FERGUS COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

AUDIT REPORT

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

FERGUS COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

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FERGUS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2019

BOARD OF COUNTY COMMISSIONERS

Ross Butcher	Chairperson
Sandra Youngbauer	Commissioner
Carl Seilstad	Commissioner

COUNTY OFFICIALS

Kent Sipe	County Attorney
Gwen Gehlen	Treasurer
Rana Wichman	Clerk and Recorder
Phyllis Smith	Clerk of District Clerk
Kelly Mantooth	Justice of the Peace
Rhonda Long	School Superintendent
Richard Vaugh	Sheriff/Coroner
Neal Tucek	Finance Director

Our discussion and analysis of the County's financial performance provides an overview of the government's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

- Net position at the close of fiscal year 2019 was $19,183,693. Of this amount, $14,567,786 was invested in capital assets, net of related debt.
- Total net position increased by $2,279,145 as a result of this year's operations.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government – wide financial statements. One of the most important questions asked about the government's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and changes in it. You can think of net position – the difference between assets and deferred outflows and liabilities and deferred inflows-as one way to measure the government's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities – Basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities – Fees charged to customers to help it cover all or most of the cost of certain services it provides. The Hospital and Airport funds are reported here.

Fund financial statements – The fund financial statements provide detailed information about the most significant funds-not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for certain taxes, grants and other money. We utilize the following funds:

Governmental funds-Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which means cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Position and the Statement of Activities) and government funds in reconciliations.

Proprietary funds-Fees are charged to customers for the services provided-whether to outside customers or to other units of the government-these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds-Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the same basis of accounting as proprietary funds. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position at the close of fiscal year 2019 was $19,183,693. Of this amount, $14,567,786 was invested in capital assets, net of related debt. Restricted net position for the governmental activities is subject to external resources on how they are used. There is not currently any business-type activities restricted net position.

The county's total net position increased by $2,279,145. The increase in net position can be attributed to the net effect of various capital asset transactions, capital grants and conservative spending.

Table 1 - Net Position

	Governmental Activities FY19	Governmental Activities FY18	Change Inc (Dec)	Business-type Activities FY19	Business-type Activities FY18	Change Inc (Dec)
Current and other assets	$ 10,906,263	$ 10,472,232	$ 434,031	$ 229,528	$ 27,439	$ 202,089
Capital assets	12,128,578	12,172,518	(43,940)	4,358,361	3,138,063	1,220,298
Total assets	$ 23,034,841	$ 22,644,750	$ 390,091	$ 4,587,889	$ 3,165,502	$ 1,422,387
Long-term debt outstanding	$ 2,442,267	$ 2,803,186	$ (360,919)	$ 129,452	$ 66,879	$ 62,573
Other liabilities	5,744,356	5,908,697	(164,341)	122,962	126,942	(3,980)
Total liabilities	$ 8,186,623	$ 8,711,883	$ (525,260)	$ 252,414	$ 193,821	$ 58,593
Net investment in capital assets	$ 10,309,423	$ 10,032,492	$ 276,931	$ 4,258,363	$ 3,098,330	$ 1,160,033
Restricted	4,573,037	4,429,951	143,086	-	-	-
Unrestricted (deficit)	(34,242)	(529,576)	495,334	77,112	(126,649)	203,761
Total net position	$ 14,848,218	$ 13,932,867	$ 915,351	$ 4,335,475	$ 2,971,681	$ 1,363,794

Table 2 - Changes in Net Position

	Governmental Activities FY19	Governmental Activities FY18	Change Inc (Dec)	Business-type Activities FY19	Business-type Activities FY18	Change Inc (Dec)
Revenues						
Program revenues (by major source):						
Charges for services	$ 1,668,707	$ 1,735,525	$ (66,818)	$ 267,474	$ 277,573	$ (10,099)
Operating grants and contributions	944,027	944,009	18	-	-	-
Capital grants and contributions	165,000	36,279	128,721	1,381,168	-	1,381,168
General revenues (by major source):						
Property taxes for general purposes	5,809,991	5,363,856	446,135	-	-	-
Licenses and permits	600	3,300	(2,700)	-	-	-
Video poker apportionment	925	-	925	-	-	-
Miscellaneous	50,758	97,690	(46,932)	13,870	-	13,870
Interest/investment earnings	200,879	(2,390)	203,269	6,296	-	6,296
Local option taxes	484,947	481,634	3,313	-	-	-
Unrestricted federal/state shared revenues	143,832	66,854	76,978	-	-	-
Montana oil and gas production tax	39	146	(107)	-	-	-
State entitlement	600,979	592,413	8,566	-	-	-
PILT	1,120,104	1,287,181	(167,077)	-	-	-
Entitlement levy	289,858	272,640	17,218	-	-	-
Contributions & donations	-	154,000	(154,000)	-	-	-
State Aid - Pension	68,895	58,080	10,815	2,131	1,796	335
Total revenues	$ 11,549,541	$ 11,091,217	$ 458,324	$ 1,670,939	$ 279,369	$ 1,391,570
Program expenses						
General government	$ 2,825,028	$ 3,189,294	$ (364,266)	$ -	$ -	$ -
Public safety	2,073,764	2,183,871	(110,107)	-	-	-
Public works	3,204,999	2,563,788	641,211	-	-	-
Public health	1,095,218	1,090,818	4,400	-	-	-
Social and economic services	230,741	245,113	(14,372)	-	-	-
Culture and recreation	675,389	707,084	(31,695)	-	-	-
Housing and community development	181,867	10,375	171,492	-	-	-
Debt service - interest	59,976	70,710	(10,734)	-	-	-
Miscellaneous	75,000	-	75,000	-	-	-
Airport	-	-	-	519,353	522,927	(3,574)
Total expenses	$ 10,421,982	$ 10,061,053	$ 360,929	$ 519,353	$ 522,927	$ (3,574)
Excess (deficiency) before special items and transfers	$ 1,127,559	$ 1,030,164	$ 97,395	$ 1,151,586	$ (243,558)	$ 1,395,144
Gain (loss) on sale of capital assets	-	-	-	-	(6)	6
Transfers - net	-	(39,010)	39,010	-	39,010	(39,010)
Increase (decrease) in net position	$ 1,127,559	$ 991,154	$ 136,405	$ 1,151,586	$ (204,554)	$ 1,356,140

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet the test. The General fund is always reported as a major fund.

Total assets, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total for all funds of that category or type (that is, total governmental o total enterprise funds).
The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

General Fund – The general fund is the County's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund. At the end of the fiscal year, unassigned fund balance was $2,992,849. Overall fund balance decreased by $50,191 mainly due to an increase in wages.

Road Fund – The road fund accounts for resources accumulated and payments made for the maintenance, repair and construction of county-owned roads. At the end of fiscal year 2019, the fund balance of the road fund was $640,123, a decrease in $271,963 mainly due to a harsh winter causing overtime and extra fuel costs and maintenance on vehicles and the increase in wages and the payoff of an intercap loan.

Public Safety – The public safety fund accounts for law enforcement and prisoner incarceration within Fergus County. This is the fourth year that public safety was reported outside of the general fund in Fergus County. The ending fund balance was $466,886, an increase of $32,157 mainly due to conservative spending.

Airport Fund – Net position increased by $1,3,63,794. The increase is mainly due to a Federal FAA Grant to refurbish a runway.

GENERAL FUND ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

There were no significant general fund budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Fergus County's net investment in capital assets, as of June 30, 2019, was $14,567,786. Invested in capital assets includes property, buildings, improvements, machinery, equipment and infrastructure (i.e. roads, bridges, etc.). For more information related to capital assets, see the notes to the basic financial statements.

Compensated absences are a liability of the County for unpaid vacation leave, sick leave, and compensatory time. The liability typically increases on an annual basis as a result of increasing wages and a general growth in the number of total compensable hours. Other debt outstanding consists of bonds and notes payable, with various maturities and the net pension liability.

