

FERGUS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

FERGUS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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FERGUS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

BOARD OF COUNTY COMMISSIONERS

Sandra Youngbauer
Ross Butcher
Carl Seilstad

Chairman
Commissioner
Commissioner

COUNTY OFFICIALS

Janel Tucek
Neal Tucek
Gary Kruger
Rhonda Long
Richard Vaughn
Gwen Gehlen
Ken Sipe

Clerk and Recorder
Finance Director
Public Administrator
School Superintendent
Sheriff/ Coroner
Treasurer
Attorney

Fergus County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

Our discussion and analysis of the County's financial performance provides an overview of the government's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

- Net position at the close of fiscal year 2023 was \$28,405,742. Of this amount, \$18,303,384 was invested in capital assets, net of related debt.
- Total net position increased by \$2,266,951 as a result of this year's operations.

USING THIS ANNUAL REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fergus County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

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

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

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

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

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position at the close of fiscal year 2023 was \$28,405,742. Of this amount, \$18,303,384 was invested in capital assets, net of related debt. Restricted net position for the governmental activities is subject to external resources on how they are used. There is not currently any business-type activities restricted net position.

Fergus County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY23	FY22	Change Inc (Dec)	FY23	FY22	Change Inc (Dec)
	Current and other assets	\$ 16,313,277	\$ 15,282,622	\$ 1,030,655	\$ 1,553,376	\$ 1,079,315
Capital assets	14,077,045	13,400,807	676,238	5,315,820	5,190,606	125,214
Total assets	\$ 30,390,322	\$ 28,683,429	\$ 1,706,893	\$ 6,869,196	\$ 6,269,921	\$ 599,275
Long-term debt outstanding	\$ 6,407,654	\$ 5,323,282	\$ 1,084,372	\$ 131,534	\$ 119,978	\$ 11,556
Other liabilities	1,274,182	2,549,804	(1,275,622)	1,040,406	821,495	218,911
Total liabilities	\$ 7,681,836	\$ 7,873,086	\$ (191,250)	\$ 1,171,940	\$ 941,473	\$ 230,467
Net investment in capital assets	\$ 13,017,905	\$ 12,146,025	\$ 871,880	\$ 5,285,479	\$ 5,147,554	\$ 137,925
Restricted	5,631,497	6,191,756	(560,259)	-	-	-
Unrestricted (deficit)	4,059,084	2,472,562	1,586,522	411,777	180,894	230,883
Total net position	\$ 22,708,486	\$ 20,810,343	\$ 1,898,143	\$ 5,697,256	\$ 5,328,448	\$ 368,808

The county's total net position increased by \$2,266,951. The increase in net position can be attributed to the net effect of various capital grants, LATCF monies received federally, and conservative spending.

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY23	FY22	Change Inc (Dec)	FY23	FY22	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,805,519	\$ 1,593,204	\$ 212,315	\$ 372,378	\$ 275,895	\$ 96,483
Operating grants and contributions	804,644	2,150,769	(1,346,125)	-	-	-
Capital grants and contributions	-	148,182	(148,182)	761,776	270,102	491,674
<i>General revenues (by major source):</i>						
Property taxes for general purposes	7,991,181	6,532,141	1,459,040	-	-	-
Licenses and permits	4,800	2,466	2,334	-	-	-
Video poker apportionment	1,850	14,400	(12,550)	-	-	-
Miscellaneous	58,380	75,758	(17,378)	-	168,350	(168,350)
Interest/investment earnings	(248,939)	34,935	(283,874)	(9,884)	957	(10,841)
Local option taxes	679,514	352,262	327,252	-	-	-
Unrestricted federal/state shared revenues	1,543,388	1,966,732	(423,344)	-	-	-
Montana oil and gas production tax	533	273	260	-	-	-
State entitlement	697,549	679,591	17,958	-	-	-
PILT	1,473,230	1,403,094	70,136	-	-	-
Entitlement Levy	-	332,393	(332,393)	-	-	-
Contributions & donations	6,492	72,324	(65,832)	-	-	-
State Contributions to pensions	66,982	65,950	1,032	2,802	5,536	(2,734)
Total revenues	\$ 14,885,123	\$ 15,424,474	\$ (539,351)	\$ 1,127,072	\$ 720,840	\$ 406,232
Program expenses						
General government	\$ 3,894,620	\$ 3,497,481	\$ 397,139	\$ -	\$ -	\$ -
Public safety	2,700,772	2,561,587	139,185	-	-	-
Public works	4,074,873	4,297,721	(222,848)	-	-	-
Public health	1,239,628	1,383,702	(144,074)	-	-	-
Social and economic services	304,211	239,474	64,737	-	-	-
Culture and recreation	737,773	655,166	82,607	-	-	-
Housing and community development	-	180	(180)	-	-	-
Debt service - interest	35,103	41,197	(6,094)	-	-	-
Airport	-	-	-	760,922	806,200	(45,278)
Total expenses	\$ 12,986,980	\$ 12,676,508	\$ 310,472	\$ 760,922	\$ 806,200	\$ (45,278)
Excess (deficiency) before special items and transfers	\$ 1,898,143	\$ 2,747,966	\$ (849,823)	\$ 366,150	\$ (85,360)	\$ 451,510
Gain (loss) on sale of capital assets	-	900	(900)	-	-	-
Increase (decrease) in net position	\$ 1,898,143	\$ 2,748,866	\$ (850,723)	\$ 366,150	\$ (85,360)	\$ 451,510

Fergus County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

FUND FINANCIAL STATEMENTS

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

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

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

General Fund – The general fund is the County's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund. At the end of the fiscal year, unassigned fund balance was \$5,859,555. The overall fund balance increased by \$654,848 mainly due to a conservative spending and unanticipated grants received throughout the year, mainly the LATCF Grant.

Road Fund – The road fund accounts for resources accumulated and payments made for the maintenance, repair and construction of county-owned roads. At the end of fiscal year 2023, the fund balance of the road fund was \$1,030,802, a increased \$224,954 mainly due to an increase in inventories to prepare for the next year's operations.

Public Safety – The public safety fund accounts for law enforcement and prisoner incarceration within Fergus County. The ending fund balance was \$586,005, a decreased \$356,228 mainly due transfers to increases in personnel costs and facilities costs.

Construction Reserve-The construction reserve fund is an addition to our major funds. This fund is money set aside for our 10-year capital projects. It is money set aside to increase infrastructure in the future with limiting the need to have to potentially seek a bond issue.

Airport Fund – Net position increased by \$368,808. The increase is due mainly to FAA projects and Grants being completed at the airport.

GENERAL FUND ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

There were no significant general fund budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Fergus County's net investment in capital assets, as of June 30, 2023, was \$18,303,384. Invested in capital assets includes property, buildings, improvements, machinery, equipment and infrastructure (i.e. roads, bridges, etc.). For more information related to capital assets, see the notes to the basic financial statements.

Fergus County, Montana
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2023

Compensated absences are a liability of the County for unpaid vacation leave, sick leave, and compensatory time that equaled \$384,043. The liability typically increases on an annual basis as a result of increasing wages and a general growth in the number of total compensable hours. Other debt outstanding consists of bonds and notes payable equal to \$1,089,481, with various maturities and the net pension liability equal to \$5,065,664.

THE GOVERNMENT'S FUTURE

Fergus County has worked through many issues over the past few years, and is seeing many positive and progressive changes. The following factors were considered when preparing the Fergus County Budgets for FY2024:

- Utility and fuel costs are always a concern and continue to be unpredictable.
- Trying to keep a living wage for County employees is something that is looked at each year. Fergus County is typically not competitive with its wages so we end up training employees and then watch them move on to higher paying jobs. However, Fergus County did give its current employees a 5.5% cost of living adjustment in FY 2024.
- Continuing on a rotation schedule with replacement of large equipment for the road and bridge departments is essential. We have also started having to plan on shipping delays (over 12 months) with large equipment.
- Continuing on a rotation schedule with replacement of Sheriff's department patrol vehicles is essential. We have also started having to plan on shipping delays (over 12 months) with large equipment. Additionally in fiscal year 2024 we have purchased more patrol vehicles than usual. Moving to more fuel efficient vehicles that will save the County financially throughout several years.
- Concern over what building materials will cost when it comes to purchasing materials to maintain bridges.
- Concern over the possible discontinuance of PILT and SRS monies forces us to look into the future years for funding options.
- Technology is expensive and it is essential that the County keep up with the needed information and equipment. This affects all departments.
- Health insurance is always a major concern for Fergus County and its affordability for Fergus County employees.
- The workforce in Fergus County is an ongoing concern.
- Maintenance on some of Fergus County's buildings is something that is being measured as two very expensive roof replacements are on the horizon along with an HVAC system at the Fergus County Sheriff's Complex.
- The unpredictability of the upcoming Montana Legislative session is a concern for Fergus County along with it being an election year.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Fergus County
Lewistown, Montana

Opinions

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 the Fergus County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fergus County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fergus County, Montana, as of June 30, 2023, 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.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements the County adopted a new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 20, 2024, on our consideration of the Fergus County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fergus County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fergus County, Montana's internal control over financial reporting and compliance.

