

**STILLWATER COUNTY
COLUMBUS, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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STILLWATER COUNTY

ORGANIZATION

June 30, 2019

BOARD OF COUNTY COMMISSIONERS

Mark Crago	Board Chairperson
Dennis Shupak	Commissioner
Tyrel Hamilton	Commissioner

ELECTED OFFICIALS

Heidi Stadel	County Clerk and Recorder
Jerry Friend	County Treasurer
Charles Kem	County Sheriff
Nancy Rohde	County Attorney
John Smith	County Superintendent
Sandra Fox	Clerk of District Court
Lee Cornell	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Stillwater County
Columbus, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stillwater County, Montana (the government) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the government'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.

Basis for Qualified Opinions

Because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, the road fund and the aggregate remaining fund information.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the road fund and the aggregate remaining fund information for the government, as of June 30, 2019, and the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (excluding the road fund) for the government, as of 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. 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 budgetary comparison information, pension plan information and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios identified in the table of contents 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents 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. Although our opinions on the basic financial statements are not affected, the following material departure from the prescribed guidelines exist; the management's discussion and analysis is not in conformity with accounting principles generally accepted in the United States because it did not contain all of the elements required by GASB Statement No. 34, as amended by GASB Statement No. 37. We do not express an opinion or provide any assurance on the information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government'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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the government'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 the government's internal control over financial reporting and compliance.

O'Hess & Associates, PC

Billings, Montana
January 16, 2020

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of the 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 which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net position of the governmental activities increased by \$6,91,717, while net position for the and business-type activities decreased \$127,438.
- In the business-type activities, revenues increased to \$737,266 from \$707,389 while expenses increased to \$864,704.

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 (pages 8 and 9) 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 liabilities 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 county'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 are charged to customers to help cover all or most of the cost of certain services provided. The solid waste services are reported here.

Fund financial statements. The fund financial statements (pages 10 and 12) 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 using 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 measures 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 Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 11 and 13, respectively).

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other programs and activities—such as the Self-Insurance Fund.

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. In our case, net position was \$35,885,952 as of June 30, 2019.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 29,064,555	\$ 26,645,650	\$ 229,378	\$ 193,045	\$ 29,293,933	26,838,695
Capital assets	20,021,928	15,210,427	817,774	899,283	20,839,702	16,109,710
Total assets	49,086,483	41,856,077	1,047,152	1,092,328	50,133,635	42,948,405
Deferred outflows	1,585,962	2,102,055	70,569	72,196	1,656,531	2,174,251
Other liabilities	204,247	484,204	-	-	204,247	484,204
Long-term liabilities	14,030,461	14,600,638	370,840	315,303	14,401,301	14,915,941
Total liabilities	14,234,708	15,084,842	370,840	315,303	14,605,548	15,400,145
Deferred inflows	1,271,442	883,587	27,224	2,126	1,298,666	885,713
Net position						
Net investment in capital assets	18,434,472	13,392,521	817,774	899,283	19,252,246	14,291,804
Restricted	24,345,366	21,545,001	-	-	24,345,366	21,545,001
Unrestricted	(7,613,543)	(6,947,819)	(98,117)	(52,188)	(7,711,660)	(7,000,007)
	\$ 35,166,295	\$ 27,989,703	\$ 719,657	\$ 847,095	\$ 35,885,952	\$ 28,836,798

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,260,763	\$ 1,345,898	\$ 728,245	\$ 693,633	\$ 1,989,008	\$ 2,039,531
Operating grants and contributions	3,937,339	2,740,760	-	-	3,937,339	2,740,760
Capital grants and contributions	4,624,079	961,014	-	-	4,624,079	961,014
General revenues:						
Taxes	8,265,681	7,592,062	-	-	8,265,681	7,592,062
Intergovernmental	1,417,259	1,512,313	6,908	3,901	1,424,167	1,516,214
Interest	400,684	298,027	2,113	1,938	402,797	299,965
Miscellaneous	113,974	19,854	-	-	113,974	19,854
Gain on disposal of capital assets	-	5,826	-	7,917	-	13,743
Total revenues	20,019,779	14,475,754	737,266	707,389	20,757,045	15,183,143
Expenses:						
General government	2,916,697	2,747,053	-	-	2,916,697	2,747,053
Public safety	3,280,423	2,882,717	-	-	3,280,423	2,882,717
Public works	5,495,355	4,721,846	-	-	5,495,355	4,721,846
Public health	294,258	246,238	-	-	294,258	246,238
Social and economic services	167,642	196,665	-	-	167,642	196,665
Culture and recreation	263,114	282,440	-	-	263,114	282,440
Housing/community development	453,810	175,082	-	-	453,810	175,082
Conservation of natural resources	-	-	-	-	-	-
Solid waste	-	-	864,704	795,158	864,704	795,158
Other current charges	233,077	224,823	-	-	233,077	224,823
Interest on long-term debt	31,570	46,311	-	-	31,570	46,311
Intergovernmental	792,116	570,783	-	-	792,116	570,783
Total expenses	13,928,062	12,093,958	864,704	795,158	14,792,766	12,889,116
Change in net position	6,091,717	2,381,796	(127,438)	(87,769)	5,964,279	2,294,027
Net position, beginning	27,989,703	30,613,760	847,095	934,864	28,836,798	31,548,624
Prior period adjustments	1,084,875	(5,005,853)	-	-	1,084,875	(5,005,853)
Net position, ending	<u>\$ 35,166,295</u>	<u>\$ 27,989,703</u>	<u>\$ 719,657</u>	<u>\$ 847,095</u>	<u>\$ 35,885,952</u>	<u>\$ 28,836,798</u>

The overall financial position of Stillwater County increased \$5,964,279 when looking at the net position of the county. The taxable value of the county increased by \$2,499,976 to \$43,767,900. Cash reserves have been steady for most levied funds, but overall the cash reserves have increased for the county, most notably from the Metal Mines License Tax Reserve and capital improvement funds.

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 this test. The General fund is always reported as a major fund.

- Total assets and deferred outflows, 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 (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).
- The same element that met the 10 percent criterion must also be at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The General fund balance decreased by \$139,878 because of transfers out of the fund.

The Road fund balance increased by \$181,933 because of increased tax revenues and lower interest on capital purchases.

STILLWATER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The Disaster fund balance decreased by \$408,290 due to the expenses related to the work done on the rockslide area and reopening the county road.

The Public Safety fund balance increased by \$192,925 due to increased tax revenues and lower personnel costs.

The Hard Rock Mine Trust fund balance increased \$1,111,277 because of the money received from the Metal Mines License Tax on both the Nye Mine and East Boulder Mine. This money is set in a trust fund for use only when the economic conditions are met to allow the expenditure of these funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Stillwater County currently has the following outstanding loans for purchases of capital assets:

The Stillwater County Sheriff's department also obtained an InterCap loan identified as 2848 to purchase a jet boat for the search and rescue activities. The outstanding balance is \$52,226 and is scheduled to be paid off in 2024.

THE GOVERNMENT'S FUTURE

Stillwater County will continue to monitor the protested taxes. The County government has established a strong program to fund Capital Projects fund to assist in future building and equipment needs. Growth within the County has continued and has helped with increasing taxable valuations.

The County also incorporated a pay matrix system for employees to standardize and increase pay especially for lower paid employees.

The requirement to record the Net Pension liability under GASB No. 68 did also affect the net position of the county.

The County also continues to place emphasis on increasing the cash reserves of each of the levied funds and the cash balances of those funds.