THE GOVERNMENT'S FUTURE

Fergus County has worked through many issues over the past few years, and is seeing many positive and progressive changes. The following factors were considered when preparing the Fergus County Budgets for FY2020:

- Utility and fuel costs are always a concern and continue to be unpredictable.
- Trying to keep a living wage for County employees is something that is looked at each year. Fergus County is typically not competitive with its wages so we end up training employees and then watch them move on to higher paying jobs. The Fergus County Community Council, an advisory group to the Commissioners advised an increase last year and will continue to be asked to advise the Commissioners on this area.
- Continuing on a rotation schedule with replacement of large equipment for the road and bridge departments is essential.
- Continuing on a rotation schedule with replacement of Sheriff's department patrol vehicles is essential.
- Concern over the possible discontinuance of PILT and SRS monies forces us to look into the future years for funding options.
- Technology is expensive and it is essential that the County keep up with the needed information and equipment. This effects all departments.
- An upgrade in election equipment is expected in FY1920. The new equipment consists of a new tabulator and 8 new voting machines. A grant will be sought after to offset some costs.
- Upgrading County shops is always an issue. We continue to look at new locations to upgrade and build out District County Shops.
- Health insurance is always a major concern for Fergus County.
- The workforce in Fergus County is an ongoing concern.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Fergus County
Lewistown, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fergus County, Montana, as of and for the year ended June 30, 2019, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fergus County, Montana, as of and for the year ended June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 1 to the financial statements, in 2019, the County has changed their method of reporting the claims and payroll clearing funds. In past years, these clearing funds were reported as Agency Funds. In accordance with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* the clearing funds are now combined with the County General Fund. 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, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 6, and 62 through 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 20, 2020, on our consideration of the Fergus County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fergus County, Montana's internal control over financial reporting and compliance.

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

March 20, 2020

Fergus County, Montana
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 8,781,500	$ 207,653	$ 8,989,153
Taxes and assessments receivable, net	143,639	-	143,639
Accounts receivable - net	24,011	-	24,011
Due from other governments	118,057	-	118,057
Inventories	398,090	-	398,090
Total current assets	$ 9,465,297	$ 207,653	$ 9,672,950
Noncurrent assets			
Restricted cash and investments	$ 151,532	$ -	$ 151,532
Capital assets - land	250,821	293,237	544,058
Capital assets - construction in progress	12,000	1,369,763	1,381,763
Capital assets - depreciable, net	11,865,757	2,695,361	14,561,118
Total noncurrent assets	$ 12,280,110	$ 4,358,361	$ 16,638,471
Total assets	$ 21,745,407	$ 4,566,014	$ 26,311,421
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	$ 1,289,434	$ 21,875	$ 1,311,309
Total deferred outflows of resources	$ 1,289,434	$ 21,875	$ 1,311,309
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 23,034,841	$ 4,587,889	$ 27,622,730
LIABILITIES			
Current liabilities			
Warrants payable	$ 180,303	$ -	$ 180,303
Accrued payables	62,998	1,234	64,232
Accrued payroll	237,973	6,358	244,331
Other payroll liabilities	130,722	-	130,722
Current portion of long-term capital liabilities	97,529	17,740	115,269
Current portion of compensated absences payable	330,263	16,116	346,379
Total current liabilities	$ 1,039,788	$ 41,448	$ 1,081,236
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	$ 179,745	$ 5,007	$ 184,752
Noncurrent portion of long-term capital liabilities	1,721,626	82,258	1,803,884
Noncurrent portion of compensated absences	113,104	8,331	121,435
Net pension liability	3,787,243	95,185	3,882,428
Total noncurrent liabilities	$ 5,801,718	$ 190,781	$ 5,992,499
Total liabilities	$ 6,841,506	$ 232,229	$ 7,073,735
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	$ 1,345,117	$ 20,185	$ 1,365,302
Total deferred inflows of resources	$ 1,345,117	$ 20,185	$ 1,365,302
NET POSITION			
Net investment in capital assets	$ 10,309,423	$ 4,258,363	$ 14,567,786
Restricted for debt service	186,096	-	186,096
Restricted for special projects	4,386,941	-	4,386,941
Unrestricted	(34,242)	77,112	42,870
Total net position	$ 14,848,218	$ 4,335,475	$ 19,183,693
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 23,034,841	$ 4,587,889	$ 27,622,730

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:							
Governmental activities:							
General government	$ 2,825,028	$ 388,359	$ 35,342	$ -	$ (2,401,327)	$ -	$ (2,401,327)
Public safety	2,073,764	163,138	93,648	-	(1,816,978)	-	(1,816,978)
Public works	3,204,999	327,815	240,315	165,000	(2,471,869)	-	(2,471,869)
Public health	1,095,218	357,222	574,722	-	(163,274)	-	(163,274)
Social and economic services	230,741	2,000	-	-	(228,741)	-	(228,741)
Culture and recreation	675,389	428,192	-	-	(247,197)	-	(247,197)
Housing and community development	181,867	1,981	-	-	(179,886)	-	(179,886)
Debt service - interest	59,976	-	-	-	(59,976)	-	(59,976)
Miscellaneous	75,000	-	-	-	(75,000)	-	(75,000)
Total governmental activities	$ 10,421,982	$ 1,668,707	$ 944,027	$ 165,000	$ (7,644,248)	$ -	$ (7,644,248)
Business-type activities:							
Airport	$ 519,353	$ 267,474	$ -	$ 1,381,168	$ -	$ 1,129,289	$ 1,129,289
Total business-type activities	$ 519,353	$ 267,474	$ -	$ 1,381,168	$ -	$ 1,129,289	$ 1,129,289
Total primary government	$ 10,941,335	$ 1,936,181	$ 944,027	$ 1,546,168	$ (7,644,248)	$ 1,129,289	$ (6,514,959)
General Revenues:							
Property taxes for general purposes					$ 5,809,991	$ -	$ 5,809,991
Licenses and permits					600	-	600
Video poker apportionment					925	-	925
Miscellaneous					50,758	13,870	64,628
Interest/investment earnings					200,879	6,296	207,175
Local option taxes					484,947	-	484,947
Unrestricted federal/state shared revenues					143,832	-	143,832
Montana oil and gas production tax					39	-	39
State entitlement					600,979	-	600,979
PILT					1,120,104	-	1,120,104
Entitlement levy					289,858	-	289,858
State Aid - Pension					68,895	2,131	71,026
Total general revenues, special items and transfers					$ 8,771,807	$ 22,297	$ 8,794,104
Change in net position					$ 1,127,559	$ 1,151,586	$ 2,279,145
Net position - beginning					$ 13,932,867	$ 2,971,681	$ 16,904,548
Restatements					(212,208)	212,208	-
Net position - beginning - restated					$ 13,720,659	$ 3,183,889	$ 16,904,548
Net position - end					$ 14,848,218	$ 4,335,475	$ 19,183,693