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

March 20, 2024

Fergus County, Montana
Statement of Net Position
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 14,270,155	\$ 531,364	\$ 14,801,519
Taxes and assessments receivable, net	117,123	-	117,123
Accounts receivable - net	30,638	37,803	68,441
Leases receivable	-	572,754	572,754
Due from other governments	40,563	398,202	438,765
Prepaid expenses	22,231	-	22,231
Inventories	465,754	-	465,754
Total current assets	<u>\$ 14,946,464</u>	<u>\$ 1,540,123</u>	<u>\$ 16,486,587</u>
Noncurrent assets			
Restricted cash and investments	\$ 151,531	\$ -	\$ 151,531
Capital assets - land	262,832	293,237	556,069
Capital assets - construction in progress	672,496	747,904	1,420,400
Capital assets - depreciable, net	13,141,717	4,274,679	17,416,396
Total noncurrent assets	<u>\$ 14,228,576</u>	<u>\$ 5,315,820</u>	<u>\$ 19,544,396</u>
Total assets	<u>\$ 29,175,040</u>	<u>\$ 6,855,943</u>	<u>\$ 36,030,983</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,215,282	\$ 13,253	\$ 1,228,535
Total deferred outflows of resources	<u>\$ 1,215,282</u>	<u>\$ 13,253</u>	<u>\$ 1,228,535</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 30,390,322</u>	<u>\$ 6,869,196</u>	<u>\$ 37,259,518</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 412,164	\$ -	\$ 412,164
Accounts payable	79,423	451,618	531,041
Accrued payables	82,692	882	83,574
Accrued payroll	101,784	2,735	104,519
Due to other governments	1,064	-	1,064
Revenues collected in advance	244	-	244
Current portion of long-term capital liabilities	118,210	7,782	125,992
Current portion of compensated absences payable	283,140	9,286	292,426
Total current liabilities	<u>\$ 1,078,721</u>	<u>\$ 472,303</u>	<u>\$ 1,551,024</u>
Noncurrent liabilities			
Other post-employment benefit liability	\$ 126,592	\$ 3,915	\$ 130,507
Noncurrent portion of long-term capital liabilities	940,930	22,559	963,489
Noncurrent portion of compensated absences	89,802	1,815	91,617
Net pension liability	4,975,572	90,092	5,065,664
Deferred inflows of resources - fair	104,172	-	104,172
Total noncurrent liabilities	<u>\$ 6,237,068</u>	<u>\$ 118,381</u>	<u>\$ 6,355,449</u>
Total liabilities	<u>\$ 7,315,789</u>	<u>\$ 590,684</u>	<u>\$ 7,906,473</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 366,047	\$ 8,502	\$ 374,549
Deferred inflows of resources - leases	-	572,754	572,754
Total deferred inflows of resources	<u>\$ 366,047</u>	<u>\$ 581,256</u>	<u>\$ 947,303</u>
NET POSITION			
Net investment in capital assets	\$ 13,017,905	\$ 5,285,479	\$ 18,303,384
Restricted for debt service	302,317	-	302,317
Restricted for special projects	5,329,180	-	5,329,180
Unrestricted	4,059,084	411,777	4,470,861
Total net position	<u>\$ 22,708,486</u>	<u>\$ 5,697,256</u>	<u>\$ 28,405,742</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 30,390,322</u>	<u>\$ 6,869,196</u>	<u>\$ 37,259,518</u>

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 3,894,620	\$ 420,981	\$ 128,079	\$ -	\$ (3,345,560)	\$ -	\$ (3,345,560)
Public safety	2,700,772	171,325	49,024	-	(2,480,423)	-	(2,480,423)
Public works	4,074,873	308,133	161,972	-	(3,604,768)	-	(3,604,768)
Public health	1,239,628	418,177	465,569	-	(355,882)	-	(355,882)
Social and economic services	304,211	-	-	-	(304,211)	-	(304,211)
Culture and recreation	737,773	486,903	-	-	(250,870)	-	(250,870)
Debt service - interest	35,103	-	-	-	(35,103)	-	(35,103)
Total governmental activities	\$ 12,986,980	\$ 1,805,519	\$ 804,644	\$ -	\$ (10,376,817)	\$ -	\$ (10,376,817)
Business-type activities:							
Airport	\$ 760,922	\$ 372,378	\$ -	\$ 761,776	\$ -	\$ 373,232	\$ 373,232
Total business-type activities	\$ 760,922	\$ 372,378	\$ -	\$ 761,776	\$ -	\$ 373,232	\$ 373,232
Total primary government	\$ 13,747,902	\$ 2,177,897	\$ 804,644	\$ 761,776	\$ (10,376,817)	\$ 373,232	\$ (10,003,585)
General Revenues:							
Property taxes for general purposes					\$ 7,991,181	\$ -	\$ 7,991,181
Licenses and permits					4,800	-	4,800
Video poker apportionment					1,850	-	1,850
Miscellaneous					58,380	-	58,380
Interest/investment earnings					(248,939)	(9,884)	(258,823)
Local option taxes					679,514	-	679,514
Unrestricted federal/state shared revenues					1,543,388	-	1,543,388
Montana oil and gas production tax					533	-	533
State entitlement					697,549	-	697,549
PILT					1,473,230	-	1,473,230
Contributions & donations					6,492	-	6,492
State Contributions to pensions					66,982	2,802	69,784
Total general revenues, special items and transfers					\$ 12,274,960	\$ (7,082)	\$ 12,267,878
Change in net position					\$ 1,898,143	\$ 366,150	\$ 2,264,293
Net position - beginning					\$ 20,810,343	\$ 5,328,448	\$ 26,138,791
Restatements					-	2,658	2,658
Net position - beginning - restated					\$ 20,810,343	\$ 5,331,106	\$ 26,141,449
Net position - end					\$ 22,708,486	\$ 5,697,256	\$ 28,405,742

See accompanying Notes to the Financial Statements

Fergus County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Construction Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 6,340,090	\$ 756,567	\$ 623,610	\$ 1,720,288	\$ 4,829,559	\$ 14,270,114
Taxes and assessments receivable, net	31,160	13,785	18,811	-	53,367	117,123
Accounts receivable - net	-	-	-	-	30,638	30,638
Due from other funds	-	-	-	-	64,096	64,096
Due from other governments	-	-	-	-	40,563	40,563
Prepaid expenses	-	-	-	-	22,231	22,231
Inventories	30,799	311,022	-	-	123,933	465,754
Total current assets	<u>\$ 6,402,049</u>	<u>\$ 1,081,374</u>	<u>\$ 642,421</u>	<u>\$ 1,720,288</u>	<u>\$ 5,164,387</u>	<u>\$ 15,010,519</u>
Noncurrent assets:						
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 151,531	\$ 151,531
Advances to other funds	-	-	-	-	54,590	54,590
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,121</u>	<u>\$ 206,121</u>
TOTAL ASSETS	<u>\$ 6,402,049</u>	<u>\$ 1,081,374</u>	<u>\$ 642,421</u>	<u>\$ 1,720,288</u>	<u>\$ 5,370,508</u>	<u>\$ 15,216,640</u>
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 412,164	\$ -	\$ -	\$ -	\$ -	\$ 412,164
Accounts payable	39,490	-	-	-	39,892	79,382
Accrued payables	-	20,347	9,866	-	52,479	82,692
Accrued payroll	28,339	16,440	27,739	-	29,266	101,784
Due to other funds	-	-	-	-	64,096	64,096
Due to other governments	542	-	-	-	522	1,064
Revenues collected in advance	-	-	-	-	244	244
Total current liabilities	<u>\$ 480,535</u>	<u>\$ 36,787</u>	<u>\$ 37,605</u>	<u>\$ -</u>	<u>\$ 186,499</u>	<u>\$ 741,426</u>
Noncurrent liabilities:						
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ 54,590	\$ 54,590
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,590</u>	<u>\$ 54,590</u>
Total liabilities	<u>\$ 480,535</u>	<u>\$ 36,787</u>	<u>\$ 37,605</u>	<u>\$ -</u>	<u>\$ 241,089</u>	<u>\$ 796,016</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes and assessments	\$ 31,160	\$ 13,785	\$ 18,811	\$ -	\$ 53,367	\$ 117,123
Deferred inflows of resources - fair	-	-	-	-	104,172	104,172
Total deferred inflows of resources	<u>\$ 31,160</u>	<u>\$ 13,785</u>	<u>\$ 18,811</u>	<u>\$ -</u>	<u>\$ 157,539</u>	<u>\$ 221,295</u>
FUND BALANCES						
Nonspendable	\$ 30,799	\$ 311,022	\$ -	\$ -	\$ 123,933	\$ 465,754
Restricted	-	719,780	586,005	-	3,804,829	5,110,614
Committed	-	-	-	1,720,288	1,137,676	2,857,964
Unassigned fund balance	5,859,555	-	-	-	(94,558)	5,764,997
Total fund balance	<u>\$ 5,890,354</u>	<u>\$ 1,030,802</u>	<u>\$ 586,005</u>	<u>\$ 1,720,288</u>	<u>\$ 4,971,880</u>	<u>\$ 14,199,329</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,402,049</u>	<u>\$ 1,081,374</u>	<u>\$ 642,421</u>	<u>\$ 1,720,288</u>	<u>\$ 5,370,508</u>	<u>\$ 15,216,640</u>

