
Restatement	<u>(15,483)</u>
Net Changes	\$ <u>(6,583)</u>
Balance at 6/30/2020	\$ <u><u>86,821</u></u>

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

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

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

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

**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, 2020, the County recognized an OPEB expense of \$(6,583). 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, 2020

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balance	Public Safety – Major Governmental	CARES Fund – Major Governmental	\$245,482
Cover negative cash balance	General – Major Governmental	COVID-19 Mental Health Grant – Nonmajor Governmental	489
Cover negative cash balance	General – Major Governmental	WIC – Nonmajor Governmental	1,378
Cover negative cash balance	General – Major Governmental	Predatory Animal – Nonmajor Governmental	<u>1,220</u>
			<u>\$248,569</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Road – Major Governmental	PILT* – Major Governmental	\$ 54,000
Operating Transfer	Northern Transit Interlocal – Nonmajor Governmental	PILT* – Major Governmental	21,000
Operating Transfer	Health Insurance – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	251,442
Operating Transfer	Retirement Contributions – Nonmajor Governmental	Sheriff Retirement – Nonmajor Governmental	20,242
Close fund	County Hospital & Nursing Home – Nonmajor Governmental	Debt Service Hospital – Nonmajor Governmental	1
Fund future capital outlay costs	Ambulance Cap. Imp. – Nonmajor Governmental	Ambulance – Nonmajor Governmental	10,000
Operating Transfer	Airport – Nonmajor Governmental	General – Major Governmental	27,000
Fund future capital outlay costs	Junk Vehicle – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	2,773

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Fund future capital outlay costs	General Fund Cap Imp. – Nonmajor Governmental	General – Major Governmental	54,250
Fund future capital outlay costs	Public Safety Capital Imp. – Nonmajor Governmental	Public Safety – Major Governmental	77,500
Fund future capital outlay costs	Weed – Nonmajor Governmental	Weed – Nonmajor Governmental	7,000
Fund future capital outlay costs	Road/Bridge Equip Purchase – Nonmajor Governmental	Road – Major Governmental	84,000
Fund future capital outlay costs	Road/Bridge Equip Purchase – Nonmajor Governmental	Bridge– Nonmajor Governmental	40,000
Fund future capital outlay costs	Road/Bridge Equip Purchase – Nonmajor Governmental	Gas Apportionment Tax – Nonmajor Governmental	40,000
Fund future capital outlay costs	General Fund Cap Imp. – Nonmajor Governmental	Extension Service – Nonmajor Governmental	3,000
Matching funds	Enhanced Gas Tax– Nonmajor Governmental	Road – Major Governmental	1,966
Matching funds	Enhanced Gas Tax– Nonmajor Governmental	Bridge– Nonmajor Governmental	1,966
Operating Transfer	General – Major Governmental	Junk Vehicle – Nonmajor Governmental	<u>2,500</u>
			<u>\$698,640</u>

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

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2020, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	<u>PERS</u>	<u>SRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 2,030,484	\$ 528,573	\$ 2,559,057
Deferred outflows of resources*	\$ 351,771	\$ 288,555	\$ 640,326
Deferred inflows of resources	\$ 243,285	\$ 409,835	\$ 653,120
Pension expense	\$ 325,875	\$ (2,928)	\$ 322,947

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$144,671 and \$78,834, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2019.

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).

Plan Descriptions

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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		State & Universities	Local Government		School Districts	
	Hired < 07/01/11	Hired > 07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- 4. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2020, and 2019, 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 \$2,030,484 and the County's proportionate share was 0.097138 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,030,484	\$ 1,965,173	0.097138%	0.094156%	0.002982%
State of Montana Proportionate Share associated with Employer	658,932	655,744	0.031523%	0.031418%	0.000105%
Total	<u>\$ 2,689,416</u>	<u>\$ 2,620,917</u>	<u>0.128661%</u>	<u>0.125574%</u>	<u>0.003087%</u>

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$281,141 for its proportionate share of the pension expense. The County also recognized grant revenue of \$1,532 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County. Additionally, the County recognized grant revenue of \$43,202 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/20		Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 281,141	\$	183,667
State of Montana Proportionate Share associated with the Employer	1,532		43,764
State of Montana State Appropriation for the Employer	43,202		-
Total	\$ 325,875	\$	227,431

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$141,960.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, 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	\$ 96,281	\$ 95,542
Actual vs. Expected Investment Earnings	24,619	-
Changes in Assumptions	86,200	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	147,743
Employer contributions subsequent to the measurement date - FY20*	144,671	-
Total	\$ <u>351,771</u>	\$ <u>243,285</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, 2020.