STILLWATER COUNTY
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 6,965,862	\$ 80,769	\$ 7,046,631
Investments	20,523,122	102,174	20,625,296
Receivables:			
Taxes and assessments	101,380	43,645	145,025
Governments	54,636	-	54,636
Other	320	2,790	3,110
Stop loss reimbursement	116,497	-	116,497
Inventories	1,302,738	-	1,302,738
Capital assets:			
Land and construction in progress	761,638	6,983	768,621
Capital assets, net of accumulated depreciation	19,260,290	810,791	20,071,081
Total assets	<u>49,086,483</u>	<u>1,047,152</u>	<u>50,133,635</u>
DEFERRED OUTFLOWS OF RESOURCES			
Other post-employment benefits	230,275	-	230,275
Pension plans	1,355,687	70,569	1,426,256
Total deferred outflows of resources	<u>1,585,962</u>	<u>70,569</u>	<u>1,656,531</u>
LIABILITIES			
Accounts payable:			
Vendors	138,262	-	138,262
Claims	65,985	-	65,985
Long-term liabilities:			
Due within one year:			
Notes and capital leases	1,309,510	-	1,309,510
Compensated absences	43,193	6,095	49,288
Due in more than one year:			
Notes and capital leases	277,946	-	277,946
Net pension liability	4,187,866	309,889	4,497,755
Compensated absences	388,739	54,856	443,595
Total other post-employment benefits liability	7,823,207	-	7,823,207
Total liabilities	<u>14,234,708</u>	<u>370,840</u>	<u>14,605,548</u>
DEFERRED INFLOWS OF RESOURCES			
Other post-employment benefits	349,298	-	349,298
Pension plans	922,144	27,224	949,368
Total deferred inflows of resources	<u>1,271,442</u>	<u>27,224</u>	<u>1,298,666</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	18,434,472	817,774	19,252,246
Restricted for:			
General government	13,752,631	-	13,752,631
Public safety	986,111	-	986,111
Public works	3,652,249	-	3,652,249
Public health	18,780	-	18,780
Social and economic services	84,866	-	84,866
Culture and recreation	159,113	-	159,113
Housing and community development	2,709,163	-	2,709,163
Capital projects	2,982,453	-	2,982,453
Unrestricted	(7,613,543)	(98,117)	(7,711,660)
Total net position (deficit)	<u>\$ 35,166,295</u>	<u>\$ 719,657</u>	<u>\$ 35,885,952</u>

STILLWATER COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 2,916,697	\$ 249,104	\$ 926,266	\$ -	\$ (1,741,327)	\$ -	\$ (1,741,327)
Public safety	3,280,423	78,130	352,075	-	(2,850,218)	-	(2,850,218)
Public works	5,495,355	337,504	1,464,633	4,624,079	930,861	-	930,861
Public health	294,258	19,088	20,349	-	(254,821)	-	(254,821)
Social and economic services	167,642	111,447	794	-	(55,401)	-	(55,401)
Culture and recreation	263,114	490	14,454	-	(248,170)	-	(248,170)
Housing and community development	453,810	465,000	-	-	11,190	-	11,190
Other current charges	233,077	-	-	-	(233,077)	-	(233,077)
Interest on long-term debt	31,570	-	-	-	(31,570)	-	(31,570)
Intergovernmental	792,116	-	1,158,768	-	366,652	-	366,652
Total governmental activities	13,928,062	1,260,763	3,937,339	4,624,079	(4,105,881)	-	(4,105,881)
Business-type activities:							
Solid waste	864,704	728,245	-	-	-	(136,459)	(136,459)
Total business-type activities	864,704	728,245	-	-	-	(136,459)	(136,459)
Total	\$14,792,766	\$ 1,989,008	\$ 3,937,339	\$ 4,624,079	(4,105,881)	(136,459)	(4,242,340)
General revenues:							
Property taxes					8,265,681	-	8,265,681
Intergovernmental					1,417,259	6,908	1,424,167
Unrestricted investment earnings					400,684	2,113	402,797
Miscellaneous					113,974	-	113,974
Total general revenues					10,197,598	9,021	10,206,619
Change in net position					6,091,717	(127,438)	5,964,279
Net position - beginning					27,989,703	847,095	28,836,798
Prior period adjustments					1,084,875	-	1,084,875
Net position - ending					\$ 35,166,295	\$ 719,657	\$35,885,952

STILLWATER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Road	Disaster	Public Safety	Hard Rock Mine Trust	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 459,837	\$ 226,911	\$ 4	\$ 129,974	\$ 2,655,426	\$ 3,090,364	\$ 6,562,516
Investments	581,699	866,637	16	496,406	10,141,810	8,436,554	20,523,122
Receivables:							
Taxes and assessments	20,350	18,916	28	19,999	-	42,087	101,380
Governments	-	-	-	-	-	54,636	54,636
Other	-	-	-	320	-	-	320
Due from other funds	437,145	-	-	-	-	-	437,145
Inventories	-	136,179	-	-	-	1,166,559	1,302,738
Total assets	\$ 1,499,031	\$ 1,248,643	\$ 48	\$ 646,699	\$ 12,797,236	\$ 12,790,200	\$ 28,981,857
LIABILITIES							
Accounts payable-vendors	\$ 5,122	\$ -	\$ -	\$ 7,920	\$ -	\$ 113,281	\$ 126,323
Due to other funds	-	-	437,145	-	-	-	437,145
Total liabilities	5,122	-	437,145	7,920	-	113,281	563,468
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes and assessments	20,350	18,916	28	19,999	-	42,087	101,380
FUND BALANCES (DEFICITS)							
Nonspendable:							
Inventory	-	136,179	-	-	-	1,166,559	1,302,738
Restricted for:							
General government	-	-	-	-	12,797,236	946,181	13,743,417
Public safety	-	-	-	618,780	-	343,395	962,175
Public works	-	1,093,548	-	-	-	1,219,369	2,312,917
Public health	-	-	-	-	-	12,508	12,508
Social and economic services	-	-	-	-	-	83,371	83,371
Culture and recreation	-	-	-	-	-	157,189	157,189
Housing and community development	-	-	-	-	-	2,709,163	2,709,163
Capital projects	-	-	-	-	-	2,982,453	2,982,453
Committed for:							
General government	-	-	-	-	-	2,988,126	2,988,126
Culture and recreation	-	-	-	-	-	56,096	56,096
Unassigned	1,473,559	-	(437,125)	-	-	(29,578)	1,006,856
Total fund balances (deficits)	1,473,559	1,229,727	(437,125)	618,780	12,797,236	12,634,832	28,317,009
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 1,499,031	\$ 1,248,643	\$ 48	\$ 646,699	\$ 12,797,236	\$ 12,790,200	\$ 28,981,857

STILLWATER COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances, governmental funds	\$ 28,317,009
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,021,928
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	101,380
Deferred outflows and inflows of resources related to pensions that are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,355,687
Deferred inflows of resources related to pensions	(922,144)
The assets, deferred outflows, liabilities and deferred inflows of the internal service fund (self-insurance) are not included in the fund financial statements, but are included in the governmental activities statement of net position.	(7,500,311)
Some liabilities (such as notes payable, capital leases, the net pension liability, compensated absences and the total other post-employment benefits liability) are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(6,207,254)</u>
Net position of governmental activities	<u>\$ 35,166,295</u>

STILLWATER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Road	Disaster	Public Safety	Hard Rock Mine Trust	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$1,776,385	\$1,679,599	\$ 6	\$1,900,784	\$ -	\$ 3,181,196	\$ 8,537,970
Fines and forfeitures	100,122	-	-	30,000	-	8,465	138,587
Licenses and permits	10,325	9,489	-	4,775	-	1,884	26,473
Intergovernmental	383,963	356,297	1,193,602	221,509	892,111	3,562,488	6,609,970
Charges for services	258,791	40,384	-	14,486	-	539,906	853,567
Investment earnings	130,359	-	-	-	219,166	48,086	397,611
Miscellaneous	4,800	6,540	-	2,500	-	102,703	116,543
Total revenues	2,664,745	2,092,309	1,193,608	2,174,054	1,111,277	7,444,728	16,680,721
EXPENDITURES							
Current:							
General government	2,142,461	-	-	-	-	541,762	2,684,223
Public safety	136,731	-	-	1,900,291	-	1,299,974	3,336,996
Public works	31,835	1,273,897	1,601,898	-	-	1,709,615	4,617,245
Public health	134,783	-	-	-	-	63,540	198,323
Social and economic services	29,297	-	-	-	-	126,415	155,712
Culture and recreation	3,178	-	-	-	-	238,542	241,720
Housing and community development	-	-	-	-	-	118,898	118,898
Other current charges	-	-	-	-	-	233,077	233,077
Debt service:							
Principal	-	266,356	-	-	-	16,320	282,676
Interest and other charges	-	29,031	-	-	-	2,539	31,570
Capital outlay	90,646	188,538	-	4,985	-	2,349,133	2,633,302
Intergovernmental	-	-	-	-	-	792,116	792,116
Total expenditures	2,568,931	1,757,822	1,601,898	1,905,276	-	7,491,931	15,325,858
Excess (deficiency) of revenues over expenditures	95,814	334,487	(408,290)	268,778	1,111,277	(47,203)	1,354,863
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	52,226	52,226
Transfers in	-	70,000	-	-	-	1,260,916	1,330,916
Transfers out	(235,692)	(222,554)	-	(75,853)	-	(796,817)	(1,330,916)
Total other financing sources (uses)	(235,692)	(152,554)	-	(75,853)	-	516,325	52,226
Net change in fund balances	(139,878)	181,933	(408,290)	192,925	1,111,277	469,122	1,407,089
Fund balances (deficits) - beginning	1,613,437	941,352	(28,835)	436,415	11,685,959	11,015,948	25,664,276
Change in inventory	-	44,976	-	-	-	115,793	160,769
Prior period adjustments	-	61,466	-	(10,560)	-	1,033,969	1,084,875
Fund balances (deficits) - ending	\$1,473,559	\$1,229,727	\$(437,125)	\$ 618,780	\$12,797,236	\$12,634,832	\$28,317,009