See accompanying Notes to the Financial Statements

Fergus County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$ 14,199,329
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,077,045
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	117,123
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets	(27)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,558,674)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,975,572)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	1,215,282
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(366,047)
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets, the change in the current year is due to the Internal Service Fund being closed out to the General Fund.	27
Total net position - governmental activities	\$ <u>22,708,486</u>

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Construction Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 2,920,180	\$ 1,184,608	\$ 1,334,542	\$ -	\$ 3,256,678	\$ 8,696,008
Intergovernmental	3,154,071	328,005	18,277	-	1,085,168	4,585,521
Charges for services	227,032	124,483	162,375	-	890,056	1,403,946
Fines and forfeitures	71,672	-	-	-	9,577	81,249
Miscellaneous	27,609	-	3,902	10,232	350,487	392,230
Investment earnings	(179,619)	(17,275)	(14,239)	(30,930)	(6,431)	(248,494)
Total revenues	<u>\$ 6,220,945</u>	<u>\$ 1,619,821</u>	<u>\$ 1,504,857</u>	<u>\$ (20,698)</u>	<u>\$ 5,585,535</u>	<u>\$ 14,910,460</u>
EXPENDITURES						
General government	\$ 2,666,754	\$ 9,987	\$ 17,327	\$ -	\$ 1,072,909	\$ 3,766,977
Public safety	193	-	2,282,230	-	195,408	2,477,831
Public works	220,517	1,792,716	-	-	1,476,459	3,489,692
Public health	2,364	-	-	-	1,213,934	1,216,298
Social and economic services	13,500	-	-	-	284,631	298,131
Culture and recreation	-	-	-	-	594,205	594,205
Debt service - principal	-	-	-	-	195,642	195,642
Debt service - interest	-	-	-	-	35,103	35,103
Capital outlay	976,793	-	499	10,179	773,825	1,761,296
Total expenditures	<u>\$ 3,880,121</u>	<u>\$ 1,802,703</u>	<u>\$ 2,300,056</u>	<u>\$ 10,179</u>	<u>\$ 5,842,116</u>	<u>\$ 13,835,175</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,340,824</u>	<u>\$ (182,882)</u>	<u>\$ (795,199)</u>	<u>\$ (30,877)</u>	<u>\$ (256,581)</u>	<u>\$ 1,075,285</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 382,615	\$ 407,836	\$ 438,971	\$ 522,808	\$ 1,670,541	\$ 3,422,771
Transfers out	(2,068,591)	-	-	-	(1,354,180)	(3,422,771)
Total other financing sources (uses)	<u>\$ (1,685,976)</u>	<u>\$ 407,836</u>	<u>\$ 438,971</u>	<u>\$ 522,808</u>	<u>\$ 316,361</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 654,848</u>	<u>\$ 224,954</u>	<u>\$ (356,228)</u>	<u>\$ 491,931</u>	<u>\$ 59,780</u>	<u>\$ 1,075,285</u>
Fund balances - beginning	\$ 5,235,506	\$ 805,848	\$ 942,233	\$ 1,228,357	\$ 4,912,100	\$ 13,124,044
Fund balance - ending	<u>\$ 5,890,354</u>	<u>\$ 1,030,802</u>	<u>\$ 586,005</u>	<u>\$ 1,720,288</u>	<u>\$ 4,971,880</u>	<u>\$ 14,199,329</u>

See accompanying Notes to the Financial Statements

Fergus County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ 1,075,285
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	1,761,296
- Depreciation expense	(1,085,058)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred inflows)	(25,310)
The change in compensated absences is shown as an expense in the Statement of Activities	176,100
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	195,642
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(17,845)
Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense. The change in the current year is due to the Internal Service Fund being closed out to the General Fund.	
	(27)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	(181,940)
Change in net position - Statement of Activities	\$ 1,898,143

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds
	Airport
ASSETS	
Current assets:	
Cash and investments	\$ 531,364
Accounts receivable - net	37,803
Leases receivable	572,754
Due from other governments	398,202
Total current assets	\$ 1,540,123
Noncurrent assets:	
Capital assets - land	\$ 293,237
Capital assets - construction in progress	747,904
Capital assets - depreciable, net	4,274,679
Total noncurrent assets	\$ 5,315,820
Total assets	\$ 6,855,943
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 13,253
Total deferred outflows of resources	\$ 13,253
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,869,196
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 451,618
Accrued payables	882
Accrued payroll	2,735
Current portion of long-term capital liabilities	7,782
Current portion of compensated absences payable	9,286
Total current liabilities	\$ 472,303
Noncurrent liabilities:	
Other post-employment benefit liability	\$ 3,915
Noncurrent portion of long-term capital liabilities	22,559
Noncurrent portion of compensated absences	1,815
Net pension liability	90,092
Total noncurrent liabilities	\$ 118,381
Total liabilities	\$ 590,684
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 8,502
Deferred inflows of resources - leases	572,754
Total deferred inflows of resources	\$ 581,256
NET POSITION	
Net investment in capital assets	\$ 5,285,479
Unrestricted	411,777
Total net position	\$ 5,697,256
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 6,869,196

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Airport	
OPERATING REVENUES		
Charges for services	\$ 372,378	\$ -
Total operating revenues	\$ 372,378	\$ -
OPERATING EXPENSES		
Personal services	\$ 185,628	\$ -
Supplies	22,771	-
Purchased services	77,524	-
Fixed charges	8,431	-
Depreciation	466,568	-
Total operating expenses	\$ 760,922	\$ -
Operating income (loss)	\$ (388,544)	\$ -
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	\$ 764,578	\$ -
Interest revenue	(9,884)	-
Total non-operating revenues (expenses)	\$ 754,694	\$ -
Income (loss) before contributions and transfers	\$ 366,150	\$ -
Change in net position	\$ 366,150	\$ -
Net Position - Beginning of the year	\$ 5,328,448	\$ 27
Restatements	2,658	(27)
Net Position - Beginning of the year - Restated	\$ 5,331,106	\$ -
Net Position - End of the year	\$ 5,697,256	\$ -

See accompanying Notes to the Financial Statements

Fergus County
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2023

	Business - Type	Governmental
	Activities -	Activities
	Enterprise Funds	Internal
	Airport	Internal
Cash flows from operating activities:		
Cash received from providing services	\$ 349,287	\$ -
Cash payments to suppliers	(31,202)	(14)
Cash payments for professional services	(77,524)	-
Cash payments to employees	(175,018)	-
Net cash provided (used) by operating activities	\$ 65,543	\$ (14)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (259,671)	\$ -
Grants received from state and federal government	363,574	-
Principal paid on debt	(10,053)	-
Net cash provided (used) by capital and related financing activities	\$ 93,850	\$ -
Cash flows from investing activities:		
Interest on investments	\$ (9,884)	\$ -
Net cash provided (used) by investing activities	\$ (9,884)	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 149,509	\$ (14)
Cash and cash equivalents at beginning	381,855	41
Restatements - Includes beginning restricted cash	-	(27)
Cash and cash equivalents at end	\$ 531,364	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (388,544)	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	466,568	-
Pension Expense	9,015	-
Other post-employment expense	552	-
Changes in assets and liabilities:		
Accounts receivable	(23,091)	-
Accrued payroll	439	-
Compensated absences	604	-
Net cash provided (used) by operating activities	\$ 65,543	\$ (14)
Noncash investing and financing activity:		
On behalf public employees retirement system payments	\$ 2,802	\$ -