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$	52,756
2021	\$	(120,195)
2022	\$	9,158
2023	\$	22,096
Thereafter	\$	-

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 2,917,227	\$ 2,030,484	\$ 1,285,289

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

PERS Disclosure for the defined contribution plan

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2018, 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 316 employers that have participants in the PERS-DCRP totaled \$746,144.

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

Sheriff's Retirement System

Summary of Significant Accounting Policies

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Plan Descriptions

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

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

Summary of Benefits

Service retirement:

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

Early retirement:

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

Second Retirement:

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2019	10.245%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County’s and the state of Montana’s NPL for June 30, 2020, and 2019, 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 \$528,573 and the County’s proportionate share was 0.6338 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 528,573	\$ 573,394	0.63380%	0.7628%	-0.1290%
Total	<u>\$ 528,573</u>	<u>\$ 573,394</u>	<u>0.6338%</u>	<u>0.7628%</u>	<u>-0.1290%</u>

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

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

Changes in proportionate share:

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$(2,928) for its proportionate share of the pension expense.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ (2,928)	\$ (23,636)
Total	\$ (2,928)	\$ (23,636)

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$68,243.

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, 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	\$ 34,046	\$ 639
Actual vs. Expected Investment Earnings	10,217	-
Changes in Assumptions	165,458	285,400
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	123,796
Employer contributions subsequent to the measurement date - FY20*	78,834	-
Total	\$ 288,555	\$ 409,835

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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

For the Measurement Year ended June 30:	Year	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$	(71,005)
2021	\$	(88,904)
2022	\$	(26,467)
2023	\$	(13,737)
Thereafter	\$	-

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2118. 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 (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 937,799	\$ 528,573	\$ 193,131

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 10. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

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

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

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ 159,031	Inventory
All Other Aggregate	<u>80,278</u>	Inventory
	<u>\$ 239,309</u>	

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 648,354	Road Repair, maintenance and supplies
Public Safety	879,083	Law Enforcement, emergency services, and supplies
All Other Aggregate	63,039	General Government administration and services
	501,331	Law Enforcement, emergency services, and supplies
	620,450	Road Repair, maintenance and supplies
	227,784	Public Health Services and Supplies
	149,990	Noxious Weed Management
	2,033	Culture and recreation
	166,442	Miscellaneous
	29,686	Airport operations
	<u>295,670</u>	Employer benefits
	<u>\$3,583,862</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Hospital Capital		
Improvements	\$ 949,721	Constructions and/or capital asset purchases
All Other Aggregate	<u>1,693,509</u>	Constructions and/or capital asset purchases
	<u>\$2,643,230</u>	

NOTE 12. 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 13. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 14. 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 provided to member counties to protect member employees from on-the-job injuries and occupational diseases.

NOTE 15. PENDING LITIGATION

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

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

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 16. SUBSEQUENT EVENTS

In response to the COVID-19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF). The State of Montana received \$1.25 billion from the Coronavirus Relief Fund. For the Town was eligible to receive assist through reimbursement request. The County received \$511,820 in Coronavirus Relief Funding, of which \$245,482 is related to fiscal year 2020. COVID-19 continues to impact local communities, and it is unknown the potential future impacts on the government.

In March 2021, Congress Passed the American Rescue Plan. This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, Pondera County is estimated to receive \$1,146,402. Initial eligible use of the funds includes investments in water, sewer or broadband infrastructure, premium pay to essential workers or providing grants to local employers for premium pay, respond to public health emergency with respect to COVID-19 or its negative economic impacts, and to backfill reduced or lost revenues.

The County obtained a \$315,000 Federal Aviation Administration grant to construct airport fuel system at the Conrad Airport. The grant portion will fund ninety percent of the project and the remaining ten percent being matched by the County. The County has contracted with Robert, Peccia, and Associates for design, engineering, and project management of the project. The bid for construction was awarded to NWestCo LLC. The total incurred through June 2020 on project was \$124,442 and \$112,381 being funded from the grant. Through the end of May 2021, the County had incurred an additional \$187,145 that mostly wrapped up the construction phase of the project. The FAA grant covered \$168,429 and was received in the subsequent months.

