

MONTANA DEPARTMENT OF ADMINISTRATION
State Financial Services Division
Local Government Services
Mitchell Building, Room 270, PO Box 200547, Helena, Montana 59620-0547

ENTITY # 024104

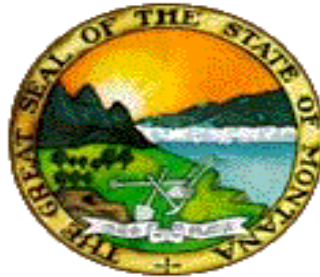
MONTANA

TOWN OF Stevensville

ADDRESS

CITY, STATE ZIP

**ANNUAL FINANCIAL
REPORT**



FISCAL YEAR ENDING JUNE 30, 2019

FOR DEPARTMENT OF ADMINISTRATION USE ONLY

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**ANNUAL FINANCIAL REPORT FILING FEE
FISCAL YEAR ENDING JUNE 30, 2019**

024104 TOWN OF Stevensville ADDRESS CITY, STATE ZIP	If the local government entity name or mailing address on the Department's mailing list is inaccurate or has changed recently please note the correction below.
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****If a filing fee is owed, please print the completed filing fee form and mail with your payment to:**

**Montana Department of Administration
 Local Government Services
 Mitchell Bldg - Room 270
 PO Box 200547
 Helena, MT 59620-0547**

****If no filing fee is owed, you must complete Part II to determine if an audit is required. Please assure a copy of the completed Determination of Filing Fee & Audit Requirement form is either included in your Annual Financial Report (AFR) or if not, a completed copy of the form is uploaded along with your AFR in the portal to ensure we enter the correct amount of adjusted debt proceeds in our system.**

PLEASE NOTE: The "Determination of Filing Fee Form" - page 2 of 2 - is designed to be self-calculating. If you choose to print this form and manually fill it in, please adjust the "Filing Fee Owed" in Box #1, based on the Filing Fee Schedule included below. Please revise Box #2 to "YES" if the adjusted debt proceeds and total revenues received by your government indicate that an audit will be required.

If there is an amount listed in BOX #1 of the Determination of Filing Fee Form (page 2 of 2), please include a check or warrant for that amount, made payable to "State Treasurer" in the amount of the required fee.

LOCAL GOVERNMENT ANNUAL FILING FEE SCHEDULE

The following filing fee schedule is required by Section 2-7-514, MCA, and has been adopted as Section 2.4.402 of the Administrative Rules of Montana.

Annual Resources In Excess of:	Annual Resources Equal to or Less Than	Filing Fee
\$0	\$750,000	\$0
\$750,000	\$1,000,000	\$550
\$1,000,000	\$1,500,000	\$800
\$1,500,000	\$2,500,000	\$950
\$2,500,000	\$5,000,000	\$1,300
\$5,000,000	\$10,000,000	\$1,700
\$10,000,000	\$50,000,000	\$2,500
\$50,000,000		\$3,000

FOR DEPARTMENT OF ADMINISTRATION USE ONLY

GL#	Amount Received:	
	\$	Date:
TD#	By:	

REVISED 7-2017 VERSION 17.1

Page 1 of 2

Determination of Filing Fee Form

Note: This form is self-calculating, with defaults of 0- and "NO" in box #1 and #2. Please adjust according if you print this form and enter information manually.

FEE REQUIREMENT: As provided by 2-7-514, MCA, each local government required to have an audit under 2-7-503, MCA, shall pay an annual filing fee to the department; the fee schedule shall be based upon the local government's annual revenue amounts. Administrative Rule 2.4.402 defines "revenue" as all receipts of a local government entity from any source excluding the proceeds from bond issuances and other long-term debt.

AUDIT REQUIREMENT: As provided by 2-7-503, MCA, each local government receiving revenue or financial assistance in excess of \$750,000, regardless of the source of revenue or financial assistance, shall have an audit. "Financial Assistance" is defined as including assistance provided by a federal, state, or local government entity in the form of loans and loan guarantees.

Part II - Determination of Audit Requirement. Loan proceeds received in the fiscal year that were used to refinance (payoff) existing debt will not be considered as "Financial Assistance" when determining the current audit requirement.