STILLWATER COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 1,407,089
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which capital outlay (\$2,633,302) exceeded depreciation (\$1,189,094) in the current period.	1,444,208
Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold.	(301)
Donated capital assets.	3,367,594
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(31,609)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which debt issued exceeded debt principal repayments.	230,450
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	5,658
Governmental funds use the purchases method of accounting for inventory, while governmental activities use the consumption method. This is the difference between the two methods of accounting.	160,769
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	24,742
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in net position of the internal service fund is reported with governmental activities.	<u>(516,883)</u>
Change in net position of governmental activities	<u>\$ 6,091,717</u>

STILLWATER COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	<u>Enterprise</u>	<u>Internal</u>
	<u>Solid Waste</u>	<u>Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 80,769	\$ 403,346
Investments	102,174	-
Receivables:		
Solid waste	2,790	-
Taxes and assessments	43,845	-
Stop loss reimbursement	-	116,497
Total current assets	<u>229,378</u>	<u>519,843</u>
Non-current assets:		
Capital assets:		
Land	6,983	-
Buildings and systems	881,408	-
Equipment and furniture	1,042,461	-
Less: accumulated depreciation	<u>(1,113,078)</u>	<u>-</u>
Total non-current assets	<u>817,774</u>	<u>-</u>
Total assets	<u>1,047,152</u>	<u>519,843</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other post-employment benefits	-	230,275
Pension plans	<u>70,569</u>	<u>-</u>
Total deferred outflows of resources	<u>70,569</u>	<u>230,275</u>
LIABILITIES		
Current liabilities:		
Accounts payable:		
Vendors	-	11,939
Claims	-	65,985
Compensated absences	<u>6,095</u>	<u>-</u>
Total current liabilities	<u>6,095</u>	<u>77,924</u>
Non-current liabilities:		
Compensated absences	54,856	-
Net pension liability	309,889	-
Total other post-employment benefits liability	<u>-</u>	<u>7,823,207</u>
Total non-current liabilities	<u>364,745</u>	<u>7,823,207</u>
Total liabilities	<u>370,840</u>	<u>7,901,131</u>
DEFERRED INFLOWS OF RESOURCES		
Other post-employment benefits	-	349,298
Pension plans	<u>27,224</u>	<u>-</u>
Total deferred inflows of resources	<u>27,224</u>	<u>349,298</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	817,774	-
Unrestricted	<u>(98,117)</u>	<u>(7,500,311)</u>
Total net position (deficit)	<u>\$ 719,657</u>	<u>\$ (7,500,311)</u>

STILLWATER COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	<u>Enterprise</u>	<u>Internal</u>
	<u>Solid Waste</u>	<u>Service Fund</u>
REVENUES		
Charges for services	\$ 95,177	\$ 1,009,125
Assessments	633,068	-
Total operating revenues	<u>728,245</u>	<u>1,009,125</u>
OPERATING EXPENSES		
Personal services	527,316	-
Supplies	50,711	-
Purchased services	147,298	-
Fixed charges	57,870	-
Other post-employment benefits	-	594,621
Insurance claims	-	474,027
Administration	-	460,433
Depreciation	81,509	-
Total operating expenses	<u>864,704</u>	<u>1,529,081</u>
Operating loss	<u>(136,459)</u>	<u>(519,956)</u>
NON-OPERATING REVENUES		
Interest and investment revenue	2,113	3,073
Intergovernmental	6,908	-
Total non-operating revenues	<u>9,021</u>	<u>3,073</u>
Change in net position	(127,438)	(516,883)
Total net position - beginning	<u>847,095</u>	<u>(6,983,428)</u>
Total net position - ending	<u>\$ 719,657</u>	<u>\$ (7,500,311)</u>

STILLWATER COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 732,063	\$ 1,009,125
Medical claims paid	-	(596,649)
Cash paid to employees	(445,054)	-
Cash paid to suppliers for goods and services	(255,879)	(454,926)
Net cash provided (used) by operating activities	<u>31,130</u>	<u>(42,450)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other governments	<u>6,908</u>	-
Net cash provided by noncapital financing activities	<u>6,908</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	(23,723)	-
Interest received	<u>2,113</u>	<u>3,073</u>
Net cash provided (used) by investing activities	<u>(21,610)</u>	<u>3,073</u>
Change in cash and cash equivalents	16,428	(39,377)
Cash and cash equivalents - beginning	<u>64,341</u>	<u>442,723</u>
Cash and cash equivalents - ending	<u>\$ 80,769</u>	<u>\$ 403,346</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (136,459)	\$ (519,956)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	81,509	-
Other post-employment benefits	-	594,621
Pensions	76,178	-
(Increase) decrease in accounts receivable	4,074	(84,723)
Increase in taxes/assessments receivable	(256)	-
Decrease in accounts payable	-	(32,392)
Increase in compensated absences	<u>6,084</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 31,130</u>	<u>\$ (42,450)</u>

STILLWATER COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 21,859,310	\$ 782,211
Investments	6,958,704	-
Taxes/assessments receivable	-	159,433
Total assets	28,818,014	\$ 941,644
LIABILITIES		
Accounts payable	-	\$ 42,800
Due to special districts	-	142,151
Due to state	-	211,619
Due to schools	-	502,204
Due to cities/towns	-	42,870
Total liabilities	-	\$ 941,644
NET POSITION		
Held in trust for external participants	\$ 28,818,014	

STILLWATER COUNTY
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 For the Year Ended June 30, 2019

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 27,894,942
Investment earnings: Interest	413,599
Total additions	28,308,541
DEDUCTIONS	
Withdrawals	11,298,399
Change in net position	17,010,142
Net position - beginning	11,807,872
Net position - ending	\$ 28,818,014

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government adopted the provisions of the following GASB statements:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, 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. 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

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major:

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The disaster fund accounts for resources accumulated from property taxes and state and federal grants and payments made for the repairs related to disaster related events.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The hard rock mine trust fund accounts for money received by the County pursuant to state statute. The money must remain in the account and may not be appropriated by the governing body until: a) a mining operation has permanently ceased all mining related activity; or b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.

The government reports the following major proprietary fund:

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The investment pool is not registered with the SEC. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 50% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. The pool does not include any involuntary participants.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government charges a 1.5% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$6,865.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Solid Waste receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

All inventories are valued at cost. Inventories are recorded as expenses when consumed in the government-wide financial statements. In the fund financial statements, inventories are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2019.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-60
Infrastructure	20-75
Building and improvements	20-100
Machinery and equipment	5-20

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The government has two items that meet this criterion: pension plans and other post-employment benefits.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The government has two items that meet this criterion: pension plans and other post-employment benefits.

In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the finance officer and/or board of county commissioners to assign fund balance. There was no assigned fund balance at the end of the year.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Disaster (\$437,125), Park City Lights (\$8,731), Absarokee Lights (\$11,413), Airport (\$9,434) and Self-Insurance (\$7,500,311) funds had deficit fund equity as of June 30, 2019. The deficits are a carryover from the prior year. The deficits in the Disaster, Park City Lights, Absarokee Lights and Airport funds are expected to be eliminated through a transfer from the General fund or collection of delinquent taxes. The deficit in the Self-Insurance fund occurred because of recording the total other post-employment benefits liability. This liability is an unfunded liability.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 27,488,984
Business-type activities	182,943
Fiduciary funds	<u>29,600,225</u>
	<u>\$ 57,272,152</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2019, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,350	\$ -	\$ 1,350
Cash in banks:			
Demand deposits	1,341,715	-	1,341,715
Savings deposits	361,101	-	361,101
Time deposits	-	18,869,000	18,869,000
Brokers:			
U.S. Government securities	-	8,715,000	8,715,000
Short-term Investment Program (STIP)	<u>27,983,986</u>	<u>-</u>	<u>27,983,986</u>
	<u>\$ 29,688,152</u>	<u>\$ 27,584,000</u>	<u>\$ 57,272,152</u>

Custodial Credit Risk - Deposits. 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. As of June 30, 2019, \$3,420,520 of the government's bank balance of \$21,322,229 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 3,420,520</u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2019, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. government securities	\$ 8,727,347	<u>\$ 8,727,347</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	<u>27,987,904</u>			
	<u>\$ 36,715,251</u>			

Securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. The government had no investments categorized as Level 2 or 3 inputs.