See accompanying notes to the financial statements

Fergus County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 1,443,087	\$ 37,141,535
Taxes receivable	462,478	-
Total receivables	462,478	-
TOTAL ASSETS	\$ 1,905,565	\$ 37,141,535
LIABILITIES		
Due to others	\$ 3,336,694	\$ -
Total liabilities	\$ 3,336,694	\$ -
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 37,141,535
Individuals, organizations, and other governments	(1,431,129)	-
Total net position	\$ (1,431,129)	\$ 37,141,535
TOTAL LIABILITIES AND NET POSTION	\$ 1,905,565	\$ 37,141,535

See accompanying Notes to the Financial Statements

Fergus County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ -	\$ 40,615,902
Interest and change in fair value of investments	-	845,529
Taxes, licenses, and fees collected for other governments	257,235,187	-
Property taxes collected for school districts	9,341,819	-
Intergovernmental grants and entitlements collected for school districts	35,374,608	-
Total additions	\$ 301,951,614	\$ 41,461,431
DEDUCTIONS		
Distributions from investment trust fund	\$ -	\$ 45,909,543
Taxes, licenses, and fees distributed to other governments	258,093,299	-
School district claims and payroll expense	48,147,448	-
Investment pool distributions - net	(4,448,112)	-
Total deductions	\$ 301,792,635	\$ 45,909,543
Change in net position	\$ 158,979	\$ (4,448,112)
Net Position - Beginning of the year	\$ (1,590,108)	\$ 41,589,647
Net Position - End of the year	\$ (1,431,129)	\$ 37,141,535

See accompanying Notes to the Financial Statements

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The County has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

Primary Government

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Fund Financial Statements

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Major Funds:

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds.

Road Fund – A special revenue fund accounting for resources accumulated from property taxes and state entitlement and payment made for the maintenance, repair and construction of county-owned roads.

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

Construction Reserve – A capital projects fund accounting for the cost of future capital improvements.

Proprietary Funds:

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Major Funds:

The County reports the following major proprietary funds:

Airport Fund - An enterprise fund that accounts for the activities of the County's airport operations.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies for the government on a cost-reimbursement basis. The County maintains one internal service fund relating to self-insurance fund activity.

Fiduciary Funds

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2023, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	\$ 500
Cash in banks:	
Demand deposits	1,834,752
Savings deposits	252,966
Time deposits	124,552
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	18,542,683
U.S. Government Securities	17,777,670
Repurchase agreements	15,004,549
Total	<u>\$ 53,537,672</u>

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Cash equivalents

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

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

Fair Value Measurements

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

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

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

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

Repurchase Agreements

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Credit Risk

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

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

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

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

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

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

The government has no investments that require credit risk disclosure.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2023, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 543,893	A-1+	8
Agency of Government Related Corporate:	847,891	A-1+	12
Commercial Paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of Deposit	<u>1,254,156</u>	A-1+	40
Total Investments	<u>\$ 3,978,820</u>		

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2023 <u>Balance</u>
Insured	\$ 624,579
- Collateral held by the pledging bank's trust department but not in the County's name	<u>1,513,438</u>
Total deposits and investments	<u>\$ 2,138,017</u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2023, equaled or exceeded the amount required by State statutes.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Concentration of Credit Risk

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

Repurchase agreements	<u>% of credit risk</u> 42%
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Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2023 along with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
Federal Home Loan Bank	0.85%	3/28/2024	\$ 482,785
Federal Farm Credit Bank	0.27%	4/5/2024	1,920,900
Federal Home Loan Bank Bond	0.90%	6/10/2024	478,635
Federal Home Loan Bank Bond	0.95%	6/28/2024	477,895
Federal Natl Mtg Assn	0.25%	7/15/2024	947,000
Federal Home Loan Bank Bond	4.00%	8/8/2024	491,390
Federal Home Loan Bank Bond	1.05%	9/30/2024	473,370
Federal Home Loan Bank Bond	0.50%	11/4/2024	468,110
Federal Home Loan Bank Bond	0.35%	11/25/2024	928,310
Federal Home Loan Bank Bond	1.00%	11/25/2024	470,325
Federal Home Loan Bank Bond	1.15%	12/30/2024	469,795
Federal Home Loan Bank Bond	5.00%	1/27/2025	989,960
Federal Home Loan Bank Bond	3.63%	1/28/2025	487,305
Federal Home Loan Bank Bond Step	0.35%	2/18/2025	466,880
Federal Home Loan Bank Bond	1.25%	6/30/2025	464,310
Federal Home Loan MTG Corp	0.40%	7/15/2025	1,813,920
Federal Home Loan Bank Bond	5.13%	7/25/2025	990,330
Federal Home Loan Bank Bond	0.40%	8/11/2025	909,120
Federal Home Loan Bank Bond	1.30%	9/30/2025	461,860
Federal Home Loan Bank	0.47%	10/29/2025	904,130
Federal Home Loan MTG Corp	0.55%	1/12/2026	892,510
Federal Natl Mtg Assn	0.50%	1/21/2026	897,130
Federal Home Loan MTG Corp	0.55%	1/22/2026	891,700
Total			<u>\$ 17,777,670</u>

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Cash and Investment Pool

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

Investment in the Treasurer's Pools

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

The County has two pooled investment funds, one is invested in STIP and the other is invested in non-negotiable certificates of deposit, STIP, repurchase agreements, and U.S Government Securities. The County invests funds for external entities.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2023 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2023.

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

Investment Income

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Condensed statements of investments pools

The following represents a condensed statement of net position and changes in net position for the Treasurer’s Pool as of June 30, 2023.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 14,600,970
Equity of external pool participants	<u>37,141,535</u>
Total equity	<u><u>\$ 51,742,505</u></u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 845,529	\$ 69,381
Contributions to trust	40,615,902	29,819,378
Distributions paid	<u>(45,909,543)</u>	<u>(28,770,918)</u>
Net change in net position	\$ (4,448,112)	\$ 1,117,841
Net position at beginning of year	<u>41,589,647</u>	<u>13,483,129</u>
Net position at end of year	<u><u>\$ 37,141,535</u></u>	<u><u>\$ 14,600,970</u></u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2023. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Fair Water & Sewer Debt	Revenue Bond Debt Service	\$ <u>151,531</u>

NOTE 4. RECEIVABLES

Tax Receivables

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

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

NOTE 5. INVENTORIES

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

NOTE 6. CAPITAL ASSETS

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

Buildings and improvements	10 – 100 years
Infrastructure	100 years
Machinery and equipment	5 – 25 years

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

Governmental activities:

	Balance July 1, 2022	Additions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 262,832	\$ -	\$ -	\$ 262,832
Construction in progress	129,690	624,673	(81,867)	672,496
Total capital assets not being depreciated	<u>\$ 392,522</u>	<u>\$ 624,673</u>	<u>\$ (81,867)</u>	<u>\$ 935,328</u>
Other capital assets:				
Buildings and Improvements	\$ 8,669,127	\$ 616,753	\$ 81,867	\$ 9,367,747
Machinery and equipment	10,211,376	519,870	-	10,731,246
Infrastructure	4,929,140	-	-	4,929,140
Total other capital assets at historical cost	<u>\$ 23,809,643</u>	<u>\$ 1,136,623</u>	<u>\$ 81,867</u>	<u>\$ 25,028,133</u>
Less: accumulated depreciation	<u>(10,801,358)</u>	<u>(1,085,058)</u>	<u>-</u>	<u>(11,886,416)</u>
Total	<u>\$ 13,400,807</u>	<u>\$ 676,238</u>	<u>\$ -</u>	<u>\$ 14,077,045</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 103,958
Public safety	222,941
Public works	585,181
Public health	23,330
Social and economic services	6,080
Culture and recreation	<u>143,568</u>
Total governmental activities depreciation expense	<u>\$ 1,085,058</u>

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

Business-type activities:

	Balance July 1, 2022	Additions	Balance June 30, 2023
Capital assets not being depreciated:			
Land	\$ 293,237	\$ -	\$ 293,237
Construction in progress	228,102	519,802	747,904
Total capital assets not being depreciated	<u>\$ 521,339</u>	<u>\$ 519,802</u>	<u>\$ 1,041,141</u>
Other capital assets:			
Buildings	\$ 768,085	\$ -	\$ 768,085
Improvements other than buildings	11,391,523	33,570	11,425,093
Machinery and equipment	669,055	38,410	707,465
Total other capital assets at historical cost	<u>\$ 12,828,663</u>	<u>\$ 71,980</u>	<u>\$ 12,900,643</u>
Less: accumulated depreciation	<u>(8,159,396)</u>	<u>(466,568)</u>	<u>(8,625,964)</u>
Total	<u>\$ 5,190,606</u>	<u>\$ 125,214</u>	<u>\$ 5,315,820</u>

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale .

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2022</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 1,254,782	\$ (195,642)	\$ 1,059,140	\$ 118,210
Compensated absences	549,042	(176,100)	372,942	283,140
Total	<u>\$ 1,803,824</u>	<u>\$ (371,742)</u>	<u>\$ 1,432,082</u>	<u>\$ 401,350</u>

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Contracted debt	\$ 40,394	\$ -	\$ (10,053)	\$ 30,341	\$ 7,782
Compensated absences	10,497	604	-	11,101	9,286
Intercap loans	2,658	-	(2,658)	-	-
Total	<u>\$ 53,549</u>	<u>\$ 604</u>	<u>\$ (12,711)</u>	<u>\$ 41,442</u>	<u>\$ 17,068</u>

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2023</u>
Water & sewer improvements-fairgrounds	11/6/14	3.00%	20 yrs	7/1/34	\$ <u>2,293,318</u>	\$ <u>151,532</u>	\$ <u>1,059,140</u>

Reported in the governmental activities.

The County is to maintain a reserve account related to these bonds. The required amount is to equal the maximum annual principal and interest payment on the bond equal to \$151,532. The County has restricted \$151,532 in cash to meet this requirement as disclosed in the restricted cash note.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 118,210	\$ 33,321
2025	121,783	29,748
2026	125,464	26,067
2027	129,256	22,275
2028	133,163	18,368
2029	137,188	14,344
2030	141,334	10,197
2031	145,606	5,925
2032	7,136	1,524
Total	\$ 1,059,140	\$ 161,769

Contracted Debt

Loans/contracted debts outstanding as of June 30, 2023, were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2023</u>
Airport - MT Aeronautics Reported in business-type activities.	3/28/18	2.25%	10 yrs	3/1/28	\$ <u>77,818</u>	\$ <u>30,341</u>

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 7,782	\$ 875
2025	7,782	700
2026	7,782	525
2027	6,995	350
Total	\$ 30,341	\$ 2,450

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Compensated Absences

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

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	0
Active employees	78
Total employees	78

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Total OPEB Liability

The County’s total OPEB liability of \$130,507 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022 using standard roll-forward procedures to June 30, 2023.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	7.00%
Participation rate	10.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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

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

Balance at 6/30/2022	\$ <u>112,110</u>
Changes for the year:	
Service Cost	\$ <u>18,397</u>
Net Changes	\$ <u>18,397</u>
Balance at 6/30/2023	\$ <u><u>130,507</u></u>

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability	\$ <u>126,668</u>	\$ <u>112,111</u>	\$ <u>100,411</u>

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ <u>97,469</u>	\$ <u>112,111</u>	\$ <u>130,357</u>

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

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022, calculated liability per valuation completed on June 30, 2022.

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

For the year ended June 30, 2023, the County recognized an OPEB expense of \$18,397. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9. CONDUIT DEBT

To provide for the remodeling to the Central Montana Medical Facilities (CMMF), the County issued revenue hospital notes (\$4.5 million) in May 2014. This note is a special limited obligation of the County payable solely from separate loan agreement with CMMF. The note does not constitute a debt or pledge of the full faith and credit of the County or the State, and accordingly has not been reported in the accompanying financial statements. As of June 30, 2023, the amount of the 2014 revenue hospital notes outstanding was \$3,105,547.

NOTE 10. NET PENSION LIABILITY (NPL)

As of June 30, 2023, the County reported the following balances as its proportionate share of PERS and SRS, and TRS pension amounts:

County's Proportionate Share Associated With:

	PERS	SRS	TRS	Pension Totals
Net Pension Liability	\$ 3,476,070	\$ 1,514,332	\$ 75,262	\$ 5,065,664
Deferred outflows of resources*	\$ 511,345	\$ 703,277	\$ 13,913	\$ 1,228,535
Deferred inflows of resources	\$ 328,031	\$ 36,473	\$ 10,045	\$ 374,549
Pension expense	\$ 374,459	\$ 295,238	\$ 9,397	\$ 679,094

*Deferred outflows for PERS and SRS, and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$235,332 and \$144,711, and \$6,520, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

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

Member's highest average compensation (HAC)

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2023, and 2022 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$3,476,070 and the County’s proportionate share was 0.146183 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 3,476,070	\$ 2,726,574	0.146183%	0.150372%	-0.004189%
State of Montana Proportionate Share associated with Employer	1,043,218	806,693	0.043872%	0.044490%	-0.000618%
Total	\$ 4,519,288	\$ 3,533,267	0.190055%	0.194862%	-0.004807%

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the County recognized a Pension Expense of \$266,329 for its proportionate share of the pension expense. The County also recognized grant revenue of \$108,130 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 266,329	\$ 22,270
State of Montana Proportionate Share associated with the Employer	108,130	227,220
Total	\$ 374,459	\$ 249,490

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$242,447.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 44,313	\$ -
Actual vs. Expected Investment Earnings	102,160	-
Changes in Assumptions	129,539	254,480
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	73,551
Employer contributions subsequent to the measurement date - FY23*	235,333	-
Total	\$ 511,345	\$ 328,031

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

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ (3,790)
2024	\$ (170,642)
2025	\$ (110,185)
2026	\$ 232,597
Thereafter	\$ -

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Mortality:

- Active Participants - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Contingent Survivors - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Target Allocations

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

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

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

<u>1.0% Decrease</u>	<u>Current</u>	<u>1.0% Increase</u>
<u>(6.30%)</u>	<u>Discount Rate</u>	<u>(8.30%)</u>
\$ 5,010,916	\$ 3,476,070	\$ 2,188,351

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Sheriff's Retirement System

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

Summary of Benefits

Service retirement:

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

Early retirement:

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Second Retirement:

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

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

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Contributions

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

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2023	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County’s and the state of Montana’s NPL for June 30, 2023, and 2022 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer’s contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$1,514,332 and the County’s proportionate share was 1.1060 percent.

		<u>Net Pension Liability as of 6/30/2023</u>	<u>Net Pension Liability as of 6/30/2022</u>	<u>Percent of Collective NPL as of 6/30/2023</u>	<u>Percent of Collective NPL as of 6/30/2022</u>	<u>Change in Percent of Collective NPL</u>
Employer Proportionate Share	\$	1,514,332	\$ 793,956	1.1060%	1.0900%	0.0160%
Total	\$	<u>1,514,332</u>	<u>\$ 793,956</u>	<u>1.1060%</u>	<u>1.0900%</u>	<u>0.0160%</u>

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. All mortality assumptions were updated to the PUB2010 tables for public safety employees.
4. Rates of withdrawal, retirements, disability retirement, and merit increases were updated.
5. Payroll growth assumption was lowered from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the County recognized a Pension Expense of \$295,238 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share \$	295,238	\$ 61,059
Total	\$ 295,238	\$ 61,059

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$133,567.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 209,863	\$ -
Actual vs. Expected Investment Earnings	64,278	-
Changes in Assumptions	218,060	36,473
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	66,364	-
Employer contributions subsequent to the measurement date - FY23*	144,712	-
Total	\$ 703,277	\$ 36,473

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 187,858
2024	\$ 152,786
2025	\$ 60,400
2026	\$ 121,047
<u>Thereafter</u>	<u>\$ -</u>

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2022 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
 - *includes inflation at 2.75%
- Merit Increases 1.0% to 6.40%
- Post Retirement Benefit Increased
Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.
 - 3.0% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2207

Mortality:

- Active Participant - PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Healthy Retiree - PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021 set forward one year and adjusted 105% for males. Projected generationally using MP-2021.
- Contingent Survivor - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Disabled Retiree - PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.

Target Allocations

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

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

Discount Rate

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

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 2,463,072	\$ 1,514,332	\$ 742,063

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

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

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Teachers Retirement System

Summary of Significant Accounting Policies

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

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

Plan Descriptions

Teachers' Retirement System (TRS or the System) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. 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 TRS web site at trs.mt.gov.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)

FERGUS COUNTY, MONTANA
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- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS Employers including State Agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The tables below show the legislated contribution rates for TRS members, employers and the State.

School District and Other Employers

	<u>Members</u>	<u>Employers</u>	<u>General fund</u>	<u>Total employee & employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

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

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2023, and June 30, 2022 (reporting dates).

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 75,262	\$ 65,357	0.0038%	0.0039%	-0.0001%
State of Montana Proportionate Share associated with Employer	39,734	36,655	0.0020%	0.0022%	-0.0002%
Total	\$ 114,996	\$ 102,012	0.0058%	0.0061%	-0.0003%

FERGUS COUNTY, MONTANA
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At June 30, 2023, the County recorded a liability of \$75,262 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The County's proportion of the net pension liability was based on the County's contributions received by TRS during the measurement period July 1, 2020, through June 30, 2022, relative to the total County contributions received from all of TRS' participating employers. At June 30, 2023, the County's proportion was 0.0038 percent.