GOVERNMENTAL FUNDS - PAGE 16 (STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES)

Total Revenues	1,036,153.83
Other Financing Sources - Proceeds from Sale of Capital Assets	0.00
Special and/or Extraordinary Items (Revenues only)	0.00

ENTERPRISE FUNDS - PAGE 19 (STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION)

Note: Do not include revenues of Internal Service Funds

Total Operating Revenues	1,163,423.57	Filing Fee Owed \$950.00
Non-Operating Revenues: (Do not include Gain on Sale of Capital Assets)		
Taxes/Assessments	0.00	
Licenses/Permits	0.00	
Intergovernmental Revenues	141,378.82	
Interest Revenues	5,509.62	
Other Non-operating Revenues not included above		
Capital Contributions	0.00	
Special and/or Extraordinary Items (Revenues only)	560.00	

ENTERPRISE FUNDS - PAGE 20 (STATEMENT OF CASH FLOWS)

Proceeds from Sale of Capital Assets	0.00
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TRUST FUNDS - PAGE 22 (STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS)

NOTE: Do not include additions to Investment Trust Funds

Total Additions to Pension & Private Purpose Trust Funds Only	0.00
Total Revenues for Calculation of Filing Fee	\$2,347,025.84

If total revenues are equal to or less than \$750,000, no filing fee is

**TOWN OF Stevensville
ELECTED OFFICIALS/OFFICERS**

OFFICE	NAME OF COUNTY OFFICIALS/OFFICERS	DATE TERM EXPIRES
Commissioner (Chairperson)		
Commissioner		
Commissioner		
Assessor		
Attorney		
Auditor		
Treasurer		
Clerk and recorder		
Clerk of district court		
Coroner		
Justice of the peace		
Justice of the peace		
Public administrator		
School superintendent		
Sheriff		

OFFICE	NAME OF CITY/TOWN OFFICIALS/OFFICERS	DATE TERM EXPIRES
Mayor	Brandon Dewey	
Councilperson/Commissioner	Stacie Barker	12/31/2019
Councilperson/Commissioner	Robin Holcomb	12/31/2021
Councilperson/Commissioner	Bob Michaelson	12/31/2019
Councilperson/Commissioner	Raymond Smith (resigned 10/08/18)	
Councilperson/Commissioner	Jerry Phillips (appointed 11/02/18 ersignes 04/18/19)	
Councilperson/Commissioner		
Councilperson/Commissioner		
Councilperson/Commissioner		
City manager		
Attorney	Brian J West	
Chief of police	James Marble	
Clerk	Audree Tribensee	
Clerk/Treasurer		
Finance Director	at 06/31/19 filled by Mayor succeeded by Robert Underwood	
Police Judge	Maureen O'Connor	
Treasurer		
Utility billing/collection clerk		
Public Utilities Supervisor	George Thomas	

**IN ACCORDANCE WITH STATE LAW, I HEREBY TRANSMIT THE
TOWN OF Stevensville
ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEAR ENDING JUNE 30, 2019**

Submitted by;



 County Clerk and Recorder or City/Town Clerk-Treasurer

Date

Preparers contact information:

Email: robert@townofstevensville.com
 Phone: _____ 406-777-5271 X103

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Town of Stevensville
Ravalli County, Montana

ORGANIZATION

<u>Elected Officials</u>		Term Expires <u>December 31,</u>
Mayor	Brandon Dewey	2021
Councilperson	Stacie Barker	2019
Councilperson	Robin Holcomb	2021
Councilperson	Bob Michaelson	2019
Councilperson	Raymond Smith	2021 (resigned 10/08/18)
Councilperson	Jerry Phillips	appointed 11/2/18 (resigned 04/18/19)
City Judge	Maureen O'Connor	
<u>Contract Personnel</u>		
Attorney	Brian J. West	
<u>Administrative Staff</u>		
Clerk	Audree Tribensee	
Business Officer	Vacant- Temporary Brandon Dewey	
Chief of Police	James Marble	
Public Utilities Supervisor	George Thomas	

MANAGEMENT'S DISCUSSION AND ANALYSIS

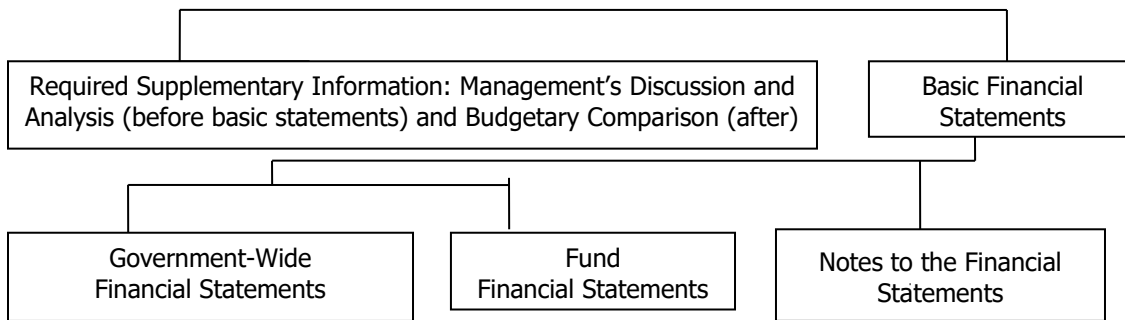
Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