See accompanying Notes to the Financial Statements

Fergus County, Montana
Balance Sheet
Governmental Funds
June 30, 2019

	General	Road	Public Safety	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and investments	$ 3,291,945	$ 555,216	$ 532,832	$ 4,401,507	$ 8,781,500
Taxes and assessments receivable, net	27,709	17,746	28,791	69,393	143,639
Accounts receivable - net	6,307	-	-	17,704	24,011
Due from other funds	32,445	-	-	-	32,445
Due from other governments	18,031	-	-	100,026	118,057
Inventories	36,927	132,324	-	228,839	398,090
Total current assets	$ 3,413,364	$ 705,286	$ 561,623	$ 4,817,469	$ 9,497,742
Noncurrent assets:					
Restricted cash and investments	$ -	$ -	$ -	$ 151,532	$ 151,532
Advances to other funds	-	-	-	54,590	54,590
Total noncurrent assets	$ -	$ -	$ -	$ 206,122	$ 206,122
TOTAL ASSETS	$ 3,413,364	$ 705,286	$ 561,623	$ 5,023,591	$ 9,703,864
LIABILITIES					
Current liabilities:					
Warrants payable	$ 180,303	$ -	$ -	$ -	$ 180,303
Accrued payables	5,693	10,413	5,000	41,892	62,998
Accrued payroll	76,088	37,004	60,946	63,935	237,973
Due to other funds	-	-	-	32,445	32,445
Other payroll liabilities	130,722	-	-	-	130,722
Total current liabilities	$ 392,806	$ 47,417	$ 65,946	$ 138,272	$ 644,441
Noncurrent liabilities:					
Advances payable	$ -	$ -	$ -	$ 54,590	$ 54,590
Total noncurrent liabilities	$ -	$ -	$ -	$ 54,590	$ 54,590
Total liabilities	$ 392,806	$ 47,417	$ 65,946	$ 192,862	$ 699,031
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	$ 27,709	$ 17,746	$ 28,791	$ 69,393	$ 143,639
Total deferred inflows of resources	$ 27,709	$ 17,746	$ 28,791	$ 69,393	$ 143,639
FUND BALANCES					
Nonspendable	$ 36,927	$ 132,324	$ -	$ 228,839	$ 398,090
Restricted	-	507,799	466,886	3,121,945	4,096,630
Committed	-	-	-	1,476,323	1,476,323
Unassigned fund balance	2,955,922	-	-	(65,771)	2,890,151
Total fund balance	$ 2,992,849	$ 640,123	$ 466,886	$ 4,761,336	$ 8,861,194
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 3,413,364	$ 705,286	$ 561,623	$ 5,023,591	$ 9,703,864

See accompanying Notes to the Financial Statements

Fergus County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2019

Total fund balances - governmental funds	$	8,861,194
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,128,578
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.		143,639
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,442,267)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(3,787,243)
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.		1,289,434
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.		(1,345,117)
Total net position - governmental activities	**$**	14,848,218

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Road	Public Safety	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	$ 1,433,841	$ 904,472	$ 1,495,989	$ 2,772,961	$ 6,607,263
Licenses and permits	600	-	-	23,250	23,850
Intergovernmental	317,314	287,342	614	2,403,587	3,008,857
Charges for services	357,388	71,747	137,057	738,817	1,305,009
Fines and forfeitures	85,213	-	-	11,861	97,074
Miscellaneous	12,272	-	-	245,930	258,202
Investment earnings	164,837	49	61	35,934	200,881
Total revenues	$ 2,371,465	$ 1,263,610	$ 1,633,721	$ 6,232,340	$ 11,501,136
EXPENDITURES					
General government	$ 2,066,995	$ -	$ -	$ 792,047	$ 2,859,042
Public safety	112,241	-	1,848,369	127,657	2,088,267
Public works	-	1,663,935	-	1,129,984	2,793,919
Public health	271,533	-	-	820,129	1,091,662
Social and economic services	8,250	-	-	214,833	223,083
Culture and recreation	-	-	-	546,535	546,535
Housing and community development	58,638	-	-	123,229	181,867
Debt service - principal	-	220,292	5,770	94,809	320,871
Debt service - interest	-	3,156	98	56,722	59,976
Miscellaneous	75,000	-	-	-	75,000
Capital outlay	22,589	8,251	82,677	564,383	677,900
Total expenditures	$ 2,615,246	$ 1,895,634	$ 1,936,914	$ 4,470,328	$ 10,918,122
Excess (deficiency) of revenues over expenditures	$ (243,781)	$ (632,024)	$ (303,193)	$ 1,762,012	$ 583,014
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 448,130	$ 360,061	$ 335,350	$ 478,746	$ 1,622,287
Transfers out	(254,540)	-	-	(1,367,747)	(1,622,287)
Total other financing sources (uses)	$ 193,590	$ 360,061	$ 335,350	$ (889,001)	$ -
Net Change in Fund Balance	$ (50,191)	$ (271,963)	$ 32,157	$ 873,011	$ 583,014
Fund balances - beginning	$ 3,043,040	$ 912,086	$ 434,729	$ 4,100,533	$ 8,490,388
Restatements	-	-	-	(212,208)	(212,208)
Fund balances - beginning, restated	$ 3,043,040	$ 912,086	$ 434,729	$ 3,888,325	$ 8,278,180
Fund balance - ending	$ 2,992,849	$ 640,123	$ 466,886	$ 4,761,336	$ 8,861,194

See accompanying Notes to the Financial Statements

Fergus 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, 2019

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

Net change in fund balances - total governmental funds	$	583,014
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		677,900
- Depreciation expense		(721,840)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred revenue)		(20,490)
The change in compensated absences is shown as an expense in the Statement of Activities		58,286
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		320,871
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		(18,238)
Pension expense related to the net pension liablity is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(133,190)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		68,895
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.		312,351
Change in net position - Statement of Activities	$	1,127,559

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2019

		Business-Type Activities - Enterprise Funds
		Airport
ASSETS		
Current assets:		
Cash and investments	$	207,653
Total current assets	$	207,653
Noncurrent assets:		
Capital assets - land	$	293,237
Capital assets - construction in progress		1,369,763
Capital assets - depreciable, net		2,695,361
Total noncurrent assets	$	4,358,361
Total assets	$	4,566,014
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	$	21,875
Total deferred outflows of resources	$	21,875
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	4,587,889
LIABILITIES		
Current liabilities:		
Accrued payables	$	1,234
Accrued payroll		6,358
Current portion of long-term capital liabilities		17,740
Current portion of compensated absences payable		16,116
Total current liabilities	$	41,448
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities	$	5,007
Noncurrent portion of long-term capital liabilities		82,258
Noncurrent portion of compensated absences		8,331
Net pension liability		95,185
Total noncurrent liabilities	$	190,781
Total liabilities	$	232,229
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	$	20,185
Total deferred inflows of resources	$	20,185
NET POSITION		
Net investment in capital assets	$	4,258,363
Unrestricted		77,112
Total net position	$	4,335,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	4,587,889

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

		Business-Type Activities - Enterprise Funds
		Airport
OPERATING REVENUES		
Charges for services	$	267,474
Miscellaneous revenues		13,870
Total operating revenues	$	281,344
OPERATING EXPENSES		
Personal services	$	160,654
Supplies		15,781
Purchased services		77,995
Fixed charges		7,095
Depreciation		256,365
Total operating expenses	$	517,890
Operating income (loss)	$	(236,546)
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	$	1,276,399
Interest revenue		6,296
Capital contributions		106,900
Debt service interest expense		(1,463)
Total non-operating revenues (expenses)	$	1,388,132
Change in net position	$	1,151,586
Net Position - Beginning of the year	$	2,971,681
Restatements		212,208
Net Position - Beginning of the year - Restated	$	3,183,889
Net Position - End of the year	$	4,335,475

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2019

		Business - Type Activities - Enterprise Funds
		Airport
Cash flows from operating activities:		
Cash received from providing services	$	267,474
Cash received from miscellaneous sources		13,870
Cash payments to suppliers		(20,597)
Cash payments for professional services		(85,090)
Cash payments to employees		(153,549)
Net cash provided (used) by operating activities	$	22,108
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	$	(1,369,763)
Grants received from federal government		1,276,399
Principal paid on debt		(17,553)
Interest paid on debt		(1,463)
Proceeds from bonds, loans and advances		77,818
Net cash provided (used) by capital and related financing activities	$	(34,562)
Cash flows from investing activities:		
Interest on investments	$	6,296
Net cash provided (used) by investing activities	$	6,296
Net increase (decrease) in cash and cash equivalents	$	(6,158)
Cash and cash equivalents at beginning		1,603
Restatements - Includes beginning restricted cash		212,208
Cash and cash equivalents at end	$	207,653
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(236,546)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		256,365
Changes in assets and liabilities:		
Change in accounts payable		(4,816)
Change in accrued payroll		6,358
Change in deferred outflows		3,961
Change in deferred inflows		18,689
Change in compensated absences		1,800
Change in other post employment benefits		508
Change in net pension liability		(24,211)
Net cash provided (used) by operating activities	$	22,108