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and redeemed with one business days' notice. The government's STIP ownership is represented by shares. Share prices are fixed at \$1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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. However, under state statute, an investment 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.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 1,000,000	\$ -	\$ 7,715,000	\$ 8,715,000	\$ 8,727,347
	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 7,715,000</u>	8,715,000	8,727,347
STIP				27,983,986	27,987,904
				<u>\$ 36,698,986</u>	<u>\$ 36,715,251</u>

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2019:

	Internal	External	Total
Net position - beginning of year	\$ 26,706,444	\$ 11,607,672	\$ 38,514,316
Contributions from participants	19,526,335	27,894,942	47,421,277
Investment earnings and change in fair value	406,675	413,599	820,274
Administrative fees	(3,411)	(3,454)	(6,865)
Distributions to participants	<u>(18,181,905)</u>	<u>(11,294,945)</u>	<u>(29,476,850)</u>
Net position - end of year	<u>\$ 28,454,138</u>	<u>\$ 28,818,014</u>	<u>\$ 57,272,152</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 566,976	\$ -	\$ -	\$ 566,976
Construction-in-progress	1,830,700	194,662	(1,830,700)	194,662
Total capital assets, not being depreciated	<u>2,397,676</u>	<u>194,662</u>	<u>(1,830,700)</u>	<u>761,638</u>
Capital assets, being depreciated				
Buildings/improvements	3,950,573	38,775	-	3,989,348
Improvements other than buildings	3,995,555	2,647,619	-	6,643,174
Machinery and equipment	9,069,726	348,719	(15,840)	9,402,605
Infrastructure	3,063,023	4,605,321	-	7,668,344
Total capital assets, being depreciated	<u>20,078,877</u>	<u>7,640,434</u>	<u>(15,840)</u>	<u>27,703,471</u>
Less accumulated depreciation for:				
Buildings/improvements	(910,342)	(71,135)	-	(981,477)
Improvements other than buildings	(1,291,200)	(122,429)	-	(1,413,629)
Machinery and equipment	(4,616,750)	(921,454)	12,039	(5,526,165)
Infrastructure	(447,834)	(74,076)	-	(521,910)
Total accumulated depreciation	<u>(7,266,126)</u>	<u>(1,189,094)</u>	<u>12,039</u>	<u>(8,443,181)</u>
Total capital assets, being depreciated, net	<u>12,812,751</u>	<u>6,451,340</u>	<u>(3,801)</u>	<u>19,260,290</u>
Governmental activities capital assets, net	<u>\$ 15,210,427</u>	<u>\$ 6,646,002</u>	<u>\$ (1,834,501)</u>	<u>\$ 20,021,928</u>

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,983	\$ -	\$ -	\$ 6,983
Total capital assets, not being depreciated	<u>6,983</u>	<u>-</u>	<u>-</u>	<u>6,983</u>
Capital assets, being depreciated				
Buildings and systems	881,408	-	-	881,408
Machinery and equipment	1,042,461	-	-	1,042,461
Total capital assets, being depreciated	<u>1,923,869</u>	<u>-</u>	<u>-</u>	<u>1,923,869</u>
Less accumulated depreciation for:				
Buildings and systems	(461,840)	(16,179)	-	(478,019)
Machinery and equipment	(569,729)	(65,330)	-	(635,059)
Total accumulated depreciation	<u>(1,031,569)</u>	<u>(81,509)</u>	<u>-</u>	<u>(1,113,078)</u>
Total capital assets, being depreciated, net	<u>892,300</u>	<u>(81,509)</u>	<u>-</u>	<u>810,791</u>
Business-type activities capital assets, net	<u>\$ 899,283</u>	<u>\$ (81,509)</u>	<u>\$ -</u>	<u>\$ 817,774</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 83,478
Public safety	195,169
Public works	867,677
Public health	33,378
Social and economic services	1,434
Culture and recreation	<u>7,958</u>
Total governmental activities	<u>\$ 1,189,094</u>
Business-type activities:	
Solid waste	<u>\$ 81,509</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2019, consisted of the Disaster fund owing the General fund \$437,145. The loan was made to cover the deficit cash balance in the Disaster fund. The loan is expected to be repaid in fiscal year 2020.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ -	\$ (235,692)
Road	70,000	(222,554)
Public Safety	-	(75,853)
Nonmajor governmental funds	<u>1,260,916</u>	<u>(796,817)</u>
Total governmental activities	<u>\$ 1,330,916</u>	<u>\$ (1,330,916)</u>

Transfers use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Capital Leases

The government has entered into certain capital lease agreements under which the related equipment will become the property of the government when all terms of the lease agreements are met. Assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 2,895,745
Less: accumulated depreciation	<u>(1,594,026)</u>
	<u>\$ 1,301,719</u>

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2019, are as follows:

	Year ending June 30,	Governmental Activities
	2020	\$ 1,326,623
	2021	35,062
	2022	98,839
Total minimum lease payments		1,460,524
Less: amount representing interest		(45,157)
Present value of minimum lease payments		\$ 1,415,367

Long-Term Debt

Notes from direct borrowings consist of the following:

	Original Amount	Term	Interest Rate	Governmental Activities
Jet boat-2019 (1)	\$ 52,226	5 yr	3.37%	\$ 52,226
Airport-2015	6,325	10 yr	1.63%	3,795
Airport-2018	145,085	10 yr	1.88%	116,068
				\$ 172,089

(1) Through Montana Board of Investments - INTERCAP

Notes from direct borrowings (INTERCAP) include a provision that interest is adjusted each February 1st, up to a maximum of 15 percent. The loans are general obligations that requires backing by the full faith and credit of the government and obligates the government to levy a tax sufficient to repay the obligation.

Annual debt service requirements to maturity for notes from direct borrowings are as follows:

	Year ending June 30,	Governmental Activities		
		Principal	Interest	Total
	2020	\$ 19,972	\$ 3,423	\$ 23,395
	2021	25,065	3,473	28,538
	2022	25,402	2,849	28,251
	2023	25,751	2,219	27,970
	2024	26,111	1,576	27,687
	2025-2027	49,788	1,737	51,525
		\$ 172,089	\$ 15,277	\$ 187,366

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Notes payable	\$ 206,712	\$ 52,226	\$ (86,849)	\$ 172,089	\$ 19,972
Capital leases	1,611,194	-	(195,827)	1,415,367	1,289,538
Compensated absences	456,674	-	(24,742)	431,932	43,193
Governmental activity long-term liabilities	<u>\$ 2,274,580</u>	<u>\$ 52,226</u>	<u>\$ (307,418)</u>	<u>\$ 2,019,388</u>	<u>\$ 1,352,703</u>
Business-type activities:					
Compensated absences	\$ 54,867	\$ 6,084	\$ -	\$ 60,951	\$ 6,095
Business-type activity long-term liabilities	<u>\$ 54,867</u>	<u>\$ 6,084</u>	<u>\$ -</u>	<u>\$ 60,951</u>	<u>\$ 6,095</u>

For the governmental activities, notes payable and capital leases are generally liquidated by the road and airport funds. Compensated absences are liquidated by the option tax/compensated absences fund.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Self-Insurance Plan

During the year ended June 30, 2019, employees of the government were covered by a medical self-insurance plan (the "plan"). The government contributed approximately \$948 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the government.

The administrative contract between the government and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The government was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage through Montana Joint Powers Trust. Stop-loss coverage was in effect for individual claims exceeding \$40,000. The aggregate stop-loss coverage was \$1,170,794.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures of the governmental and enterprise funds. The liability of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2019 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in the claims liability during fiscal years 2019 and 2018 were as follows:

	Liability July 1,	Curent Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2018-19	\$ 103,884	\$ 474,027	\$ (511,926)	\$ 65,985
2017-18	157,845	591,666	(645,627)	103,884

Interlocal Agreements

The County provides dispatch services to the City of Columbus. During 2019, the City contributed \$30,000 for the services. The agreement may be cancelled by either party with proper notification. An interlocal agreement between the City of Columbus planning board and the Stillwater County planning board provides for expenses related to the City planning to be paid by the City and expenses related to County planning to be paid by the County. The County provides secretarial services to the joint planning board.