As management of the Town of Stevensville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Town's financial statements, which follow this narrative. In this discussion a column for the last audited year, prior to current financial statements, is included for comparison.

Overview of the Financial Statements

The management's discussion and analysis (MD&A) is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of four components (see figure 1.); 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information in addition to the basic financial statements themselves. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains supplemental information what will enhance the reader's understanding of the financial condition of the Town.

Figure 1-Required Components of Basic Financial Statements



Basic Financial Statements

The first two statements in the basic financial statements are **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements are **Fund Financial Statements**. These statements focus on activities of the individual parts of the Town's government. These statements provide more detail than government-wide statements. There are three parts to the fund financial statements: 1) governmental funds statements; 2) proprietary funds statements, and 3) fiduciary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in the government-wide and fund financial statements. After the notes, **Required Supplementary Information (RSI)** is provided to show details about the Town's individual major funds budgetary information and required information relating to net pension liability other post-employment benefits. This MD&A is also required supplementary information though it precedes the rest of the information.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town's financial status as a whole. The two government-wide statements in this report show the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Government-wide funds use **accrual accounting**. Measuring net position is one way to gauge the Town's financial condition.

Government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the Town's basic services, such as public safety, public works, parks, streets, recreation, and general administration. Property taxes and state and federal grants finance most of these activities. The business-like activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town. Condensed government-wide financial statements are in figures 2 through 5 of this MD&A.

Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in Montana, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as general statutes of the Town's budget ordinance.

Governmental Funds—Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending next year.

Governmental funds are reported using an accounting method called **modified accrual accounting** that provides a *short-term spending focus*. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps the reader determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds (reported in the balance sheet and the statement of revenues, expenditures, and changes in fund balance) is described in reconciliations that are part of the fund financial statements.

Proprietary Funds—The Town has one kind of proprietary business-type funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and airport services. The funds use **accrual accounting** and are those functions shown in the business-type activities in the statement of net position and the statement of activities.

Fiduciary Funds—Fiduciary funds report activities for which the Town serves solely as financial administrator or custodian. Fiduciary funds appear in the fund financial statements to demonstrate compliance but are not included in the government-wide statements

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and fulfill disclosure requirements to conform with accounting principles generally accepted in the U.S. (GAAP) for governments.

Other Required Supplementary Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town including budgetary control within individual major funds.

Budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statement shows six columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations and ending balances in the fund; 4) the difference or variance between the final budget and the actual resources and charges; and 5 and 6) a reconciliation showing the difference between the budgetary basis of accounting and the modified accrual basis. GAAP requires budgetary presentations for the general fund and major special revenue funds.

The Town adopts an annual budget for its governmental funds, and for its proprietary funds, as required by general statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statements demonstrate how well the Town complied with budget ordinances and whether or not the Town succeeded in providing services as planned when budgets were adopted.

Town of Stevensville
Management's Discussion and Analysis
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Government-Wide Financial Analysis

Net position serves, over time, as one useful indicator of a government's financial condition. As shown in the statement of net position, assets plus deferred outflows of the Town exceeded total liabilities plus deferred outflows (net position) at the end of June 30, 2019 by \$ 14,966,039. The City's net position in operations (figures 2 and 3) decreased for the fiscal year ended June 30, 2019 by \$23,115 offset by capitalizing \$43,748 of fiscal 2018 expenses for a net increase in net position of \$20,633. Governmental net position increased by \$15,617 (figure 4) and business-type net position from operations decreased by (\$38,7221) offset by the FY 2018 capitalization for a net increase of \$5,026 (figure 5) to create a total Town net position increase at June 30, 2019.