Changes in actuarial assumptions and methods:

Since the previous measurement date, the following changes to actuarial assumptions were made:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated salary scale merit rates.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the County recognized a Pension Expense of \$9,397 for its proportionate share of the TRS' pension expense. The County also recognized grant revenue of \$3,286 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

FERGUS COUNTY, MONTANA
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	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 6,111	\$ 7,271
State of Montana Proportionate Share associated with the Employer	3,286	3,571
Total	\$ 9,397	\$ 10,842

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$5,207.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,103	\$ -
Actual vs. Expected Investment Earnings	1,760	-
Changes in Assumptions	3,847	6,880
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	683	3,165
Employer contributions subsequent to the measurement date - FY23*	6,520	-
Total	\$ 13,913	\$ 10,045

FERGUS COUNTY, MONTANA
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*Amounts reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2024	\$ 517
2025	\$ (2,428)
2026	\$ (4,875)
2027	\$ 4,133
2028	\$ -
Thereafter	\$ -

Actuarial Assumptions

The Total Pension Liability as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2022. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2022, valuation was based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total Wage Increases* 3.50% - 9.00% for Non-University Members and 4.25%
for University Members
- Investment Return 7.30%
- Price Inflation 2.75%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members
 - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
- Mortality among service retired members
 - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.

FERGUS COUNTY, MONTANA
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- Mortality among beneficiaries
 - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- Mortality among disabled members
 - PUBT-2010 Disabled Retiree mortality table projected to 2021.

*Total Wage Increases include 3.50% general wage increase.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	<u>3.00%</u>	(0.33)%
Total	<u>100.00%</u>	

* The assumed rate is comprised of a 2.50% inflation rate and a real long-term expected rate of return of 5.00%.

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The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Sensitivity Analysis

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 105,130	\$ 75,262	\$ 50,267

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

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023, was as follows:

Due to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term operating loan	FCHD – Nurse’s Non Grant – Major Governmental	FCHD – Public Health - Nonmajor Governmental	\$ <u>64,096</u>

Advances to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Round house project	Round House – Nonmajor Governmental	Economic Development – Nonmajor Governmental	\$ <u>54,590</u>

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Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer	2023 Disaster Fund – Nonmajor Governmental	General – Major Governmental	\$ 22,866
Operating transfer	Computer Fund – Nonmajor Governmental	General – Major Governmental	132
Operating transfer	SMDC – Nonmajor Governmental	General – Major Governmental	11,776
Operating transfer	Search & Rescue – Nonmajor Governmental	General – Major Governmental	1,613
Operating transfer	FCHD - Nurse's Non Grant – Nonmajor Governmental	General – Major Governmental	30,696
Operating transfer	Road – Major Governmental	General – Major Governmental	270,213
Operating transfer	Fergus County Fire Council – Nonmajor Governmental	General – Major Governmental	5,000
Operating transfer	Construction Reserve – Major Governmental	General – Major Governmental	428,983
Operating transfer	Computer Fund – Nonmajor Governmental	General – Major Governmental	151,364
Operating transfer	Capital Projects – Bridge – Nonmajor Governmental	General – Major Governmental	160,322
Operating transfer	F Plan – Nonmajor Governmental	General – Major Governmental	3,978
Fund future capital costs	Capital Improvements – Fair – Nonmajor Governmental	Central Montana Fair – Nonmajor Governmental	55,965
Operating transfer	FCHD - Environmental – Nonmajor Governmental	Health – Nonmajor Governmental	40,551
Pension employer contributions transfer	General – Major Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	119,719
Pension employer contributions transfer	Road – Major Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	37,578

FERGUS COUNTY, MONTANA
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Pension employer contributions transfer	Bridge – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	49,707
Pension employer contributions transfer	Weed – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	6,242
Pension employer contributions transfer	Fair – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	10,243
Pension employer contributions transfer	DT/CRT – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	12,904
Pension employer contributions transfer	Plan – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	8,424
Pension employer contributions transfer	FCHD - Nurse's Non Grant – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	8,139
Pension employer contributions transfer	Ext Serv – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	10,863
Pension employer contributions transfer	Public Safety – Major Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	157,071
Pension employer contributions transfer	DES Grants – Nonmajor Governmental	Empr Cont PERS/PERD – Nonmajor Governmental	5,658
Group health insurance transfer	General – Major Governmental	Group Health Insurance Fund – Nonmajor Governmental	262,896
Group health insurance transfer	Road – Major Governmental	Group Health Insurance Fund – Nonmajor Governmental	100,045
Group health insurance transfer	Bridge – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	94,104
Group health insurance transfer	Weed – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	12,305
Group health insurance transfer	Fair – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	25,326
Group health insurance transfer	DT/CRT – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	36,915
Group health insurance transfer	Plan – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	14,961

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Group health insurance transfer	FCHD - Nurse's Non Grant – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	12,840
Group health insurance transfer	Ext Serv – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	18,190
Group health insurance transfer	Public Safety – Major Governmental	Group Health Insurance Fund – Nonmajor Governmental	170,890
Group health insurance transfer	Victims – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	12,305
Group health insurance transfer	Victims – Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	5,885
Group health insurance transfer	F Plan– Nonmajor Governmental	Group Health Insurance Fund – Nonmajor Governmental	24,610
Fund future capital costs	Junk Vehicle Capital Improvements – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	19,844
Operating transfer	Weed – Nonmajor Governmental	PILT* - Major Governmental	42,075
Operating transfer	Fair – Nonmajor Governmental	PILT* - Major Governmental	24
Operating transfer	Library – Nonmajor Governmental	PILT* - Major Governmental	454
Operating transfer	Plan – Nonmajor Governmental	PILT* - Major Governmental	500
Operating transfer	Health – Nonmajor Governmental	PILT* - Major Governmental	420
Operating transfer	Aging Services – Nonmajor Governmental	PILT* - Major Governmental	8
Operating transfer	Ext Serv – Nonmajor Governmental	PILT* - Major Governmental	479
Operating transfer	Public Safety – Major Governmental	PILT* - Major Governmental	91,010
Operating transfer	Search & Rescue – Nonmajor Governmental	PILT* - Major Governmental	667
Operating transfer	Local Govt Study Comm – Nonmajor Governmental	PILT* - Major Governmental	1,200

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Operating transfer	Empr Cont PERS/PERD – Nonmajor Governmental	PILT* - Major Governmental	213
Operating transfer	Fergus County Fire Council – Nonmajor Governmental	PILT* - Major Governmental	10,953
Operating transfer	SMDC – Nonmajor Governmental	PILT* - Major Governmental	11,700
Operating transfer	Computer Fund – Nonmajor Governmental	PILT* - Major Governmental	1,215
Operating transfer	Compensated Absences – Nonmajor Governmental	PILT* - Major Governmental	6,294
Fund future capital costs	Construction Reserve – Major Governmental	PILT* - Major Governmental	93,825
Fund future capital costs	Capital Improvements – Nonmajor Governmental	PILT* - Major Governmental	9,459
Fund future capital costs	Capital Improvement General – Nonmajor Governmental	PILT* - Major Governmental	183,081
Fund future capital costs	Capital Improvements – Road – Nonmajor Governmental	PILT* - Major Governmental	442,001
Fund future capital costs	Capital Improvements - Public Safety – Nonmajor Governmental	PILT* - Major Governmental	86,070
Operating transfer	Public Safety – Major Governmental	Crime Control – Nonmajor Governmental	20,000
			<u>\$ 3,422,771</u>

* Combined with the General Fund for GASB 54 financial reporting purposes.

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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

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

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

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

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ 30,799	Inventory
Road	311,022	Inventory
All Other Aggregate		Inventory
	<u>123,933</u>	
Total	<u>\$ 465,754</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 719,780	Road Repair, maintenance and supplies
Public Safety	586,005	Law Enforcement, emergency services, and supplies
All Other Aggregate	254,212	Debt Service
	902,852	General Government administration and services
	188,184	Law Enforcement, emergency services, and supplies
	44,168	Road Repair, maintenance and supplies
	1,355,286	Public Health Services and Supplies
	231,405	Noxious Weed Management
	50,899	Animal Control
	137,254	Economic development
	83,366	Social and Economic Services and travel
	2,315	Parks and recreation services and supplies
	153,505	Culture and recreation
	44,147	Miscellaneous
	<u>357,236</u>	Bridge repairs and maintenance
Total	<u>\$ 5,110,614</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Construction Reserve	\$ 1,720,288	Constructions and/or capital asset purchases
All Other Aggregate	<u>1,137,676</u>	Constructions and/or capital asset purchases
Total	<u>\$ 2,857,964</u>	

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
FCHD Public Health	\$ 26,434	Insufficient resources to cover current liabilities	Future grant revenues
Computer	343	Insufficient resources to cover current liabilities	Transfer from General Fund
Junk Vehicle	1,680	Insufficient resources to cover current liabilities	Future grant revenues
2023 Disaster Fund	521	Insufficient resources to cover current liabilities	Transfer from General Fund
Round House	40,938	Insufficient resources to cover advance payable	Transfer from General Fund
Fair Levy	<u>25,690</u> <u>\$ 94,558</u>	Insufficient resources to cover current liabilities	Transfer from General Fund

NOTE 14. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Airport	\$ <u>2,658</u>	Restatement beginning long-term debt

NOTE 15. JOINT VENTURES

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

City-County Airport

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

City-County Library

The City-County Library District is operated under an interlocal agreement between Fergus County and the City of Lewistown. The City maintains the library accounting records and includes the financial activities of the library in its financial statements.