The City-County Airport is owned and operated jointly by the City of Columbus and Stillwater County. The operation of the airport is accounted for by the County as a special revenue fund. All capital assets are recorded within the County's accounting records. The airport is administered by members of the City and County. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

Jointly Governed Organizations

South Central Montana Regional Mental Health Center

The Stillwater County Mental Health Center is a satellite office of the South Central Montana Regional Mental Health Center located in Billings, Montana. The County belongs with other counties located in Montana. The District was created under the provisions of Montana Code Annotated (MCA). Each County is represented on the Board by one of its county commissioners. Stillwater County contributed \$10,000 during 2019. The purpose of the Center is to initiate preventive mental health activities for statewide mental health programs and to perform other duties as listed in MCA.

Stillwater Council on Aging

Stillwater Council on Aging is a satellite office of the Area II Agency on Aging. Eleven counties belong to the Agency, with each county contributing money for the purpose of matching federal grants.

Economic Dependency

Approximately 95 percent of the County's taxable value is attributable to mining, utility and railroad companies.

Prior Period Adjustments

Prior period adjustments were as follows:

Major governmental funds:

Road	\$ 61,466	Correct beginning of the year material and supplies inventory balance
Option tax	957,573	Correct beginning of the year material and supplies inventory balance
Bridge	(13,267)	Correct beginning of the year material and supplies inventory balance
Public safety	(10,560)	Correct prior year accounts payable
Car gate	43,178	Correct beginning of the year material and supplies inventory balance
Gas tax	46,485	Correct beginning of the year material and supplies inventory balance
	\$ 1,084,875	

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$103,00, primarily for road repairs. Additionally, on June 28, 2019, the government entered into a lease purchase for eight motor graders amounting to \$1,963,079. The lease is for 5 years, with annual payments of \$259,753 and a balloon payment of \$1,029,760. The interest rate is 4.55%

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

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. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1) if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2) if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1) if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2) if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3) if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who 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 receive a refund of the plan member's contributions from the second employment plus regular interest at .77%.

Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Sheriff's Retirement System

SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5 percent of the member's highest average compensation (HAC) multiplied by years of service credit.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on 110% annual cap on compensation. Members age 50 with 5 years of membership service are eligible for early retirement. Retirement benefits are determined using HAC and years of service credit at early retirement, reduced to the actuarial equivalent.

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

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.57% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .37% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

Members contribute 10.495% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 13.115% of each member's compensation. The rate increased from 10.115% to 13.115% on July 1, 2018.

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

At June 30, 2019, the government recorded a liability of \$3,873,607 (PERS) and \$624,148 (SRS) for its proportionate share of the net pension liability.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2019	
	PERS	SRS
Employer proportionate share	\$ 3,873,607	\$ 624,148
State of Montana proportionate share associated with employer	1,293,942	-
Total	\$ 5,167,549	\$ 624,148

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 for PERS and SRS. The government's proportion of the net pension liability was based on the government's contributions received by PERS and SRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2019, the government's proportion was .1856 and .8303 percent for PERS and SRS, respectively.

For the year ended June 30, 2019, the government recognized \$417,172 (PERS) and \$1,272 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$86,356 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$503,528 and \$1,272 for PERS and SRS, respectively.

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

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 294,562	\$ -	\$ 34,424	\$ 1,390
Changes in actuarial assumptions	329,392	-	354,927	590,208
Difference between projected and actual investment earnings	-	60,157	-	17,472
Changes in the proportion and differences between actual and expected contributions	-	280,141	65,027	-
Employer contributions subsequent to measurement date	258,161	-	89,763	-
	<u>\$ 882,115</u>	<u>\$ 340,298</u>	<u>\$ 544,141</u>	<u>\$ 609,070</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2020	\$ 270,107	\$ (30,603)
2021	214,572	(45,453)
2022	(176,305)	(74,799)
2023	(24,718)	(3,837)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	SRS
Investment rate of return, net of investment and administrative expenses	7.65%	7.65%
Salary increases	3.50%	3.50%
Inflation	2.75%	2.75%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS and SRS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2011 through 2016, is outlined in a

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

report dated May 5, 2017, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of 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 by the investment consultant 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 then adding expected inflation. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS and SRS target asset allocation as of June 30, 2018, and are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.6%	0.10%
Domestic equity	36.0%	1.64%
Foreign equity	18.0%	1.14%
Fixed income	23.4%	0.23%
Private equity	12.0%	0.93%
Real estate	8.0%	0.32%
	<u>100.0%</u>	

Discount Rate

Public Employees Retirement System

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 nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school governments. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS' 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 total pension liability. No municipal bond rate was incorporated in the discount rate.

Sheriff's Retirement System (SRS)

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 and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2118. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS and SRS 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.

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability-PERS	\$ 5,602,133	\$ 3,873,607	\$ 2,454,212
Net pension liability-SRS	1,135,867	624,148	205,094

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan Descriptions. The postemployment benefit plan is a single employer defined benefit plan that is self-funded for pre Medicare medical/prescription drug benefits and insures for Medicare supplement benefits and retiree life insurance. The plan was established in accordance with Section 20-3-331, MCA. The OPEB plan is a single-employer defined benefit plan administered by the government. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these costs when they come due. 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 2-18-704, MCA. The health insurance premiums are the responsibility of the retiree.

Employees Covered by Benefit Terms. As of June 30, 2019, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	64
	85

Total OPEB Liability

The total OPEB liability of \$7,823,207 was measured as of January 25, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal funding
Salary increases	4%
Discount rate	3.87% (based on the 20 year municipal bond index)
Healthcare costs trend rates	7% for 2018, decreasing 0.1% per year to an ultimate rate of 3.8% for 2074 and years later
Participation	45% of future retirees are assumed to elect medical coverage
Mortality	For PERS and SRS: RP 2000 Healthy Combined Mortality Table set back one year for males and with no collar adjustment for females, with mortality improvements projected by Scale BB to 2020

The

actuarial assumptions used in the June 20, 2017 valuation were based on the results of an analysis of claims experience for the period of January 2007 through June 2016.

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Total OPEB liability - beginning of year	\$	7,596,753
Service cost		468,510
Interest on the total OPEB liability		302,974
Changes of assumptions		(349,298)
Benefits payments		(195,732)
		(195,732)
Total OPEB liability - end of year	\$	7,823,207

Changes of benefit terms reflect revised health care trend rates and retiree contribution increases based on revised projects and future increases to retirees contributions to match health care cost trend rates.

Changes of assumptions and other inputs reflect a change in status, trend, discount and other inputs.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the employer's total OPEB liability calculated using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.87%) or 1.00% higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 9,145,456	\$ 7,823,207	\$ 6,762,998

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 2.8%) or 1-percentage-point higher (8.0% decreasing to 4.8%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 2.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 3.8%)	1% Increase (8.0% decreasing to 4.8%)
Total OPEB liability	\$ 6,647,719	\$ 7,823,207	\$ 9,333,052

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

For the year ended June 30, 2019, the government recognized OPEB expense of \$771,484. As of June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 349,298
Employer contributions subsequent to measurement date	230,275	-
	\$ 230,275	\$ 349,298

STILLWATER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(32,948)
2020		(32,948)
2021		(32,948)
2022		(32,948)
2023		(32,948)
Thereafter		(184,558)