Figure 2-Governmental-Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current Assets	\$ 1,102,152	\$ 1,003,652	\$ 98,500
Capital Assets-Net	<u>795,120</u>	<u>815,451</u>	<u>(20,331)</u>
Total Assets	<u>\$ 1,897,272</u>	<u>\$ 1,819,103</u>	<u>\$ 78,169</u>
Deferred Outflow of Resources	<u>\$ 76,876</u>	<u>\$ 104,037</u>	<u>\$ (27,161)</u>
Total Deferred Outflows of Resources	<u>\$ 76,876</u>	<u>\$ 104,037</u>	<u>\$ (27,161)</u>
Current Liabilities	\$ 75,847	\$ 51,476	\$ 24,371
Non-Current Liabilities	<u>405,688</u>	<u>433,544</u>	<u>(27,856)</u>
Total Liabilities	<u>\$ 481,535</u>	<u>\$ 485,020</u>	<u>\$ (3,485)</u>
Deferred Inflows of Resources	<u>\$ 43,410</u>	<u>\$ 4,524</u>	<u>\$ 38,886</u>
Total Deferred Inflows of Resources	<u>\$ 43,410</u>	<u>\$ 4,524</u>	<u>\$ 38,886</u>
Net Position:			
Net Investment in Capital Assets	\$ 795,120	\$ 815,451	\$ (20,331)
Restricted	689,878	505,533	184,345
Unrestricted Net Position	<u>(35,795)</u>	<u>112,612</u>	<u>(148,407)</u>
Total Net Position	<u>\$ 1,449,203</u>	<u>\$ 1,433,596</u>	<u>\$ 15,607</u>

As observed in Figure 2, governmental net position increased between June 30, 2018 and June 30, 2019. Net position changes generally are due primarily to operational activities with revenues and expenditures. In this case, the Town's governmental activities' revenue decreased and the expenditures decreased enough to produce an increase in net position; part of this is attributable to positive changes in the net pension liability deferred inflows.

Figure 3-Business-type Activities-Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current Assets	\$ 1,548,666	\$ 1,404,669	\$ 143,997
Non-Current Assets	926,976	953,247	(26,271)
Capital Assets-Net	<u>16,900,441</u>	<u>17,116,691</u>	<u>(216,250)</u>
Total Assets	<u>\$ 19,376,083</u>	<u>\$ 19,474,607</u>	<u>\$ (98,524)</u>
Deferred Outflow of Resources	<u>\$ 59,872</u>	<u>\$ 82,931</u>	<u>\$ (23,059)</u>
Total Deferred Outflows of Resources	<u>\$ 59,872</u>	<u>\$ 82,931</u>	<u>\$ (23,059)</u>
Current Liabilities	\$ 194,912	\$ 193,077	\$ 1,835
Non-Current Liabilities	<u>5,687,281</u>	<u>5,848,607</u>	<u>(161,326)</u>
Total Liabilities	<u>\$ 5,882,193</u>	<u>\$ 6,041,684</u>	<u>\$ (159,491)</u>
Deferred Inflows of Resources	<u>\$ 36,926</u>	<u>\$ 4,044</u>	<u>\$ 32,882</u>
Total Deferred Inflows of Resources	<u>\$ 36,926</u>	<u>\$ 4,044</u>	<u>\$ 32,882</u>
Net Position:			
Investment in Capital Assets	\$ 11,422,923	\$ 11,517,075	\$ (94,152)
Restricted for Debt Service and Bond Indenture	926,976	953,247	(26,271)
Unrestricted Net Position	<u>1,166,937</u>	<u>1,041,488</u>	<u>125,449</u>
Total Net Position	<u>\$ 13,516,836</u>	<u>\$ 13,511,810</u>	<u>\$ 5,026</u>

Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

Total business-type activities net position increased between June 30, 2018 and June 30, 2019. There was an operational decrease in net assets of (\$38,722) but \$ 43,748 of fiscal 2018 airport project disbursements were re-classified to construction in progress at June 30, 2019. The prior period adjustment offset the operational decrease to produce a positive \$5,026 change in net assets.

Total Net Position of the Governmental and Business-type Activities combined were:

	2019	2018	Change
Net Investment in Capital Assets	\$ 12,218,043	\$ 12,332,526	\$ (114,483)
Restricted Net Position	1,616,854	505,533	1,111,321
Unrestricted Net Position	1,131,142	2,107,347	(976,205)
Total Net Position	<u>\$ 14,966,039</u>	<u>\$ 14,945,406</u>	<u>\$ 20,633</u>

Net capital assets are a significant portion of total assets but are not intended to be liquidated because capital assets represent buildings, equipment and other items needed to conduct the Town's business. For Stevensville, the resources to pay governmental debt is current operating income. Resources to pay business-type debt are sewer and water fees pledged to pay bonds for construction of water and sewer facilities and operating revenues used to pay for equipment. Net position restricted for debt service and bond indentures in the business-type funds represent cash accrued for upcoming bond payments, plus restricted accounts, required by conditions of funders, for reserves to cover payments and accumulation for replacement and repair. Unrestricted net position generally represents cash and receivables which could be available to satisfy operations; the government-wide statement of net position presents more detailed information on these net positions including, showing current assets and liabilities which are likely to be received or paid within 12 months and non-current assets or debt.