City Judge Services

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

Fergus County Council on Aging

The Fergus County Council on Aging is a satellite office of the Area II Agency on Aging (Area II). Eleven counties belong to Area II. Fergus County contributes money to Area II each fiscal year for the purpose of matching federal grants that Area IT obtains.

NOTE 16. SERVICES PROVIDED FROM OTHER GOVERNMENTS

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

NOTE 17. RISK MANAGEMENT

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

Property and Casualty Insurance

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

FERGUS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

PCT Coverage Includes:

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

Workers Compensation Insurance

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

Health Care Insurance

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,219,904	\$ 2,219,904	\$ 2,920,180	\$ 700,276
Intergovernmental	317,232	317,232	294,577	(22,655)
Charges for services	243,211	243,211	227,032	(16,179)
Fines and forfeitures	92,000	92,000	71,672	(20,328)
Miscellaneous	12,000	12,000	27,609	15,609
Investment earnings	-	-	(140,776)	(140,776)
Amounts available for appropriation	\$ 2,884,347	\$ 2,884,347	\$ 3,400,294	\$ 515,947
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,526,137	\$ 2,526,137	\$ 2,516,563	\$ 9,574
Public safety	-	-	193	(193)
Public health	3,715	3,715	2,364	1,351
Social and economic services	17,000	17,000	13,500	3,500
Culture and recreation	34,000	-	-	-
Total charges to appropriations	\$ 2,580,852	\$ 2,546,852	\$ 2,532,620	\$ 14,232
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 489,719	\$ 399,719	\$ 382,615	\$ (17,104)
Transfers out	(1,019,860)	(1,019,860)	(1,086,943)	(67,083)
Total other financing sources (uses)	\$ (530,141)	\$ (620,141)	\$ (704,328)	\$ (84,187)
Net change in fund balance			\$ 163,346	
Fund balance - beginning of the year			\$ 1,447,246	
Fund balance - end of the year			\$ 1,610,592	

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

Road				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,171,597	\$ 1,171,597	\$ 1,184,608	\$ 13,011
Intergovernmental	288,667	288,667	328,005	39,338
Charges for services	68,000	68,000	124,483	56,483
Investment earnings	-	-	(17,275)	(17,275)
Amounts available for appropriation	\$ 1,528,264	\$ 1,528,264	\$ 1,619,821	\$ 91,557
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	-	-	9,987	(9,987)
Public works	2,160,645	3,160,645	1,792,716	1,367,929
Total charges to appropriations	\$ 2,160,645	\$ 3,160,645	\$ 1,802,703	\$ 1,357,942
OTHER FINANCING SOURCES (USES)				
Transfers in	480,489	480,489	407,836	(72,653)
Total other financing sources (uses)	\$ 480,489	\$ 480,489	\$ 407,836	\$ (72,653)
Net change in fund balance			\$ 224,954	
Fund balance - beginning of the year			\$ 805,848	
Fund balance - end of the year			\$ 1,030,802	

Fergus County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,313,084	\$ 1,313,084	\$ 1,334,542	\$ 21,458
Intergovernmental	-	-	18,277	18,277
Charges for services	115,800	115,800	162,375	46,575
Miscellaneous	-	-	3,902	3,902
Investment earnings	-	-	(14,239)	(14,239)
Amounts available for appropriation	\$ 1,428,884	\$ 1,428,884	\$ 1,504,857	\$ 75,973
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	-	-	17,327	(17,327)
Public safety	2,249,198	2,249,198	2,282,230	(33,032)
Capital outlay	-	-	499	(499)
Total charges to appropriations	\$ 2,249,198	\$ 2,249,198	\$ 2,300,056	\$ (50,858)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 517,467	\$ 517,467	\$ 438,971	\$ (78,496)
Total other financing sources (uses)	\$ 517,467	\$ 517,467	\$ 438,971	\$ (78,496)
Net change in fund balance			\$ (356,228)	
Fund balance - beginning of the year			\$ 942,233	
Fund balance - end of the year			\$ 586,005	

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

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

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,400,294	\$ 1,619,821	\$ 1,504,857
Combined funds (GASBS 54) revenues	<u>2,820,651</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 6,220,945</u>	<u>\$ 1,619,821</u>	<u>\$ 1,504,857</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,532,620	\$ 1,802,703	\$ 2,300,056
Combined funds (GASBS 54) expenditures	<u>1,347,501</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,880,121</u>	<u>\$ 1,802,703</u>	<u>\$ 2,300,056</u>

Fergus County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service Cost	\$ 18,397	\$ 18,397	\$ 19,186	\$ 19,186	\$ 18,746	\$ 18,746
Differences in experience	-	(73,600)	-	(55,811)	-	-
Net change in total OPEB liability	<u>18,397</u>	<u>(55,203)</u>	<u>19,186</u>	<u>(36,625)</u>	<u>18,746</u>	<u>18,746</u>
Total OPEB Liability - beginning	112,110	167,313	148,127	184,752	166,006	-
Restatement	-	-	-	-	-	147,260
Total OPEB Liability - ending	<u>\$ 130,507</u>	<u>\$ 112,110</u>	<u>\$ 167,313</u>	<u>\$ 148,127</u>	<u>\$ 184,752</u>	<u>\$ 166,006</u>
Covered-employee payroll	\$ 3,216,213	\$ 3,216,213	\$ 3,056,822	\$ 3,056,822	\$ 3,459,946	\$ 3,459,946
Total OPEB liability as a percentage of covered -employee payroll	4%	3%	5%	5%	5%	5%

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

Fergus County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

	<u>PERS 2023</u>	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.146183%	0.150372%	0.151711%	0.159631%	0.152018%	0.204344%	0.199894%	0.202636%	0.214744%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 3,476,070	\$ 2,726,574	\$ 4,002,455	\$ 3,336,780	\$ 3,172,830	\$ 3,979,857	\$ 3,404,880	\$ 2,832,592	\$ 2,675,738
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,043,218	\$ 806,693	\$ 1,265,804	\$ 1,088,027	\$ 1,064,240	\$ 55,195	\$ 41,604	\$ 34,793	\$ 32,675
Total	\$ 4,519,288	\$ 3,533,267	\$ 5,268,259	\$ 4,424,807	\$ 4,237,070	\$ 4,035,052	\$ 3,446,484	\$ 2,867,385	\$ 2,708,413
Employer's covered payroll	\$ 2,569,010	\$ 2,656,135	\$ 2,602,047	\$ 2,633,887	\$ 2,501,152	\$ 2,535,381	\$ 2,394,375	\$ 2,364,803	\$ 2,446,845
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.31%	102.65%	153.82%	126.69%	126.85%	156.97%	14.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>SRS 2023</u>	<u>SRS 2022</u>	<u>SRS 2021</u>	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	1.1060%	1.0900%	1.0264%	1.0094%	0.9440%	0.9232%	0.8751%	0.8836%	0.9129%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,514,332	\$ 793,956	\$ 1,250,997	\$ 841,789	\$ 709,598	\$ 702,559	\$ 1,537,368	\$ 851,752	\$ 379,906
Total	\$ 1,514,332	\$ 793,956	\$ 1,250,997	\$ 841,789	\$ 709,598	\$ 702,559	\$ 1,537,368	\$ 851,752	\$ 379,906
Employer's covered payroll	\$ 1,065,935	\$ 990,616	\$ 873,319	\$ 810,316	\$ 732,401	\$ 690,768	\$ 617,767	\$ 601,230	\$ 590,372
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.07%	80.15%	143.25%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	77.07%	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