The County was awarded several grants to through the Montana Department of Administration (DOA) 9-1-1 Grant Program equal to \$250,000, \$262,500 and \$150,000. The grant awards will be used to replace the County's Centracomm Gold Elite console with new radio consoles, purchase Computer Aided Dispatch (CAD) equipment and new car radios, and purchase new hand-held equipment. As of May 2021, the County has completed the purchase of the replacement of the Centracomm Gold Elite Console and received \$250,000 from the state DOA. The County is in the planning processes of the remaining projects.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,016,144	\$ 1,016,144	\$ 1,007,984	\$ (8,160)
Licenses and permits	50	50	65	15
Intergovernmental	341,513	351,889	359,436	7,547
Charges for services	200,363	230,563	243,357	12,794
Fines and forfeitures	37,525	37,525	35,220	(2,305)
Miscellaneous	25,970	25,970	48,695	22,725
Investment earnings	30,040	30,040	57,097	27,057
Amounts available for appropriation	\$ 1,651,605	\$ 1,692,181	\$ 1,751,854	\$ 59,673
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,527,183	\$ 1,527,183	\$ 1,268,256	\$ 258,927
Public safety	97,238	97,238	64,902	32,336
Public health	198,712	223,962	192,289	31,673
Social and economic services	9,600	9,600	7,950	1,650
Culture and recreation	2,200	2,200	1,585	615
Debt service - principal	44,490	44,490	29,547	14,943
Debt service - interest	19,160	19,160	12,829	6,331
Miscellaneous	-	-	12,964	(12,964)
Total charges to appropriations	\$ 1,898,583	\$ 1,923,833	\$ 1,590,322	\$ 333,511
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,500	\$ 2,500
Transfers out	(94,213)	(94,213)	(81,250)	12,963
Total other financing sources (uses)	\$ (94,213)	\$ (94,213)	\$ (78,750)	\$ 15,463
Net change in fund balance			\$ 82,782	
Fund balance - beginning of the year			\$ 991,496	
Fund balance - end of the year			\$ 1,074,278	

Pondera County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 534,556	\$ 534,556	\$ 529,115	\$ (5,441)
Intergovernmental	263,702	263,702	255,328	(8,374)
Miscellaneous	1,600	1,600	3,301	1,701
Amounts available for appropriation	\$ 799,858	\$ 799,858	\$ 787,744	\$ (12,114)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 1,012,121	\$ 1,012,121	\$ 644,169	\$ 367,952
Debt service - principal	75,055	75,055	75,055	-
Debt service - interest	49,012	49,012	49,012	-
Total charges to appropriations	\$ 1,136,188	\$ 1,136,188	\$ 768,236	\$ 367,952
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 54,000	\$ 54,000	\$ 54,000	-
Transfers out	(86,750)	(85,966)	(85,966)	-
Total other financing sources (uses)	\$ (32,750)	\$ (31,966)	\$ (31,966)	-
Net change in fund balance			\$ (12,458)	
Fund balance - beginning of the year			\$ 819,843	
Fund balance - end of the year			\$ 807,385	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Public Safety					
	BUDGETED AMOUNTS		ACTUAL	VARIANCE	
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET	
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 855,345	\$ 855,345	\$ 857,307	\$	1,962
Licenses and permits	2,500	2,500	4,085	\$	1,585
Intergovernmental	138,266	138,266	133,796	\$	(4,470)
Charges for services	97,671	98,071	126,720	\$	28,649
Miscellaneous	2,000	2,000	1,061	\$	(939)
Amounts available for appropriation	\$ 1,095,782	\$ 1,096,182	\$ 1,122,969	\$	26,787
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Public safety	\$ 1,083,899	\$ 1,083,899	\$ 601,181	\$	482,718
Total charges to appropriations	\$ 1,083,899	\$ 1,083,899	\$ 601,181	\$	482,718
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ (72,500)	\$ (77,500)	\$ (77,500)	\$	-
Total other financing sources (uses)	\$ (72,500)	\$ (77,500)	\$ (77,500)	\$	-
Net change in fund balance			\$ 444,288		
Fund balance - beginning of the year			\$ 434,795		
Fund balance - end of the year			\$ 879,083		