Figure 4-Governmental-Changes in Net Position (accrual basis for all governmental funds)

	2019	2018	Change
Revenues			
Program Revenues:			
Charges for Services, Fines, etc.	\$ 156,493	\$ 354,726	\$ (198,233)
Operating Grants and Contributions	197,197	52,422	144,775
Capital Grants and Contributions	-	191,865	(191,865)
General Revenues:			
Property & Local Option Taxes	\$ 387,916	\$ 380,596	\$ 7,320
Unrestricted Federal/State Shared Revenue	217,464	217,918	(454)
Interest revenue	500	497	3
Other and miscellaneous	6,869	34,653	(27,784)
Sale of retired assets	45,000	-	45,000
Transfers	(11,250)	(88,303)	77,053
Total Revenues	<u>\$ 1,000,189</u>	<u>\$ 1,144,374</u>	<u>\$ (144,185)</u>
Expenses:			
General Government	\$ 372,311	\$ 179,223	\$ 193,088
Public Safety	377,940	563,379	(185,439)
Public Works	177,075	128,570	48,505
Culture and Recreation	57,256	58,715	(1,459)
Total Expenses	<u>\$ 984,582</u>	<u>\$ 929,887</u>	<u>\$ 54,695</u>
Change in Net Position	\$ 15,607	\$ 214,487	\$ (198,880)
Net Position, July 1	1,433,596	1,253,152	180,444
Prior Period Adjustment	-	(34,043)	34,043
Net Position, June 30	<u>\$ 1,449,203</u>	<u>\$ 1,433,596</u>	<u>\$ 15,607</u>

Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

Governmental Activities Change: Changes in governmental activities from 2018 to 2019 in charges for services, operating grants and unrestricted federal and state shared revenues are partly a re-classification in preparing fiscal 2019 financial statements.

Figure 5-Business Activities-Changes in Net Position (accrual basis for all proprietary funds)

	2019	2018	Change
Operating Revenues			
Charges for Services	\$ 1,157,296	\$ 1,161,826	\$ (4,530)
Operating grants	8,645	4,396	4,249
Total Operating Revenues	<u>\$ 1,165,941</u>	<u>\$ 1,166,222</u>	<u>\$ (281)</u>
Operating Expenses:			
Water	\$ 522,355	\$ 486,560	\$ 35,795
Sewer	658,618	652,895	5,723
Airport	179,930	177,597	2,333
Total Operating Expenses	<u>\$ 1,360,903</u>	<u>\$ 1,317,052</u>	<u>\$ 43,851</u>
Operating Income(Loss)	\$ (194,962)	\$ (150,830)	\$ (44,132)
Non-Operating Revenues/(Expenses)			
Dedicated taxes	\$ 6,126	\$ 4,492	\$ 1,634
Interest revenue	5,570	5,506	64
Donation	560	-	560
Total Non-Operating Revenues(Expenses)	<u>\$ 12,256</u>	<u>\$ 9,998</u>	<u>\$ 2,258</u>
Increase/(Decrease) in Net Position before Transfers & Contributions	<u>\$ (182,706)</u>	<u>\$ (140,832)</u>	<u>\$ (41,874)</u>
Capital Grants and Contributions	132,734	176,305	(43,571)
Transfers from governmental funds	11,250	88,303	(77,053)
Change in Net Position	<u>\$ (38,722)</u>	<u>\$ 123,776</u>	<u>\$ (162,498)</u>
Net Position, July 1	13,511,810	13,427,020	84,790
Prior Period Adjustment	43,748	(38,986)	82,734
Beginning Net Position Restated	<u>\$ 13,555,558</u>	<u>\$ 13,388,034</u>	<u>\$ 167,524</u>
Net Position, June 30	<u>\$ 13,516,836</u>	<u>\$ 13,511,810</u>	<u>\$ 5,026</u>

Business-type Activities Change: Business-type activities operations decreased net position but a prior period adjustment netted an increase in net position for the year ended June 30, 2019.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of the Town's governmental funds is to provide information in near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balances can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The term expenditures used in the "fund" financial statements indicates the near cash basis of reporting these non-business operations versus fully accrued expenses in the government wide statements.