	<u>TRS 2023</u>	<u>TRS 2022</u>	<u>TRS 2021</u>	<u>TRS 2020</u>	<u>TRS 2019</u>	<u>TRS 2018</u>	<u>TRS 2017</u>	<u>TRS 2016</u>	<u>TRS 2015</u>
Employer's proportion of the net pension liability	0.0038%	0.0039%	0.0040%	0.0037%	0.0037%	0.0035%	0.0037%	0.0036%	0.0034%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 75,262	\$ 65,357	\$ 89,983	\$ 70,945	\$ 69,026	\$ 59,719	\$ 66,750	\$ 59,572	\$ 52,469
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 39,734	\$ 36,655	\$ 51,622	\$ 44,198	\$ 48,096	\$ 38,117	\$ 46,881	\$ 47,330	\$ 38,604
Total	\$ 114,996	\$ 102,012	\$ 141,605	\$ 115,143	\$ 117,122	\$ 97,836	\$ 113,631	\$ 106,902	\$ 91,073
Employer's covered payroll	\$ 56,166	\$ 56,196	\$ 55,060	\$ 49,948	\$ 49,672	\$ 46,740	\$ 47,423	\$ 46,279	\$ 42,998
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	134.00%	116.30%	163.43%	142.04%	138.96%	127.77%	140.75%	128.72%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Fergus County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 235,332	\$ 228,478	\$ 235,385	\$ 223,016	\$ 226,532	\$ 211,752	\$ 212,175	\$ 206,035	\$ 204,167
Contributions in relation to the contractually required contributions	\$ 235,332	\$ 228,478	\$ 235,385	\$ 223,016	\$ 226,532	\$ 211,752	\$ 212,175	\$ 206,035	\$ 204,167
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 2,620,624	\$ 2,569,010	\$ 2,656,135	\$ 2,602,047	\$ 2,633,887	\$ 2,501,152	\$ 2,535,381	\$ 2,394,375	\$ 2,364,803
Contributions as a percentage of covered payroll	8.98%	8.89%	8.86%	8.57%	8.60%	8.47%	8.37%	8.60%	8.63%

	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 144,711	\$ 140,496	\$ 129,677	\$ 114,698	\$ 106,716	\$ 97,853	\$ 69,871	\$ 64,029	\$ 60,988
Contributions in relation to the contractually required contributions	\$ 144,711	\$ 140,496	\$ 129,677	\$ 114,698	\$ 106,716	\$ 97,853	\$ 69,871	\$ 64,029	\$ 60,988
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,103,401	\$ 1,065,935	\$ 990,616	\$ 873,319	\$ 810,316	\$ 732,401	\$ 690,768	\$ 617,767	\$ 601,230
Contributions as a percentage of covered payroll	13.115%	13.18%	13.090%	13.13%	13.17%	13.36%	10.12%	10.36%	10.14%

	TRS 2023	TRS 2022	TRS 2021	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Contractually required contributions	\$ 6,520	\$ 5,207	\$ 5,153	\$ 4,994	\$ 4,480	\$ 4,406	\$ 4,097	\$ 41,112	\$ 3,966
Contributions in relation to the contractually required contributions	\$ 6,520	\$ 5,207	\$ 5,153	\$ 4,994	\$ 4,480	\$ 4,406	\$ 4,097	\$ 4,112	\$ 3,966
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 64,624	\$ 56,166	\$ 56,196	\$ 55,060	\$ 49,948	\$ 49,672	\$ 46,740	\$ 47,423	\$ 46,279
Contributions as a percentage of covered payroll	10.09%	9.27%	9.17%	9.07%	8.97%	8.87%	8.76%	8.67%	8.57%

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

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

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

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

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

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

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

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

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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For the Year ended June 30, 2023

- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

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

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

2015 Legislative Changes

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

2017 Legislative Changes

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

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

Second Retirement Benefit – for SRS

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

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

- a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit in January immediately following second retirement, and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.17%

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

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

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six-year experience study for the period ending 2016.

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or, after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The GABA for Tier 1 members has also been modified as follows:

- If the most recent actuarial valuation of the System shows that the funded ratio is less than 90%, then the maximum increase that can be granted is 0.50%.
- If the funded ratio is at least 90% and the increase is not projected to cause the System's funded ratio to be less than 85%, an increase can be granted to that is greater than 0.50% but not more than 1.50%.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below:

- *Final Average Compensation:* Average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- *Service Retirement:* Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- *Early Retirement:* Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- *Professional Retirement Option:* If the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
- *Annual Contribution:* 8.15% of member's earned compensation
- *Supplemental Contribution Rate:* On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5%, if the following three conditions are met:

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

- The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
- The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
- A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- Guaranteed Annual Benefit Adjustment (GABA):
If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2021:

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%.

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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For the Year ended June 30, 2023

The following changes to the actuarial assumptions were adopted in 2020:

- The discount rate was lowered from 7.50% to 7.34%.
- The investment rate of return assumption was lowered from 7.50% to 7.34%.
- The inflation rate was reduced from 2.50% to 2.40%.

The following changes to the actuarial assumptions were adopted in 2019:

- The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
 - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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For the Year ended June 30, 2023

- The 0.63% load applied to the projected retirement benefits of the university members “to account for larger than average annual compensation increases observed in the years immediately preceding retirement” is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Fergus County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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For the Year ended June 30, 2023

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	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary Increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent. Net of pension plan investment expense, and including inflation

SINGLE AUDIT SECTION

Fergus County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Forest Service Schools and Roads Cluster-Cluster</i>			
United States Department of Agriculture			
Schools and Roads - Grants to States			
Schools and Roads - Grants to States	10.665		\$ <u>61,346</u>
Total Schools and Roads - Grants to States			<u>61,346</u>
<i>Total United States Department of Agriculture</i>			<u>61,346</u>
			<u>61,346</u>
<i>Total Forest Service Schools and Roads Cluster-Cluster</i>			\$ <u>61,346</u>
<i>Other Programs</i>			
Department of Homeland Security			
Emergency Management Performance Grants			
Emergency Management Performance Grants	97.042	Montana Department of Disaster and Emergency Services,22 EMP Fergus	\$ <u>4,754</u>
Total Emergency Management Performance Grants			<u>4,754</u>
<i>Total Department of Homeland Security</i>			<u>4,754</u>
United States Department of Justice			
Crime Victim Assistance			
Crime Victim Assistance	16.575	Montana State Board of Crime Control	\$ <u>49,600</u>
Total Crime Victim Assistance			<u>49,600</u>
<i>Total United States Department of Justice</i>			<u>49,600</u>
Department of Transportation			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		\$ <u>1,262,013</u>
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			<u>1,262,013</u>
<i>Total Department of Transportation</i>			<u>1,262,013</u>
Department of Health and Human Services			
Public Health Emergency Preparedness			
Public Health Emergency Preparedness	93.069	Montana Department of Public Health and Human Services,24-07-6-11-019-0	\$ <u>93,392</u>
Total Public Health Emergency Preparedness			<u>93,392</u>
Family Planning Services			
Family Planning Services	93.217	Bridgercare and Central Montana Family Planning	<u>46,466</u>
Total Family Planning Services			<u>46,466</u>
Immunization Cooperative Agreements			

Fergus County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Immunization Cooperative Agreements	93.268	Montana Department of Public Health and Human Services,23-07-4-31-114-0	104,122
Total Immunization Cooperative Agreements			<u>104,122</u>
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Montana Department of Public Health and Human Services,24-07-1-01-148-0	104,914
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			<u>104,914</u>
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Montana Department of Public Health and Human Services,23-07-3-01-003-0	76,939
Total Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			<u>76,939</u>
Maternal and Child Health Services Block Grant to the States			
Maternal and Child Health Services Block Grant to the States	93.994	Montana Department of Public Health and Human Services,24-25-5-01-015-0	15,613
Total Maternal and Child Health Services Block Grant to the States			<u>15,613</u>
<i>Total Department of Health and Human Services</i>			\$ <u>441,446</u>
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		\$ <u>215,889</u>
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			215,889
Local Assistance and Tribal Consistency Fund			
Local Assistance and Tribal Consistency Fund	21.032		<u>1,169,574</u>
Total Local Assistance and Tribal Consistency Fund			<u>1,169,574</u>
<i>Total Department of the Treasury</i>			\$ <u>1,385,463</u>
Total Other Programs			\$ <u>3,143,276</u>
Total Expenditures of Federal Awards			\$ <u><u>3,204,622</u></u>

The accompanying notes are an integral part of this schedule

FERGUS COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2023

Basis of Presentation and Significant Accounting Policies

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

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

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

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

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

Board of County Commissioners
Fergus County
Lewistown, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fergus County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fergus County’s basic financial statements and have issued our report thereon dated March 20, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 20, 2024

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

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

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

Board of County Commissioners
Fergus County
Lewistown, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fergus County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fergus County's Major federal programs for the year ended June 30, 2023. Fergus County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fergus County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to

identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

March 20, 2024

FERGUS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.032	Local Assistance and Tribal Consistency Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no Financial Statement Findings reported

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Fergus County
Lewistown, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2022-001 Investment Valuation	Implemented
2022-002 Uninsured and Uncollateralized Deposits	Implemented

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

March 20, 2024