See accompanying notes to the financial statements

Fergus County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2019

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	$ 15,446,340	$ 279,483
Taxes receivable	-	540,145
Total assets	$ 15,446,340	$ 819,628
LIABILITIES		
Due to others	-	819,628
Total liabilities	$ -	$ 819,628
NET POSITION		
Assets held in trust	$ 15,446,340	

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

		Investment Trust Funds
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	$	12,367,071
Total contributions	$	12,367,071
Investment earnings:		
Interest and change in fair value of investments	$	355,671
Total investment earnings	$	355,671
Total additions	$	12,722,742
DEDUCTIONS		
Distributions from investment trust fund	$	11,967,548
Total deductions	$	11,967,548
Change in net position	$	755,194
Net Position - Beginning of the year	$	14,691,146
Net Position - End of the year	$	15,446,340

See accompanying Notes to the Financial Statements

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. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the County, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as financed purchased of an asset, or accounts payable. In addition, the Statement requires that the County disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The County has implemented this pronouncement current fiscal year and is related in the debt footnotes below if applicable.

Change in Accounting Principle

Beginning in fiscal year 2019, the County changed the method of reporting its clearing funds, claims and payroll clearing. Previously, these funds were reported as agency funds, but it was determined in the current year that these funds did not meet the definition of an agency fund as outlined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* as the resources are not being held by the County in a custodial capacity. As explained further in the major fund descriptions, these funds were combined with the General Funds of the County for reporting purposes.

Financial Reporting Entity

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

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation
The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the County except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

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 except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

<u>Modified Accrual</u>
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 is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is upon receipt.

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

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

<u>Major Funds:</u>
The County reports the following major governmental funds:

> *General Fund* - This is the County's primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds. The fund also reports the outstanding warrants of the County that are tracked in clearing funds. These funds have been combined with the General fund for reporting purposes as stated above.
>
> *Road Fund* – A special revenue fund accounting for resources accumulated from property taxes and state entitlement and payment made for the maintenance, repair and construction of county-owned roads.

Public Safety Fund – A special revenue fund accounting for resources from property taxes, statement entitlement and charges for services and payment made for providing law enforcement and public safety services.

***Proprietary Funds*:**
All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:
The County reports the following major proprietary funds:

Airport Fund – An enterprise fund that accounts for the activities of the County’s airport services.

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 consist 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, 2019, are as follows:

		Primary Government
Cash on hand and deposits:		
Cash on hand		
Petty Cash	$	2,254
Cash in banks:		
Demand deposits		311,676
Savings deposits		33,817
Time deposits		118,535
Investments:		
State Short-Term Investment Pool (STIP)		100,000
U.S. Government Securities		14,983,765
Repurchase agreements		9,316,461
Total	$	24,866,508

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 time deposits, STIP, U.S. Government Securities and repurchase agreements and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

Fair Value Measurements

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

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

(a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.

(b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.

(c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

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

Repurchase Agreements

An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

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 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 authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

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, 2019, (in thousands):

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 129,877	A-1+	20
Agency or Government Related	873,181	A-1+	69
Corporate:			
Commercial Paper	200,145	A-1+	16
Notes	448,909	A-1+	61
Certificates of Deposit	325,235	A-1+	45
Total Investments	$ 1,977,347		

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, 2019 the government's bank balance was exposed to custodial credit risk as follows:

Depository Account	June 30, 2019 Balance
Insured	$ 345,773
Total deposits and investments	$ 345,773

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, 2019, equaled or exceeded the amount required by State statutes.

Concentration of Credit Risk:
The government places no limit on the amount the entity may invest in any one issuer. The government's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

	% of credit risk
Repurchase agreements	37%

Interest Rate Risk
The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2019 alone with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
Federal Home Loan Mtg Corp	1.500%	7/26/2019	$ 499,730
Federal Home Loan Bank Bond	1.900%	1/10/2020	999,200
Federal Home Loan Mtg Corp	1.375%	5/28/2020	497,215
Federal Natl Mtg Assn Note	1.750%	6/29/2020	999,180
Federal Home Loan Mtg Corp	1.500%	8/25/2020	1,998,060
Federal Home Loan Mtg Corp	1.750%	9/29/2020	498,585
Federal Home Loan Bank Bond	1.500%	10/27/2020	499,400
Federal Home Loan Bank Bond	2.100%	12/29/2020	1,000,390
Federal Home Loan Mtg Corp	2.550%	4/29/2021	500,180
Federal Home Loan Mtg Corp	1.500%	5/7/2021	993,520
Federal Home Loan Bank Bond	1.850%	7/6/2021	499,685
Federal Natl Mtg Assn Note	1.500%	7/26/2021	497,395
Federal Home Loan Mtg Corp	2.610%	9/27/2021	500,675
Federal Home Loan Mtg Corp	2.000%	10/28/2021	1,000,180
Federal Home Loan Mtg Corp	2.250%	12/28/2021	1,000,200
Federal Home Loan Mtg Corp	2.250%	12/29/2021	500,400
Federal Farm Credit Bank Bond	2.280%	6/27/2022	499,830
Federal Home Loan Mtg Corp	2.000%	8/17/2022	500,240
Federal Home Loan Bank Bond	2.500%	9/27/2022	500,490
Federal Home Loan Mtg Corp	2.700%	10/25/2022	500,895
Federal Home Loan Mtg Corp	2.350%	6/26/2023	498,315
Repurchase Agreement	varies	N/A	9,316,461
STIP	varies	N/A	100,000
Total			$ 24,400,226

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

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

The County has two pooled investment trust funds, one is invested in STIP and the other is invested in U.S. Government Securities. The County invests funds for external entities. These investments are reported in an individually directed investment trust fund as described above.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2019 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, 2019.

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, 2019.

Statement of Net Position

Net position held in trust for all pool participants:		
Equity of internal pool participants	$	9,072,421
Equity of external pool participants		15,446,340
Total equity	$	24,518,761

Condensed Statement of Changes in Net Position		External		Internal
Investment earnings	$	355,671	$	208,904
Contributions to trust		12,367,071		7,172,591
Distributions paid		(11,967,548)		(7,184,456)
Net change in net position	$	755,194	$	197,039
Net position at beginning of year		14,691,146		8,875,382
Net position at end of year	$	15,446,340	$	9,072,421

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2019. These amounts are reported within the cash/investment account on the Statement of Net Position.

Fund	Description	Amount
Fair Water and Sewer	Fair Water and Sewer Revenue Bond Debt Service Reserve	$ 151,532

NOTE 4. RECEIVABLES

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

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

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

NOTE 5. INVENTORIES AND PREPAIDS

The cost of inventories are recorded as an expenditure when consumed, rather than purchased and valued at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fiduciary financial statements.