The general fund is the chief operating fund of the Town. Expenditures from this fund pay for mayor and Town council, administration and finance, judicial, police and fire operations, street operations not funded by gas tax revenues, cemetery, park and pool operations. Special revenue funds such as activities financed by tax revenues and special assessments for street lighting, building permit fees, grants, and gas tax revenues are part of the "other" governmental funds.

Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

Fund balance approximates easily solvent resources available for operations; under Montana statute the reserve in any fund which receives tax revenues may not exceed one-half (1/2) of the total amount appropriated and authorized to be spent in the current fiscal year. Some "other" governmental funds do not receive tax revenue.

Figure 6-Governmental Fund Balances and Changes (modified accrual basis)

	Major Funds			Total
	General	Economic	Other Govern-	
	Fund	Development	Governmental	
Fund Balances July 1, 2017	\$ 240,847	\$ -	710,869	\$ 951,716
Fiscal Year 18 Revenues	864,809	-	145,030	1,009,839
Fiscal Year 18 Expenditures	(739,772)	-	(192,069)	(931,841)
Other Financing Sources(uses)	(73,978)	-	(14,325)	(88,303)
Prior Period Adjustment	(19,210)	-	(1,210)	(20,420)
Fund Balances June 30, 2018	<u>\$ 272,696</u>	<u>\$ -</u>	<u>648,295</u>	<u>\$ 920,991</u>
Re-classify Economic Development fund balance		43,492	(43,492)	-
Fiscal Year 19 Revenues	668,565	150,000	219,673	1,038,238
Fiscal Year 19 Expenditures	(610,685)	(178,788)	(133,348)	(922,821)
Other Financing Sources(uses)	23,361	-	(34,611)	(11,250)
Fund Balances June 30, 2019	<u><u>\$ 353,937</u></u>	<u><u>\$ 14,704</u></u>	<u><u>656,517</u></u>	<u><u>\$ 1,025,158</u></u>

Total governmental fund balances increased for the year ended June 30, 2019 by \$ 104,167.

Proprietary Funds: Business-type activity changes are the same at the government-wide and the fund level because they always use the accrual basis of accounting. Refer to figure 5 for business-type changes at the fund level or look at the water and sewer fund statements, including a statement of cash flows, which are in the basic financial statements following this MD&A.

Figure 7-Budgetary Report Significant Differences

	2018		2018		2018	
	General Fund	Original Budget	Final Budget	Actual	Actual	Actual
Revenues	\$	789,477	\$	789,477	\$	864,809
Expenditures	\$	776,218	\$	776,218	\$	739,772
	2019		2019		2019	
	General fund	Original Budget	Final Budget	Actual	Actual	Actual
Revenues	\$	655,009	\$	655,009	\$	661,123
Expenditures	\$	650,812	\$	650,812	\$	603,243

For both the 2018 fiscal year and the 2019 fiscal year, actual revenues were more than the budgeted amount and actual expenditures were less than the budgeted amount contributing to net increases in fund balance available for a reserve and reappropriation.

Capital Assets and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019 was \$ 17,695,561 (net of related accumulated depreciation). Associated These assets include land, buildings, improvements other than buildings, machinery and equipment, roads and street infrastructure, and utility system infrastructure and systems. See figures 8 and 9 for end of year balances.

Town of Stevensville
Management's Discussion and Analysis
June 30, 2019

Net investment in capital assets shown in the net position of the Statement of Net Position consists of the capital assets net of depreciation (as noted above) of \$17,695,561 less outstanding debt of \$ 5,477,518.

Figure 8-Governmental-Capital Assets

The following is a listing of governmental capital asset balances at June

	2019	2018	Change
Land	\$ 2,707	\$ 2,707	\$ -
Depreciable assets:			
Buildings	434,985	427,934	7,051
Improvements other than Buildings	301,470	286,079	15,391
Machinery and Equipment	1,010,054	975,588	34,466
Infrastructure	136,440	136,440	-
Total Capital Assets	<u>\$ 1,885,656</u>	<u>\$ 1,828,748</u>	<u>\$ 56,908</u>
Less Accumulated Depreciation	<u>(1,090,536)</u>	<u>(1,013,297)</u>	<u>(77,239)</u>
Net Governmental Capital Assets	<u>\$ 795,120</u>	<u>\$ 815,451</u>	<u>\$ (20,331)</u>

During FY 2019 the Town. purchased an excavator and mower, performed some improvements to the town hall and upgraded a park bathroom.