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, Leases. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES					
Taxes and assessments	\$ 1,760,332	\$ 1,760,332	\$ 1,776,385	\$ -	\$ 1,776,385
Fines and forfeitures	82,100	82,100	100,122	-	100,122
Licenses and permits	8,950	8,950	10,325	-	10,325
Intergovernmental	292,383	292,383	304,515	79,448	383,963
Charges for services	291,725	291,725	258,791	-	258,791
Investment earnings	110,000	110,000	130,359	-	130,359
Miscellaneous	750	750	4,800	-	4,800
Total revenues	<u>2,546,240</u>	<u>2,546,240</u>	<u>2,585,297</u>	<u>79,448</u>	<u>2,664,745</u>
EXPENDITURES					
Current:					
General government	2,471,670	2,471,670	2,107,503	34,958	2,142,461
Public safety	174,508	174,508	124,019	12,712	136,731
Public works	12,500	12,500	6,412	25,423	31,835
Public health	146,607	146,607	132,400	2,383	134,783
Social and economic services	34,640	34,640	28,503	794	29,297
Culture and recreation	-	-	-	3,178	3,178
Capital outlay	145,000	145,000	90,646	-	90,646
Total expenditures	<u>2,984,925</u>	<u>2,984,925</u>	<u>2,489,483</u>	<u>79,448</u>	<u>2,568,931</u>
Excess (deficiency) of revenues over expenditures	<u>(438,685)</u>	<u>(438,685)</u>	<u>95,814</u>	<u>-</u>	<u>95,814</u>
OTHER FINANCING USES					
Transfers out	<u>(235,692)</u>	<u>(235,692)</u>	<u>(235,692)</u>	<u>-</u>	<u>(235,692)</u>
Total other financing uses	<u>(235,692)</u>	<u>(235,692)</u>	<u>(235,692)</u>	<u>-</u>	<u>(235,692)</u>
Net change in fund balance	<u>\$ (674,377)</u>	<u>\$ (674,377)</u>	<u>(139,878)</u>	<u>-</u>	<u>(139,878)</u>
Fund balance - beginning			<u>1,613,437</u>	<u>-</u>	<u>1,613,437</u>
Fund balance - ending			<u>\$ 1,473,559</u>	<u>\$ -</u>	<u>\$ 1,473,559</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 1,669,885	\$ 1,669,885	\$ 1,679,599
Licenses and permits	5,000	5,000	9,489
Intergovernmental	334,950	334,950	356,297
Charges for services	21,150	21,150	40,384
Miscellaneous	2,000	2,000	6,540
Total revenues	<u>2,032,985</u>	<u>2,032,985</u>	<u>2,092,309</u>
EXPENDITURES			
Current:			
General government	1,000	1,000	-
Public works	1,713,035	1,713,035	1,273,897
Debt service:			
Principal	19,763	19,763	266,356
Interest and other charges	2,066	2,066	29,031
Capital outlay	<u>380,000</u>	<u>380,000</u>	<u>188,538</u>
Total expenditures	<u>2,115,864</u>	<u>2,115,864</u>	<u>1,757,822</u>
Excess (deficiency) of revenues over expenditures	<u>(82,879)</u>	<u>(82,879)</u>	<u>334,487</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	270,000	270,000	-
Transfers in	-	-	70,000
Transfers out	<u>(336,308)</u>	<u>(336,308)</u>	<u>(222,554)</u>
Total other financing sources (uses)	<u>(66,308)</u>	<u>(66,308)</u>	<u>(152,554)</u>
Net change in fund balance	<u>\$ (149,187)</u>	<u>\$ (149,187)</u>	181,933
Fund balance - beginning			941,352
Change in inventory			44,976
Prior period adjustments			<u>61,466</u>
Fund balance - ending			<u>\$ 1,229,727</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Disaster Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ 6
Intergovernmental	323,678	1,197,336	1,193,602
Total revenues	<u>323,678</u>	<u>1,197,336</u>	<u>1,193,608</u>
EXPENDITURES			
Current:			
Public works	323,914	1,618,098	1,601,898
Total expenditures	<u>323,914</u>	<u>1,618,098</u>	<u>1,601,898</u>
Net change in fund balance	<u>\$ (236)</u>	<u>\$ (420,762)</u>	(408,290)
Fund balance - beginning			<u>(28,835)</u>
Fund balance - ending			<u>\$ (437,125)</u>

STILLWATER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes and assessments	\$ 1,895,574	\$ 1,895,574	\$ 1,900,784
Fees and fines	30,250	30,250	30,000
Licenses and permits	7,000	7,000	4,775
Intergovernmental	221,290	221,290	221,509
Charges for services	6,800	6,800	14,486
Miscellaneous	-	-	2,500
Total revenues	<u>2,160,914</u>	<u>2,160,914</u>	<u>2,174,054</u>
EXPENDITURES			
Current:			
Public safety	1,920,170	1,920,170	1,900,291
Public health	1,000	1,000	-
Capital outlay	-	-	4,985
Total expenditures	<u>1,921,170</u>	<u>1,921,170</u>	<u>1,905,276</u>
Excess (deficiency) of revenues over expenditures	<u>239,744</u>	<u>239,744</u>	<u>268,778</u>
OTHER FINANCING USES			
Transfers out	<u>(75,853)</u>	<u>(75,853)</u>	<u>(75,853)</u>
Total other financing uses	<u>(75,853)</u>	<u>(75,853)</u>	<u>(75,853)</u>
Net change in fund balance	<u>\$ 163,891</u>	<u>\$ 163,891</u>	192,925
Fund balance - beginning			436,415
Prior period adjustments			<u>(10,560)</u>
Fund balance - ending			<u>\$ 618,780</u>

STILLWATER COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Hard Rock Mine Trust Fund
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 615,896	\$ 615,896	\$ 892,111
Investment earnings	-	-	219,166
Total revenues	<u>615,896</u>	<u>615,896</u>	<u>1,111,277</u>
Net change in fund balance	<u>\$ 615,896</u>	<u>\$ 615,896</u>	1,111,277
Fund balance - beginning			<u>11,685,959</u>
Fund balance - ending			<u>\$ 12,797,236</u>

STILLWATER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

Amounts for budgetary and GAAP basis revenue and expenditures for the General fund are different as a result of recording state support revenue and expenditures related to pensions.

STILLWATER COUNTY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2019	2018	2017	2016	2015
Contractually required contributions	\$ 258,161	\$ 258,521	\$ 231,407	\$ 203,382	\$ 196,981
Contributions in relation to the contractually required contributions	<u>258,161</u>	<u>258,521</u>	<u>231,407</u>	<u>203,382</u>	<u>196,981</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Employer's covered payroll	\$ 3,012,380	\$ 3,054,674	\$ 2,764,436	\$ 2,376,708	\$ 2,336,670
Contributions as a percentage of covered payroll	8.57%	8.46%	8.37%	8.56%	8.43%
Sheriffs' Retirement System:	2019	2018	2017	2016	2015
Contractually required contributions	\$ 89,763	\$ 86,070	\$ 64,558	\$ 56,138	\$ 49,833
Contributions in relation to the contractually required contributions	<u>89,763</u>	<u>86,070</u>	<u>64,558</u>	<u>56,138</u>	<u>49,833</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Employer's covered payroll	\$ 684,430	\$ 644,205	\$ 638,240	\$ 541,632	\$ 491,265
Contributions as a percentage of covered payroll	13.12%	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.

STILLWATER COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

<u>Public Employees Retirement System:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.1856%	0.2229%	0.1984%	0.2002%	0.2084%
Employer's proportionate share of the net pension liability associated with the employer	\$ 3,873,607	\$ 4,340,606	\$ 3,379,757	\$ 2,798,893	\$ 2,596,412
State of Montana's proportionate share of the net pension liability associated with the employer	<u>1,293,942</u>	<u>54,952</u>	<u>41,297</u>	<u>34,380</u>	<u>31,706</u>
Total	<u>\$ 5,167,549</u>	<u>\$ 4,395,558</u>	<u>\$ 3,421,054</u>	<u>\$ 2,833,273</u>	<u>\$ 2,628,118</u>
Employer's covered payroll	\$ 3,054,674	\$ 2,764,436	\$ 2,376,708	\$ 2,336,670	\$ 2,370,669
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.81%	157.02%	142.20%	119.78%	109.52%
Plan fiduciary net position as a percentage of the total pension liability	74.47%	73.75%	74.71%	78.40%	79.87%
<u>Sheriffs' Retirement System:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.8303%	0.8530%	0.7673%	0.7220%	0.7163%
Employer's proportionate share of the net pension liability associated with the employer	\$ 624,148	\$ 649,135	\$ 1,347,901	\$ 695,966	\$ 298,088
State of Montana's proportionate share of the net pension liability associated with the employer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 624,148</u>	<u>\$ 649,135</u>	<u>\$ 1,347,901</u>	<u>\$ 695,966</u>	<u>\$ 298,088</u>
Employer's covered payroll	\$ 644,205	\$ 638,240	\$ 541,632	\$ 491,265	\$ 463,227
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%	75.40%	87.24%

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

STILLWATER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2019

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

- The interest credited to member accounts increased from 0.25% to 0.77%.