NOTE 6. 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 and Improvements	10 – 100 years
Infrastructure	100 years
Machinery and Equipment	5 – 25 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 2019 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance July 1, 2018	Additions	Disposals	Restatements	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 250,821	$ -	$ -	$ -	$ 250,821
Construction in progress	172,770	19,141	-	(179,911)	12,000
Total capital assets not being depreciated	$ 423,591	$ 19,141	$ -	$ (179,911)	$ 262,821
Other capital assets:					
Buildings	$ 7,855,684	$ 117,350	$ -	$ 128,980	$ 8,102,014
Machinery and equipment	7,772,673	555,002	(102,354)	-	8,225,321
Infrastructure	4,151,649	-	-	50,931	4,202,580
Total other capital assets at historical cost	$ 19,780,006	$ 672,352	$ (102,354)	$ 179,911	$ 20,529,915
Less: accumulated depreciation	$ (8,031,079)	$ (721,840)	$ 88,761	$ -	$ (8,664,158)
Total	$ 12,172,518	$ (30,347)	$ (13,593)	$ -	$ 12,128,578

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	$ 44,634
Public safety	126,058
Public works	411,080
Public health	3,556
Social and economic services	7,658
Culture and recreation	128,854
Total governmental activities depreciation expense	$ 721,840

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance July 1, 2018	Additions	Balance June 30, 2019
Capital assets not being depreciated:			
Land	$ 293,237	$ -	$ 293,237
Construction in progress	-	1,369,763	1,369,763
Total capital assets not being depreciated	$ 293,237	$ 1,369,763	$ 1,663,000
Other capital assets:			
Buildings	$ 706,085	$ -	$ 706,085
Improvements other than buildings	8,193,816	-	8,193,816
Machinery and equipment	541,480	106,900	648,380
Total other capital assets at historical cost	$ 9,441,381	$ 106,900	$ 9,548,281
Less: accumulated depreciation	$ (6,596,555)	$ (256,365)	$ (6,852,920)
Total	$ 3,138,063	$ 1,220,298	$ 4,358,361

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Revenue bonds	$ 1,913,964	$ -	$ (94,809)	$ 1,819,155	$ 97,529
Contracted debt	5,770	-	(5,770)	-	-
Compensated absences	501,653	-	(58,286)	443,367	330,263
Intercap loans	220,292	-	(220,292)	-	-
Net pension liability*	4,622,739	-	(835,496)	3,787,243	-
Other post-employment benfits**	161,507	18,238		179,745	-
Total	$ 7,425,925	$ 18,238	$ (1,214,653)	$ 6,229,510	$ 427,792

*See Note 11
**See Note 9

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Contracted debt	$ -	$ 77,818	$ (7,782)	$ 70,036	$ 7,782
Compensated absences	22,647	1,800	-	24,447	16,116
Intercap loans	39,733	-	(9,771)	29,962	9,958
Net pension liability*	119,396	-	(24,211)	95,185	-
Other post-employment benfits**	4,499	508	-	5,007	-
Total	$ 186,275	$ 80,126	$ (41,764)	$ 224,637	$ 33,856

*See Note 11
**See Note 9

Revenue Bonds - The County also issues bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding, at year-end were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2019
Water & sewer improvements-fairgrounds(1)	11/6/14	3.00%	20 yrs	7/1/34	$ 2,293,318	$ 151,532	$ 1,819,155

(1) Reported in the governmental activities.

Revenue bond resolutions include various restrictive covenants. The more significant covenants are summarized in detail below:

The County is to maintain the amounts necessary to pay principal and interest on the next payment due on the bonds, to be depleted annually. The County may retain an amount equal to the greater of the earnings on the Revenue Bond for the prior bond year or 1/12 of the prior year's debt service on the bonds.
The County made the July 1, 2019 payment on June 14, 2019; therefore there is no requirement for a reserve for the debt service account.

The County is to maintain a revenue bond reserve account to be funded by excess funds from the revenue bond debt service account not to exceed the reserve requirement. The reserve requirement is equal to the maximum annual principal and interest payable on the bond. The annual payment is $151,532 and the County reserve was $151,532.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2020	$ 97,529	$ 54,003
2021	100,623	50,909
2022	103,664	47,868
2023	106,797	44,735
2024	109,914	41,618
2025	113,347	38,185
2026	116,773	34,759
2027	120,303	31,229
2028	123,866	27,666
2029	127,683	23,849
2030	131,542	19,990
2031	135,518	16,014
2032	139,583	11,949
2033	143,833	7,699
2034	148,180	3,352
Total	$ 1,819,155	$ 453,825

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2019 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2019
Airport - MT Aeronautics (2)	3/28/18	2.25%	10 yrs	3/1/28	$ 77,818	$ 70,036

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2020	$ 7,782	$ 1,576
2021	7,782	1,401
2022	7,782	1,226
2023	7,782	1,051
2024	7,782	875
2025	7,782	700
2026	7,782	525
2027	7,782	350
2028	7,782	175
Total	$ 70,036	$ 7,879

Intercap Loans

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

Intercap loans outstanding as of June 30, 2019 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2019
Airport-2013 Intercap (2)	8/12/11	Varies	10 yrs	8/15/21	$ 89,902	$ 29,962

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended		Principal		Interest
2020	$	9,958	$	866
2021		10,149		551
2022		9,855		230
Total	$	29,962	$	1,647

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 8. CONDUIT DEBT

To provide for the remodeling to the Central Montana Medical Facilities (CMMF), the County issued revenue hospital notes ($4.5 million) in May 2014. This note is a special limited obligation of the County payable solely from separate loan agreement with CMMF. The note does not constitute a debt or pledge of the full faith and credit of the County or the State, and accordingly has not been reported in the accompanying financial statements. As of June 30, 2019, the amount of the 2014 revenue hospital notes outstanding was $3,602,829.

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	2
Active employees	84
Total employees	86

Total OPEB Liability

The County's total OPEB liability of $184,752 at June 30, 2019, and was determined by using the alternative measurement method as of July 1, 2018.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.96%
Average salary increase (Based on County's Experience)	2.00%

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

Year	**% Increase**
2018	5.7%
2019	5.2%
2020	6.1%
2021	5.9%
2022	5.8%
2023	5.9%
2024	5.9%
2025	5.7%
2026	6.5%
2027	6.5%
2028 and thereafter	6.5%

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

Life expectancy of employees was based on the United States Life Tables, 2014 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 66, No. 4, August 14, 2017.

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

Changes in the Total OPEB Liability

Balance at 6/30/2018	$ 166,006
Changes for the year:	
Service Cost	$ 18,746
Net Changes	$ 18,746
Balance at 6/30/2019	$ 184,752

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

	1% Decrease (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
Total OPEB Liability	$ 186,987	$ 166,006	$ 148,838

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	$ 144,462	$ 166,006	$ 192,807

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

In fiscal year ending June 30, 2019, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2018 calculated liability per valuation completed on July 1, 2018.

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

For the year ended June 30, 2018, the County recognized an OPEB expense of $18,746. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019, was as follows:

Due to/from other funds

Purpose	Receivable Fund	Payable Fund	Amount
Short-term operating loan	Library –Nonmajor Governmental	General – Major Governmental	$ 21,708
Short-term operating loan	Victims – Nonmajor Governmental	General – Major Governmental	10,737
			$ 32,445

Advances to/from other funds

Purpose	Receivable Fund	Payable Fund	Amount
Long-term loan for the capital improvement	Roadhouse Road – Nonmajor Governmental	Economic Development – Nonmajor Governmental	$ 54,590

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2019:

Purpose	Receivable Fund	Payable Fund	Amount
Operating	Road –Major Governmental	General – Major Governmental	$ 218,390
Operating	Family Planning – Nonmajor Governmental	General – Major Governmental	15,000
Operating	Victims– Nonmajor Governmental	General– Major Governmental	13,200
Capital projects	Capital Projects - Weed– Nonmajor Governmental	Weed – Nonmajor Governmental	35,000
PERS levy allocation	General –Major Governmental	EMPR Cont PERS/PERD – Nonmajor Governmental	34,719