Figure 9-Business Activities-Capital Assets

The following is a listing of business-type capital asset balances at June 30:

	2019	2018	Change
Land	\$ 663,198	\$ 663,198	\$ -
Construction in progress	183,878	-	183,878
Buildings and other improvements	5,515,308	5,515,308	-
Machinery and Equipment	497,177	441,068	56,109
Infrastructure and systems	16,570,564	16,528,365	42,199
Total Capital Assets	<u>\$ 23,430,125</u>	<u>\$ 23,147,939</u>	<u>\$ 282,186</u>
Less Accumulated Depreciation	<u>(6,529,684)</u>	<u>(6,031,248)</u>	<u>(498,436)</u>
Net Business-type Capital Assets	<u>\$ 16,900,441</u>	<u>\$ 17,116,691</u>	<u>\$ (216,250)</u>

During FY 19 the Town added a pickup, paid part of the excavator from utilities, replaced a blower in the sewer facility and continued work on a runway upgrade at the airport.

Figure 10-Governmental-Outstanding Debt

The following is a listing of governmental debt balances at June 30:

	2019	2018	Change
Compensated absences	\$ 33,230	\$ 26,752	\$ 6,478
Net Pension Liability	332,845	366,997	(34,152)
OPEB liability	56,228	53,171	3,057
Total	<u>\$ 422,303</u>	<u>\$ 446,920</u>	<u>\$ (24,617)</u>

Compensated absences and the Other Post-Employment Benefits (OPEB) liability increased slightly while the Net Pension Liability decreased significantly. All three obligations are accruals related to employee benefits.

Town of Stevensville
 Management's Discussion and Analysis
 June 30, 2019

Figure 11-Business Activities-Outstanding Debt

The following is a list of business-type debt balances at June 30:

	<u>2019</u>		<u>2018</u>		<u>Change</u>
Bonds and notes	\$ 5,477,518	\$	5,599,616	\$	(122,098)
Compensated Absences	16,990		39,536		(22,546)
Net Pension liability	259,224		292,526		(33,302)
OPEB liability	60,974		57,602		3,372
Total	<u>\$ 5,814,706</u>	\$	<u>5,989,280</u>	\$	<u>(174,574)</u>

Two accruals related to employee benefits obligations, compensated absences and net pension liability decreased significantly; while the OPB liability increased slightly. The balance for bonds and notes liability decreased due to payment, no new debt was issued.

Known Facts, Decisions or Conditions that May Have a Significant Impact in Future Years

The Town continues progress on resolving water rights issues and well permitting through the DNRC. A preliminary Engineering Report will be done in FY 21 to outline future needs of storage and water rights. Leak detection is on-going and leaks are being prioritized for repair.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Robert Underwood
 Finance Officer
 Town of Stevensville Town Hall
 406-777-5271