Lump-sum Payouts:

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

Disabled PERS Defined Contribution (DC) Members:

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

Sheriffs' Retirement System

Changes of Benefit Terms:

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

2017:

1. Increase in SRS Employee and Employer Contributions, effective July 1, 2017:
 - SRS employee contributions increase 1.25% from 9.245% to 10.495%.
 - SRS employer additional contributions increase 3%, from 0.58% to 3.58%, for a total employer contributions rate of 13.115%.
 - SRS employee contributions will return to 9.245% and SRS employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

Second Retirement Benefit - for SRS:

1. Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
2. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

STILLWATER COUNTY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2019

- is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
3. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
- Is awarded service credit for the period of reemployment;
 - 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
 - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - I. On the initial retirement benefit in January immediately following second retirement, and
 - II. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
4. A member who returns to covered service is not eligible for a disability benefit.

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

Changes in actuarial assumptions and other inputs:

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

STILLWATER COUNTY
 SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT
 BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
 For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning of year	\$ 7,596,753	\$ 7,039,792
Service cost	468,510	427,543
Interest cost	302,974	260,335
Changes in assumptions or other inputs	(349,298)	(11,694)
Differences in experience	-	65,106
Benefit payments	<u>(195,732)</u>	<u>(184,329)</u>
Total OPEB liability - end of year	<u>\$ 7,823,207</u>	<u>\$ 7,596,753</u>
Covered-employee payroll	\$ 3,047,020	\$ 2,936,886
Total OPEB liability as a percentage of covered-employee payroll	256.75%	258.67%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

3.87%	3.87%
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Differences in experience measure the expected versus actual claims experience.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

OTHER SUPPLEMENTARY INFORMATION

STILLWATER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass-through Grantor's Number	Program or Award Amount	Balance			Returned to Grantor/ Other	Balance June 30, 2019	Amount Provided to Subrecipients
				July 1, 2018	Receipts	Expenditures			
U.S. Department of Transportation:									
Direct Program:									
Airport Improvement Program	20 106	DOT-FA17NM-2024	\$ 2,211,591	\$ (51,782)	\$ 1,254,064	\$ 1,238,369	\$ -	\$ (36,067)	\$ -
Total U.S. Department of Transportation				(51,782)	1,254,064	1,238,369	-	(36,067)	-
U.S. Department of Justice:									
Passed through the Montana Board of Crime Control:									
Crime Victim Assistance	16 575	16-V68-92067	158,772	-	11,481	-	(11,481)	-	-
Crime Victim Assistance	16 575	16-V68-92354	158,772	-	36,134	36,134	-	-	-
Total U.S. Department of Justice				-	47,615	36,134	(11,481)	-	-
U.S. Department of Homeland Security:									
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:									
Hazard Mitigation Grant	97 039	FEMA-DR-4271-MT	9,674	(9,306)	9,306	-	-	-	-
Subtotal				(9,306)	9,306	-	-	-	-
Homeland Security Grant Program	97 567	EMW-2018-S-00021	121,447	-	91,144	109,702	-	(18,558)	-
Subtotal				-	91,144	109,702	-	(18,558)	-
Pre-Disaster Mitigation	97 047	PDMC-PL-08-MT-2016-002	1,660,000	(259,105)	1,465,216	1,185,129	(20,982)	-	-
Subtotal				(259,105)	1,465,216	1,185,129	(20,982)	-	-
Emergency Management Performance Grants	97 042	EMD-2017-EP-00003	51,525	(30,511)	30,511	-	-	-	-
Emergency Management Performance Grants	97 042	EMD-2016-EP-00005	49,359	-	38,269	49,359	-	(11,090)	-
Subtotal				(30,511)	68,780	49,359	-	(11,090)	-
Total U.S. Department of Homeland Security				(298,922)	1,634,446	1,344,190	(20,982)	(29,648)	-
U.S. Department of Health and Human Services:									
Passed through the Montana Department of Public Health and Human Services:									
Maternal and Child Health Services									
Block Grant to the States	93 954	19-07-6-01-057-0	9,596	-	9,596	9,596	-	-	9,596
Subtotal				-	9,596	9,596	-	-	9,596
Immunization Cooperative Agreements	93 266	19-07-4-31-144-0	6,445	-	6,445	6,445	-	-	6,445
Subtotal				-	6,445	6,445	-	-	6,445
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)									
Aligned Cooperative Agreements	93 074	19-07-6-11-050-0	30,142	-	30,142	30,142	-	-	30,142
Subtotal				-	30,142	30,142	-	-	30,142
Total U.S. Department of Health and Human Services				-	46,183	46,183	-	-	46,183
U.S. Department of the Interior:									
Passed through the Montana Historical Society - State Historic Preservation Office:									
Historic Preservation Fund Grants-in-Aid	15 904	MT-18-015	5,500	-	5,500	5,500	-	-	5,500
Total U.S. Department of the Interior				-	5,500	5,500	-	-	5,500
U.S. Department of Agriculture:									
Passed through the Montana Department of Administration:									
Schools and Roads - Grants to States	10 665	N/A	77,820	7,451	65,521	72,972	-	-	-
Subtotal				7,451	65,521	72,972	-	-	-
Passed through the Montana Department of Natural Resources and Conservation:									
Cooperative Forestry Assistance	10 664	VFA-19-480	8,000	-	8,000	8,000	-	-	-
Subtotal				-	8,000	8,000	-	-	-
Total U.S. Department of Agriculture				7,451	73,521	80,972	-	-	-
Total Federal Awards				\$ (343,253)	\$ 3,061,329	\$ 2,751,348	\$ (32,463)	\$ (65,735)	\$ 51,663

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OLNESS & ASSOCIATES, P. C.

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

To the Board of County Commissioners
Stillwater County
Columbus, Montana

Report on the Financial Statements

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, the business-type activities, each major fund, and the aggregate remaining fund information of Stillwater County, Montana (the government) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated January 16, 2020. The report included an explanatory paragraph to describe a change in accounting principle. Also, the report on the governmental activities, the road fund and aggregate remaining fund information was qualified because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government'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 the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-006 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-007 through 2019-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-009.

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 (CONTINUED)

The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

O'Neal & Associates, PC

Billings, Montana
January 16, 2020

OLNESS & ASSOCIATES, P. C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of County Commissioners
Stillwater County
Columbus, Montana

Report on Compliance for Each Major Federal Program

We have audited Stillwater County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2019. The government'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the government'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 government'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 the government's compliance.

Opinion on Each Major Federal Program

In our opinion, the government, 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 the government 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 of compliance, we considered the government'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 the 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 government's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-10 and 2019-11 that we consider to be material weaknesses.

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Olness & Associates, PC

Billings, Montana
January 16, 2020

STILLWATER COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified? yes none reported
- Noncompliance material to the financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes 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 2 CFR section 200.516(a)? yes no

Major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Program
97.047	Pre-Disaster Mitigation

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? yes no

FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements and schedule of expenditures of federal awards (SEFA) in accordance with generally accepted accounting principles (GAAP).

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements and SEFA.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements and SEFA.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-003. CASH AND INVESTMENTS BANK RECONCILIATIONS NOT COMPLETE AND ACCURATE

Criteria: Preparation of complete, accurate and timely bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Condition: During much of the year, the cash and investment reconciliations appeared to be incomplete, not accurate and not completed in a timely manner. For example, cash and investments in the general ledger at the end of June 2019 was approximately \$7,900 less than the bank reconciliations.

Cause: Procedures are not in place to identify and correct the unreconciled differences.

Effect: Cash and investments, as of June 30, 2019, were understated approximately \$7,900.

Recommendation: Cash and investment should be reconciled monthly and submitted to the county commissioners by the 10th of the following month. Any unknown differences should be located and resolved.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-004. SCHOOL CASH SUBSIDIARY RECORDS DO NOT EQUAL THE GENERAL LEDGER CONTROL ACCOUNTS

Criteria: The general ledger cash control accounts for funds 7700 (elementary schools) and 7701 (high schools) should equal the elementary and high school subsidiary records in school accounting.

Condition: At June 30, 2019, the school subsidiary ledgers for cash did not agree with the general ledger control accounts.

Cause: This occurred because entries were posted to the school subsidiary records and not the general ledger control accounts and entries were posted to the general ledger control accounts that were not posted to the school subsidiary records.

Effect: Reports provided to the schools are not accurate.