PERS levy allocation	Road–Major Governmental	EMPR Cont PERS/PERD – Nonmajor Governmental	9,844
PERS levy allocation	Bridge– Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	6,577
PERS levy allocation	Weed – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,483
PERS levy allocation	Fairgrounds – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,812
PERS levy allocation	DT/CRT – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	2,267
PERS levy allocation	Plan – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,974
PERS levy allocation	Ext Serv – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,768
PERS levy allocation	Public Safety –Major Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	38,723
PERS levy allocation	General –Major Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	22,852
PERS levy allocation	Road–Major Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	5,997
PERS levy allocation	Bridge – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	5,017
PERS levy allocation	Weed – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	823
PERS levy allocation	Fairgrounds – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,125
PERS levy allocation	DT/CRT – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,618
PERS levy allocation	Plan – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,349
PERS levy allocation	Ext Serv – Nonmajor Governmental	EMPR Cont PERS/PERD– Nonmajor Governmental	1,081

PERS levy allocation	Public Safety –Major Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	24,707
PERS levy allocation	General –Major Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	48,687
PERS levy allocation	Road –Major Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	18,822
PERS levy allocation	Bridge – Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	10,120
PERS levy allocation	Weed– Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	2,276
PERS levy allocation	Fairgrounds – Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	3,111
PERS levy allocation	DT/CRT – Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	4,376
PERS levy allocation	Plan – Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	2,976
PERS levy allocation	Ext Serv – Nonmajor Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	2,671
PERS levy allocation	Public Safety –Major Governmental	EMPR Cont PERS/PERD–Nonmajor Governmental	58,419
Permissive health levy allocation	General –Major Governmental	Group Health Insurance–Nonmajor Governmental	101,672
Permissive health levy allocation	Road–Major Governmental	Group Health Insurance–Nonmajor Governmental	23,542
Permissive health levy allocation	Bridge – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	23,997
Permissive health levy allocation	Weed – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	3,745
Permissive health levy allocation	Fairgrounds – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	7,490
Permissive health levy allocation	DT/CRT – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	7,490

Permissive health levy allocation	Plan – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	5,945
Permissive health levy allocation	Ext Serv – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	7,490
Permissive health levy allocation	Public Safety –Major Governmental	Group Health Insurance–Nonmajor Governmental	57,051
Permissive health levy allocation	General –Major Governmental	Group Health Insurance–Nonmajor Governmental	93,500
Permissive health levy allocation	Road –Major Governmental	Group Health Insurance–Nonmajor Governmental	23,626
Permissive health levy allocation	Bridge – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	23,073
Permissive health levy allocation	Weed – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	3,300
Permissive health levy allocation	Fairgrounds – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	6,600
Permissive health levy allocation	DT/CRT – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	7,150
Permissive health levy allocation	Plan – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	6,600
Permissive health levy allocation	Ext Serv – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	6,600
Permissive health levy allocation	Public Safety –Major Governmental	Group Health Insurance–Nonmajor Governmental	49,368
Permissive health levy allocation	General –Major Governmental	Group Health Insurance–Nonmajor Governmental	146,700
Permissive health levy allocation	Road–Major Governmental	Group Health Insurance–Nonmajor Governmental	59,840
Permissive health levy allocation	Bridge – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	33,939
Permissive health levy allocation	Weed – Nonmajor Governmental	Group Health Insurance–Nonmajor Governmental	6,050

Permissive health levy allocation	Fairgrounds – Nonmajor Governmental	Group Health Insurance– Nonmajor Governmental	12,100
Permissive health levy allocation	DT/CRT – Nonmajor Governmental	Group Health Insurance– Nonmajor Governmental	16,483
Permissive health levy allocation	Plan – Nonmajor Governmental	Group Health Insurance– Nonmajor Governmental	12,100
Permissive health levy allocation	Ext Serv – Nonmajor Governmental	Group Health Insurance– Nonmajor Governmental	12,100
Permissive health levy allocation	Public Safety –Major Governmental	Group Health Insurance– Nonmajor Governmental	107,082
Capital projects	Junk Vehicle Capital Improvements	Junk Vehicle– Nonmajor Governmental	36,713
Operating	Econ Development – Nonmajor Governmental	Hard Rock Trust – Major Governmental	7,950
Residual equity transfer to close fund	Capital Projects – Fair – Nonmajor Governmental	Fair Water & Sewer Cap Imp – Nonmajor Governmental	257
Operating	Fam Planning Fundraising – Nonmajor Governmental	Family Planning– Nonmajor Governmental	115,950
			$ 1,622,287

NOTE 11. NET PENSION LIABILITY

Summary of Significant Accounting Policies

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

Plan Descriptions

PERS

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

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

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

SRS

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

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

Summary of Benefits

PERS

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.

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.

<u>SRS</u>
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 a SRS position on or after July 1, 2017:
1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
a.. Is not awarded service credit for the period of reemployment;
b. Is refunded the accumulated contributions associated with the period of reemployment;

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

Vesting
5 years of membership service

Member's compensation period used in benefit calculation

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

Compensation Cap

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

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

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

Overview of Contributions

PERS

1. Rates are specified by state law and are a percentage of the member's compensation.
    a. Contributions are deducted from each member's salary and remitted by participating employers;
    b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
    a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
    b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
    a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
    a. Special Funding
        i. The State contributes 0.1% of members' compensation on behalf of local government entities.
        ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
        iii. The State contributed a statutory appropriation from its General Fund of $33,454,182.

SRS

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

Fiscal Year	**Member**	**Employer**
2018-2019	10.245%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

Stand-Alone Statements

The PERS's, SRS financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at http://mpera.mt.gov.

Net Pension Liability

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

The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2018 and June 30, 2019 (reporting dates).

	PERS NPL as of 6/30/2018	PERS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2019	SRS NPL as of 6/30/2018	SRS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2019	Total Collective NPL as of 6/30/2019	Percent Totals as of 6/30/2019
Employer Proportionate Share	$ 3,979,857	$ 3,172,830	0.1520%	$ 702,559	$ 709,598	0.9440%	$ 3,882,428	1.0960%
State of Montana Proportionate Share associated with Employer	55,195	1,064,240	0.2046%	-	-	-	$ 1,064,240	0.2046%
Total	$ 4,035,052	$ 4,237,070	0.3566%	$ 702,559	$ 709,598	0.9440%	$ 4,946,668	1.3006%

At June 30, 2019, the employer recorded a liability of $3,882,428 for its proportionate share of the net pension liability of 1.0960 percent. The net pension liability of PERS, SRS was measured as of June 30, 2017 and applying roll forward procedures. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, SRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS, SRS participating employers.

Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

PERS, SRS
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 as of 6/30/19

	PERS	SRS	Total
Employer Proportionate Share	$ 158,660	$ (14,094)	$ 144,566
State of Montana Proportionate Share associated with the Employer	71,026	-	71,026
Total	$ 229,686	$ (14,094)	$ 215,592

At June 30, 2019, the employer recognized a Pension Expense of $144,566 for its proportionate share of the pension expense. The employer also recognized grant revenue of $71,026 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer. Additionally, the employer recognized grant revenue of $0 from the State Statutory Appropriation from the General Fund.

Recognition of Beginning Deferred Outflow

At June 30, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of $295,760.

Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of PERS, SRS deferred outflows of resources and deferred inflows of resources related to PERS, SRS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 241,272	$ -	$ 39,137	$ 1,581	$ 280,409	$ 1,581
Actual vs. Expected Investment Earnings	-	49,274	-	19,864	-	69,138
Changes in Assumptions	269,802	-	403,519	671,011	673,321	671,011
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	623,572	38,685	-	38,685	623,572
Employer contributions sunsequent to the measurement date - FY19	218,105	-	100,789	-	318,894	-
Total	$ 729,179	$ 672,846	$ 582,130	$ 692,456	$ 1,311,309	$ 1,365,302

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Deferred Inflows and Outflows

PERS: Year ended June 30,		Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	$	66,822
2021	$	25,935
2022	$	(234,283)
2023	$	(20,246)
2024	$	-
Thereafter	$	-

SRS: Year ended June 30,		Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	$	(52,132)
2021	$	(69,016)
2022	$	(96,273)
2023	$	6,307
2024	$	-
Thereafter	$	-

Actuarial Assumptions

PERS
The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

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

SRS
The Total Pension Liability (TPL) used to calculate the NPL was determined taking the results of June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

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

Guaranteed Annual Benefit Adjustment(GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- o 3.0% for members hired prior to July 1, 2007
- o 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.