Pondera County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	CARES Act Reimbursement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Intergovernmental	\$ -	\$ 380,000	\$ 245,482	\$ (134,518)
Amounts available for appropriation	\$ -	\$ 380,000	\$ 245,482	\$ (134,518)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ -	\$ -	\$ 245,482	\$ (245,482)
Public health	-	380,000	-	380,000
Total charges to appropriations	\$ -	\$ 380,000	\$ 245,482	\$ 134,518
Net change in fund balance			\$ -	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			\$ -	

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

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>CARES Act Reimbursement</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,751,854	\$ 787,744	\$ 1,122,969	\$ 245,482
Combined funds (GASBS 54) revenues	<u>254,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 2,006,386</u>	<u>\$ 787,744</u>	<u>\$ 1,122,969</u>	<u>\$ 245,482</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,590,322	\$ 768,236	\$ 601,181	\$ 245,482
Combined funds (GASBS 54) expenditures	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,590,447</u>	<u>\$ 768,236</u>	<u>\$ 601,181</u>	<u>\$ 245,482</u>

Pondera County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2020

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

	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.097138%	0.094156%	0.118508%	0.113930%	0.108123%	0.111317%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,030,484	\$ 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	\$ 658,932	\$ 655,744	\$ 28,996	\$ 23,712	\$ 18,565	\$ 16,938
Total	<u>\$ 2,689,416</u>	<u>\$ 2,620,917</u>	<u>\$ 2,337,083</u>	<u>\$ 1,964,333</u>	<u>\$ 1,529,990</u>	<u>\$ 1,403,961</u>
Employer's covered payroll	<u>\$ 1,602,826</u>	<u>\$ 1,548,446</u>	<u>\$ 1,467,442</u>	<u>\$ 1,364,681</u>	<u>\$ 1,261,821</u>	<u>\$ 1,269,671</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.68%	126.91%	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	0.6338%	0.7628%	0.8229%	0.7731%	0.7653%	0.7873%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 528,573	\$ 573,394	\$ 626,228	\$ 1,358,212	\$ 737,728	\$ 327,652
Total	<u>\$ 528,573</u>	<u>\$ 573,394</u>	<u>\$ 626,228</u>	<u>\$ 1,358,212</u>	<u>\$ 737,728</u>	<u>\$ 327,652</u>
Employer's covered payroll	<u>\$ 538,440</u>	<u>\$ 591,820</u>	<u>\$ 614,322</u>	<u>\$ 545,775</u>	<u>\$ 520,743</u>	<u>\$ 509,169</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	98.17%	96.89%	101.94%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	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, 2020

	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 144,671	\$ 137,848	\$ 131,154	\$ 123,049	\$ 114,068	\$ 103,979
Contributions in relation to the contractually required contributions	\$ 144,671	\$ 137,848	\$ 131,154	\$ 123,049	\$ 116,172	\$ 108,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,649,612	\$ 1,602,826	\$ 1,548,446	\$ 1,467,442	\$ 1,364,681	\$ 1,261,821
Contributions as a percentage of covered payroll	8.77%	8.60%	8.47%	8.39%	8.51%	8.62%

	<u>SRS</u> <u>2020</u>	<u>SRS</u> <u>2019</u>	<u>SRS</u> <u>2018</u>	<u>SRS</u> <u>2017</u>	<u>SRS</u> <u>2016</u>	<u>SRS</u> <u>2015</u>
Contractually required contributions	\$ 78,834	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contributions in relation to the contractually required contributions	\$ 78,834	\$ 67,009	\$ 79,071	\$ 62,280	\$ 56,567	\$ 52,824
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 601,098	\$ 538,440	\$ 591,820	\$ 614,322	\$ 545,775	\$ 520,743
Contributions as a percentage of covered payroll	13.12%	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, 2020

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, 2020

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

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

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

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

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

2015 Legislative Changes

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

Pondera County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

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

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

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

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

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

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

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

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

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

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

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

Board of Commissioners
Pondera County
Conrad, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 7, 2021.

Internal Control Over Financial Reporting

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

June 7, 2021