Recommendation: Monthly, reports should be generated and procedures should be developed to verify the general ledger control accounts agree with the school subsidiary records.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-005. PAYROLL CLEARING FUND NOT RECONCILED

Criteria: At least monthly, the balances in the payroll clearing fund should be reviewed and reconciled to determine if they are accurate and complete.

Condition: The payroll clearing fund was not reconciled throughout the year.

Cause: Unknown.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Effect: Financial reports provided to management and others may not be accurate.

Recommendation: At least monthly, the balances in the payroll clearing fund should be reviewed and reconciled. Unreconciled or unknown amounts should be investigated and resolved immediately.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-006. JUSTICE OF THE PEACE

Criteria: The Montana Supreme Court Administrator's Office Full Court Accounting Responsibility & Compliance Guidelines that have been adopted by the Courts of Limited Jurisdiction Automation Committee outlines court personnel accounting responsibilities. The guidelines require court personnel to develop and maintain a system of internal controls to safeguard court resources, check the accuracy of clerical entries, promote operational efficiency and encourage adherence to prescribed accounting procedures. Effective internal control over time pay accounts requires a reconciliation of the monthly time pay activity to the beginning and ending time pay balances to be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful tool in evaluating and monitoring outstanding time pay balances.

Condition: The Justice of the Peace office does not perform a monthly time pay account reconciliation.

Cause: Unknown.

Effect: Not reconciling the time pay accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace office should prepare a formal reconciliation of time pay activity to the beginning and ending time pay balances on a monthly basis. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

Condition: The trust account reconciliation contained numerous errors, adjustments, and old outstanding items.

Cause: Unknown

Effect: Erroneous reconciliations means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace should contact the Montana Supreme Court for assistance in clearing out all unreconciled differences, old outstanding items and errors. Once completed, the court activity maintained in the Full Court system should be balanced to the bank statement on a monthly basis.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-007. CONTINUE DEVELOPMENT OF ACCOUNTING PROCEDURES MANUAL

Criteria: Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management.

Condition: The Treasurer and Finance offices do not have complete accounting procedures manuals.

Cause: Unknown.

Effect: Without an accounting procedures manual, the time taken and resources used to train and supervise new personnel in the Treasurer and Finance offices will be increased.

Recommendation: We recommend the Treasurer and Finance offices continue their efforts in developing an accounting procedures manual. Once completed, copies of the manuals should be forwarded to the County Commissioners.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

STILLWATER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

2019-008. CONTINUE CROSS TRAINING IN THE TREASURER OFFICE

Criteria: Employees should be cross-trained to numerous functions so that every position is appropriately backed-up in the event of an unexpected absence. Cross-trained employees ensure that someone will be able to perform all the tasks required by each office.

Condition: The Treasurer office has not completed cross training.

Cause: Unknown.

Effect: By not cross training employees, the County may incur significant costs and operational disruptions in the event an employee leaves.

Recommendation: We recommend that the Treasurer continue staff-cross training. Examples for the Treasurer's office include cash and investment reconciliations, receipting interest income and protested taxes.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2019-009. BIDDING

Criteria: Section 7-5-2301, MCA, requires a contract for the purchase of any vehicle, road machinery, other machinery, apparatus, appliances, equipment, or materials or supplies or for construction, repair, or maintenance in excess of \$80,000 may not be entered into by a county governing body without first publishing a notice calling for bids.

Condition: The County contracted for resurfacing on the Shane Ridge road for a total of \$144,392 without going through the formal bid process.

Cause: Unknown

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-2301, MCA.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF HOMELAND SECURITY:

2019-010. PRE-DISASTER MITIGATION, CFDA NO. 97.047, GRANT NO. PDMC-PL-08-MT-2016-002

See finding 2019-001.

2019-011. ALL MAJOR FEDERAL AWARD PROGRAMS

See finding 2019-002.

STILLWATER COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2019-001 for the year ended June 30, 2019.

2018-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2019-002 for the year ended June 30, 2019.

2018-003. CASH AND INVESTMENTS BANK RECONCILIATIONS NOT COMPLETE AND ACCURATE

Status: This finding is unresolved and is repeated as finding 2019-003 for the year ended June 30, 2019.

2018-004. SCHOOL CASH SUBSIDIARY RECORDS DO NOT EQUAL THE GENERAL LEDGER CONTROL ACCOUNTS

Status: This finding is unresolved and is repeated as finding 2019-004 for the year ended June 30, 2019.

2018-005. ROAD AND BRIDGE MATERIALS AND SUPPLIES INVENTORY

This finding has been resolved.

2018-006. JUSTICE OF THE PEACE

Status: This finding is unresolved and is repeated as finding 2019-006 for the year ended June 30, 2019.

2018-007. CONTINUE DEVELOPMENT OF ACCOUNTING PROCEDURES MANUAL

Status: This finding is unresolved and is repeated as finding 2019-007 for the year ended June 30, 2019.

2018-008. CONTINUE CROSS TRAINING IN THE TREASURER OFFICE

Status: This finding is unresolved and is repeated as finding 2019-008 for the year ended June 30, 2019.

2018-009. HEALTH GRANTS

This finding has been resolved.

2018-010. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT No. DOT-FA17NM-2024

This finding has been resolved.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TRANSPORTATION:

2018-011. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT No. DOT-FA17NM-2024

See finding 2018-010.

2018-012. ALL MAJOR FEDERAL AWARD PROGRAMS

See finding 2018-002.

STILLWATER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001. SEGREGATION OF DUTIES

Name of Contact Person: Joe Morse

Corrective Action: We have a formal policy that addresses how the segregation of duties applies and involves several offices and individuals within that department.

Proposed Completion Date: The governing board will implement the above procedure immediately.

2019-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of Contact Person: Joe Morse

Corrective Action: The County Commission will continue to evaluate if it is cost effective to hire an outside individual or firm to prepare the financial statements

Proposed Completion Date: Annually

2019-003. CASH AND INVESTMENTS BANK RECONCILIATIONS NOT COMPLETE AND ACCURATE

Name of Contact Person: Jerry Friend

Corrective Action: Working on a more complete reconciliation system as requested by the auditors. Will be working to turn in the cash reports in in a timelier manner.

Proposed Completion Date: June, 1, 2020

2019-004. SCHOOL CASH SUBSIDIARY RECORDS DO NOT EQUAL THE GENERAL LEDGER CONTROL ACCOUNTS

Name of Contact Person: Jerry Friend

Corrective Action: We are working with Black Mountain Software to research what entries were not posted starting in July of 2009. Corrections will be made as necessary.

Proposed Completion Date: June 1, 2020

2019-005. PAYROLL CLEARING FUND NOT RECONCILED

Name of Contact Person: Joe Morse

Corrective Action: Will establish a training protocol for reconciling payroll clearing accounts on a monthly basis.

Proposed Completion Date: April 2020

2019-006. JUSTICE OF PEACE

Name of Contact Person: Lee Cornell

Corrective Action: The Justice Court will reconcile the time pay accounts on a monthly basis as recommended. The reconciliation will also be reviewed by the Justice of the Peace. The office will also contact the Supreme Court to get assistance in clearing out all unreconciled difference old items and errors.

Proposed Completion Date: March 1, 2020

STILLWATER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

2019-007. CONTINUE DEPLOYMENT OF ACCOUNTING PROCEDURES MANUAL

Name of Contact Person: Jerry Friend

Corrective Action: We are continuing efforts to develop manuals. This is a work in progress and will probably be constantly done as procedures are changing.

Proposed Completion Date: June 1, 2020

2019-008. CONTINUE CROSS TRAINING IN THE TREASURER OFFICE

Name of Contact Person: Jerry Friend

Corrective Action: Working on this to ensure general knowledge of all jobs. This will be a constant as things are always changing and there is always room for improvement.

Proposed Completion Date: June 1, 2020

2019-009. BIDDING

Name of Contact Person: Mark Crago

Corrective Action: The commission will ensure that any contract or purchase in excess of \$80,000 will be formally advertised and bid in accordance with Section 7-5-2301, MCA.

Proposed Completion Date: March 1, 2020

FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF HOMELAND SECURITY:

2019-010. PRE-DISASTER MITIGATION, CFDA NO. 97.047, GRANT NO. PDMC-PL-08-MT-2016-002

See finding 2019-001.

2019-011. ALL MAJOR FEDERAL AWARD PROGRAMS

See finding 2019-002.