Discount Rate

PERS

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

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

SRS

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

PERS, SRS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
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	8.00%	4.00%
Total	100.00%	

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

Sensitivity Analysis

	1.0% Decrease	Current Discount Rate	1.0% Increase
PERS	$ 4,588,647	$ 3,172,830	$ 2,010,218
SRS	$ 1,291,374	$ 709,598	$ 233,173

PERS, SRS

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

NOTE 12. 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 purpose 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 government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

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

Nonspendable Fund Balance

Major Fund	Amount	Reason Nonspendable
General	$ 36,927	Inventories
Road	132,324	Inventories
All Other Aggregate	87,435	Inventories
	66,176	Inventories
	75,228	Inventories
Total	$ 398,090	

Restricted Fund Balance

Major Fund	Amount	Purpose of Restriction
Road	$ 507,799	Road maintenance
Public Safety	466,886	Law enforcement
All Other Aggregate	134,554	Bridge maintenance
	260,596	Culture and recreation
	181,184	Debt service
	168,667	District court services
	426,637	Employee benefits
	216,776	General government
	126,781	Housing and community development
	102,892	Law enforcement
	2,861	Liability insurance
	7,243	Lighting maintenance
	180,844	Noxious weed control
	30,031	Predatory animal control
	1,119,426	Public health
	75,993	Public safety
	18,547	Road maintenance
	68,913	Social and economic services
Total	$ 4,096,630	

Committed Fund Balance

Major Fund	Amount	Purpose of Commitment
All Other Aggregate	$ 24,560	Payments of compensated absences liability
	548,502	Construction
	903,261	Capital improvements
Total	$ 1,476,323	

NOTE 13. RESTATEMENTS

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

Fund	Amount	Reason for Adjustment
Airport Capital Improvements	$ (48,515)	To reclassify capital project governmental fund to business type fund
Airport Construction Reserve	(163,693)	To reclassifycapital project governmental fund to business type fund
Airport	48,515	To reclassify capital project governmental fund to business type fund
Airport	163,693	To reclassify capital project governmental fund to business type fund
Governmental Activities	(212,208)	To reclassify capital project governmental fund to business type fund
Business –Type Activities	212,208	To reclassify capital project governmental fund to business type fund
Total	$ -	

NOTE 14. JOINT VENTURES

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

City-County Airport
The City-County Airport is owned and operated jointly by the City of Lewistown and Fergus County. The operation of the airport is accounted for by the County as an enterprise fund. All capital assets are recorded within the County's accounting records. The airport is administered by a five-member board consisting of the City's manager, a City-=appointed member, one County commissioner, a County-appointed member and one member-at-large appointed by the Airport Board. The budget is approved by the controlling members. The Airport Board exercises control over the airports normal operations.

City-County Library
The City-County Library District is operated under an interlocal agreement between Fergus County and the City of Lewistown. The City maintains the libarary accounting records and includes the financial activities of the library in its financial statements. The County contributed $46,193 for the year ended June 30, 2019.

City Judge Services
The County and the City of Lewistown entered into an agreement whereby the County provides a justice of the peace who acts as City judge for the City. The city contributes fort-five percent of fines and assessment collected or $25,000, whichever is greater. The County maintains the accounting records and remits a monthly accounting to the City.

Fergus County Council on Aging
The Fergus County Council on Aging is a satellite office of the Area II Agency on Aging (Area II). Eleven counties belong to Area II. Fergus County contributes money to Area II each fiscal year for the purpose of matching federal grants that Area II obtains. During the year ended June 30, 2019, the County contributed $30,000 for matching purposes.

NOTE 15. JOINTLY GOVERNED ORGANIZATIONS

An organization that is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility.

Central Montana Health District Number 6 (CMHD)
The CMHD, which was formed September 1987, was created under the provision of Montana Code Annotated. The District was formed to provide for the salaries of sanitarians. The District member made contributions to Fergus County (responsible for record keeping and reporting), based on population.

South Central Montana Regional Mental Health Center
The Fergus County Mental Health Center is a satellite office of the South Central Montana Regional Mental Health Center located in Billings, Montana. The County belongs to Region No. 3 which consists of eleven counties. The District was created under the provision of Montana Code Annotated(MCA). Each County is represented on the Board by one of its county commissioners. Fergus County contributed $22,826 during fiscal year 2019.

NOTE 16. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

NOTE 17. RISK MANAGEMENT

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

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

PCT Coverage Includes:

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

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

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

NOTE 18. PENDING LITIGATION

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

Case	Damages Requested	Potential of Loss
Public Land Water Access vs. Fergus County	$0	Unknown
Terry Cox	Unknown	Unknown
Alan Williams	Unknown	Unknown

NOTE 19. SIGNIFICANT CONSTRUCTION COMMITMENTS AND/OR OTHER CONTINGENCIES

The County had a contract with Century Companies to construct Runway 1 at the airport for which a FAA grant was received. The contract was for a total of $1,896,721. The County had paid a total of $1,023,526 to the contractor as of June 30, 2019. An additional $483,462 was expended in fiscal year 2020. The FAA grant was for $2,120, 148 to pay for the project of which $1,235, 490 was received by June 30, 2019. An additional $$597,390 was received in FY 2020. The additional expenditures for the project were for engineering services which were $70,693 in FY 2020.

NOTE 20. SUBSEQUENT EVENTS

Covid-19 Virus

The government, like all governments in the United States is dealing with the effects of the Covid-19 virus. Possible government operational changes or even shutdowns may occur. Additionally, the financial effects to the government are equally as uncertain.

REQUIRED SUPPLEMENTAL INFORMATION

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 1,441,162	$ 1,441,162	$ 1,433,841	$ (7,321)
Licenses and permits	-	-	600	600
Intergovernmental	333,466	333,466	303,564	(29,902)
Charges for services	412,307	412,307	357,388	(54,919)
Fines and forfeitures	81,000	81,000	85,213	4,213
Miscellaneous	5,380	5,380	12,272	6,892
Investment earnings	-	-	141,726	141,726
Amounts available for appropriation	$ 2,273,315	$ 2,273,315	$ 2,334,604	$ 61,289
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	$ 2,165,213	$ 2,165,213	$ 2,051,682	$ 113,531
Public safety	124,069	124,069	112,241	11,828
Public health	378,398	378,398	271,533	106,865
Social and economic services	15,000	15,000	8,250	6,750
Culture and recreation	30,000	30,000	-	30,000
Total charges to appropriations	$ 2,712,680	$ 2,712,680	$ 2,443,706	$ 268,974
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 478,959	$ 478,959	$ 448,130	$ (30,829)
Transfers out	(233,390)	(233,390)	(246,590)	(13,200)
Total other financing sources (uses)	$ 245,569	$ 245,569	$ 201,540	$ (44,029)
Net change in fund balance			$ 92,438	
Fund balance - beginning of the year			$ 1,031,743	
Fund balance - end of the year			$ 1,124,181	

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Road			
	BUDGETED AMOUNTS		**ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A**	**VARIANCE WITH FINAL BUDGET**
	ORIGINAL	**FINAL**		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 915,590	$ 915,590	$ 904,472	$ (11,118)
Intergovernmental	305,883	305,883	287,342	(18,541)
Charges for services	10,000	10,000	71,747	61,747
Miscellaneous	30,000	30,000	-	(30,000)
Investment earnings	-	-	49	49
Amounts available for appropriation	$ 1,261,473	$ 1,261,473	$ 1,263,610	$ 2,137
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	$ 1,509,498	$ 1,663,935	$ 1,663,935	$ -
Debt service - principal	220,292	220,292	220,292	-
Debt service - interest	3,156	3,156	3,156	-
Capital outlay	8,251	8,251	8,251	-
Total charges to appropriations	$ 1,741,197	$ 1,895,634	$ 1,895,634	$ -
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 402,301	$ 402,301	$ 360,061	$ (42,240)
Total other financing sources (uses)	$ 402,301	$ 402,301	$ 360,061	$ (42,240)
Net change in fund balance			$ (271,963)	
Fund balance - beginning of the year			$ 912,086	
Fund balance - end of the year			$ 640,123	

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Public Safety			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 1,508,902	$ 1,508,902	$ 1,495,989	$ (12,913)
Intergovernmental	342	342	614	272
Charges for services	141,000	141,000	137,057	(3,943)
Miscellaneous	1,000	1,000	-	(1,000)
Investment earnings	-	-	61	61
Amounts available for appropriation	$ 1,651,244	$ 1,651,244	$ 1,633,721	$ (17,523)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	$ 1,904,260	$ 1,904,260	$ 1,848,369	$ 55,891
Debt service - principal	5,770	5,770	5,770	-
Debt service - interest	98	98	98	-
Capital outlay	82,677	82,677	82,677	-
Total charges to appropriations	$ 1,992,805	$ 1,992,805	$ 1,936,914	$ 55,891
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 397,226	$ 397,226	$ 335,350	$ (61,876)
Total other financing sources (uses)	$ 397,226	$ 397,226	$ 335,350	$ (61,876)
Net change in fund balance			$ 32,157	
Fund balance - beginning of the year			$ 434,729	
Fund balance - end of the year			$ 466,886	

Fergus County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Road	Public Safety
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 2,334,604	$ 1,263,610	$ 1,633,721
Combined funds (GASBS 54) revenues	36,861	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 2,371,465	$ 1,263,610	$ 1,633,721
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 2,443,706	$ 1,895,634	$ 1,936,914
Combined funds (GASBS 54) expenditures	171,540	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,615,246	$ 1,895,634	$ 1,936,914

Fergus County, Montana
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2019

	2019	2018
Total OPEB liability		
Service Cost	$ 18,746	$ 18,746
Net change in total OPEB liability	18,746	18,746
Total OPEB Liability - beginning	166,006	-
Restatement	-	147,260
Total OPEB Liability - ending	$ 184,752	$ 166,006
Covered-employee payroll	$ 3,459,946	$ 3,459,946
Total OPEB liability as a percentage of covered -employee payroll	5%	5%

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

Fergus County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019

	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.1520%	0.2043%	0.1999%	0.2026%	0.2147%
Employer's proportionate share of the net pension liability associated with the Employer	$ 3,172,830	$ 3,979,857	$ 3,404,880	$ 2,832,592	$ 2,675,738
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 1,064,240	$ 55,195	$ 41,604	$ 34,793	$ 32,675
Total	$ 4,237,070	$ 4,035,052	$ 3,446,484	$ 2,867,385	$ 2,708,413
Employer's covered payroll	$ 2,501,152	$ 2,535,381	$ 2,394,375	$ 2,364,803	$ 2,446,845
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.85%	156.97%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	0.9940%	0.9232%	0.8751%	0.8836%	0.9129%
Employer's proportionate share of the net pension liability associated with the Employer	$ 709,598	$ 702,559	$ 1,537,368	$ 851,752	$ 379,906
Total	$ 709,598	$ 702,559	$ 1,537,368	$ 851,752	$ 379,906
Employer's covered payroll	$ 732,401	$ 690,769	$ 617,767	$ 601,230	$ 590,372
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	82.68%	81.30%	63.00%	74.40%	87.24%

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

Fergus County, Montana
Schedule of Contributions
For the Year Ended June 30, 2019

	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	$ 218,105	$ 211,752	$ 212,175	$ 206,035	$ 204,167
Contributions in relation to the contractually required contributions	$ 218,105	$ 211,752	$ 212,175	$ 206,035	$ 204,167
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 2,515,629	$ 2,501,152	$ 2,535,381	$ 2,394,375	$ 2,364,803
Contributions as a percentage of covered payroll	8.67%	8.47%	8.37%	8.60%	8.63%

	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	$ 100,789	$ 97,853	$ 69,871	$ 64,029	$ 60,988
Contributions in relation to the contractually required contributions	$ 100,789	$ 97,853	$ 69,871	$ 64,029	$ 60,988
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 768,502	$ 732,401	$ 691,768	$ 617,767	$ 601,230
Contributions as a percentage of covered payroll	13.115%	13.36%	10.12%	10.36%	10.14%

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

Fergus 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, 2019

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 tear PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

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

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

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

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

Changes in Actuarial Assumptions and Methods
Method and assumptions used in calculations of actuarially determined contributions

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

Admin Expense as % of Payroll	0.27%

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

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%

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

SINGLE AUDIT SECTION

Fergus County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Cluster Title/Federal Grantor/Pass-through Grantor /Program	***Federal CFDA Number***	***Pass-through Grantor Number***		***Federal Expenditures***
Forest Service Schools and Roads Cluster				
United States Department of Agriculture				
Direct				
Schools and Roads - Grants to States	10.665	N/A	$	47,868
Total United States Department of Agriculture			$	47,868
Total Forest Service Schools and Roads Cluster			$	47,868
Other Programs				
Department of Homeland Security				
Passed through Montana Disaster and Emergency Services				
Emergency management Prerformance Grants	97.042	2018-EP-00005-S01	$	42,212
Total Department of Homeland Security			$	42,212
United States Department of Justice				
Passed through Montana Board of Crime Control				
Crime Victim Assistance	16.575	15-V88-92148	$	35,343
Total United States Department of Justice			$	35,343
Department of Transportation				
Direct				
Airport Improvement Program	20.106	N/A	$	1,235,490
Total Department of Transportation			$	1,235,490
Department of Health and Human Services				
Passed through Montana Department of Health and Human Services				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	19-07-6-11-010-0	$	140,941
Family Planning Services	93.217	19-07-5-11-009-0		18,645
Immunization Cooperative Agreements	93.268	19-07-4-31-108-0		1,625
Immunization Cooperative Agreements	93.268	19-07-4-31-114-0		7,176
Organized Approaches to Increase Colorectal Cancer Screening	93.800	19-07-3-01-003-0		19,685
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	19-07-3-01-003-0		43,730
Maternal and Child Health Services Block Grant to the States	93.994	19-07-5-01-015-0		6,205
Maternal and Child Health Services Block Grant to the States	93.994	19-07-5-01-057-1		17,719
Maternal and Child Health Services Block Grant to the States	93.994	19-07-5-01-035-0		5,125
Maternal and Child Health Services Block Grant to the States	93.994	N/A		3,849
Maternal and Child Health Services Block Grant to the States	93.994	N/A		2,801
Total Department of Health and Human Services			$	267,501
Total Other Programs			$	1,580,546
Total Federal Financial Assitance			**$**	**1,628,414**

The accompanying notes are an integral part of this schedule

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2019

Basis of Presentation and Significant Accounting Policies

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

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

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

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

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

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

Board of County Commissioners
Fergus County
Lewistown, 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, business-type activities, each major fund, and the aggregate remaining fund information of Fergus County, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fergus County's basic financial statements and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fergus County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fergus County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Fergus 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 Fergus County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

March 20, 2020

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

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

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

Board of County Commissioners
Fergus County
Lewistown, Montana

Report on Compliance for Each Major Federal Program

We have audited Fergus County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Fergus County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fergus County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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

March 20, 2020

FERGUS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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

Section II – Financial Statement Findings

There were no financial statement findings or questioned costs reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.