**BASIC
FINANCIAL
STATEMENTS**

Town of Stevensville
Ravalli County, Montana

Government-Wide Statement of Net Position
For the Fiscal Year Ended June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	\$ 1,065,869	\$ 1,408,651	\$ 2,474,520
Taxes/assessments receivable	17,762	-	17,762
Accounts receivable	-	133,306	133,306
Due from other governments	14,940	9,759	24,699
Due from (to) other funds	3,050	(3,050)	-
Due from Judge's trust fiduciary fund	531	-	531
Restricted assets:			
Cash, cash and investments	-	926,976	926,976
Capital assets not being depreciated:			
Land	2,707	663,198	665,905
Construction in Progress	-	183,878	183,878
Capital assets being depreciated (net of accumulated depreciation)	792,413	16,053,365	16,845,778
TOTAL ASSETS	<u>\$ 1,897,272</u>	<u>\$ 19,376,083</u>	<u>\$ 21,273,355</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 76,876</u>	<u>\$ 59,872</u>	<u>\$ 136,748</u>
LIABILITIES			
Accounts payable & accrued liabilities	\$ 59,232	\$ 48,464	\$ 107,696
Services owed for accounts paid in advance		5,123	5,123
Other current liabilities:			
Due within one year-compensated absences	16,615	15,445	32,060
Due within one year-bonds & notes		125,880	125,880
Noncurrent liabilities:			
Due in more than one year-compensated absences	16,615	15,445	32,060
Due in more than one year-bonds & notes	-	5,351,638	5,351,638
Net pension liability	332,845	259,224	592,069
Other post employment benefits (OPEB)	56,228	60,974	117,202
TOTAL LIABILITIES	<u>\$ 481,535</u>	<u>\$ 5,882,193</u>	<u>\$ 6,363,728</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 43,410</u>	<u>\$ 36,926</u>	<u>\$ 80,336</u>
NET POSITION			
Net Investment in capital assets	\$ 795,120	\$ 11,422,923	\$ 12,218,043
Restricted for:			
Bond Indenture requirements	-	926,976	926,976
General government	87,334	-	87,334
Public Safety	137,488	-	137,488
Public Works	177,807	-	177,807
Culture/Recreation	75,000	-	75,000
Economic development	212,249	-	212,249
Unrestricted	(35,795)	1,166,937	1,131,142
Total net position	<u>\$ 1,449,203</u>	<u>\$ 13,516,836</u>	<u>\$ 14,966,039</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 372,311	\$ 38,247	\$ 150,000	\$ -	\$ (184,064)	\$ -	\$ (184,064)
Public safety	377,940	76,679	-	-	(301,261)	-	(301,261)
Public works	177,075	22,158	47,197	-	(107,720)	-	(107,720)
Culture & recreation	57,256	19,409	-	-	(37,847)	-	(37,847)
Total governmental activities	<u>\$ 984,582</u>	<u>\$ 156,493</u>	<u>\$ 197,197</u>	<u>\$ -</u>	<u>\$ (630,892)</u>	<u>\$ -</u>	<u>\$ (630,892)</u>
Business-type activities:							
Water	\$ 522,355	\$ 555,433	\$ 4,255	\$ -	\$ -	\$ 37,333	\$ 37,333
Sewer	658,618	577,778	4,266	-	-	(76,574)	(76,574)
Airport	179,930	24,085	124	132,734	-	(22,987)	(22,987)
Total business-type activities	<u>\$ 1,360,903</u>	<u>\$ 1,157,296</u>	<u>\$ 8,645</u>	<u>\$ 132,734</u>	<u>\$ -</u>	<u>\$ (62,228)</u>	<u>\$ (62,228)</u>
	<u>\$ 2,345,485</u>	<u>\$ 1,313,789</u>	<u>\$ 205,842</u>	<u>\$ 132,734</u>	<u>\$ (630,892)</u>	<u>\$ (62,228)</u>	<u>\$ (693,120)</u>

GENERAL REVENUES:

Taxes	\$ 387,916	\$ 6,126	\$ 394,042
Intergovernmental shared revenues	217,464	-	217,464
Interest revenue	500	5,570	6,070
Other	6,869	560	7,429
Sale of retired assets	45,000	-	45,000
Inter-fund transfers	(11,250)	11,250	-
Total general revenues and transfers	<u>\$ 646,499</u>	<u>\$ 23,506</u>	<u>\$ 670,005</u>
Change in net position	15,607	(38,722)	(23,115)
Beginning of year	\$ 1,433,596	\$ 13,511,810	\$ 14,945,406
Prior period adjustment	-	43,748	43,748
End of year	<u>\$ 1,449,203</u>	<u>\$ 13,516,836</u>	<u>\$ 14,966,039</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

Balance Sheet-Governmental Funds
As of June 30, 2019

	Major Funds			Total Governmental Funds
	General Fund	Economic Development Fund	Other Governmental Funds	
	Fund	Fund	Funds	
ASSETS				
Cash and cash equivalents	\$ 358,633	\$ 30,475	\$ 676,761	\$ 1,065,869
Taxes/assessments receivable	14,863	-	2,899	17,762
Accounts/other receivables	-	-	-	-
Due from/to other funds	22,192	-	(18,611)	3,581
Due from other governments	10,928	-	4,012	14,940
Total assets	\$ 406,616	\$ 30,475	\$ 665,061	\$ 1,102,152
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
LIABILITIES				
Liabilities:				
Accounts payable	\$ 18,097	\$ 15,712	\$ 4,416	\$ 38,225
Accrued wages and salaries payable	19,719	59	1,229	21,007
Total liabilities	\$ 37,816	\$ 15,771	\$ 5,645	\$ 59,232
DEFERRED INFLOWS OF TAXES				
	\$ 14,863	\$ -	\$ 2,899	\$ 17,762
Fund balances:				
Nonspendable:				
	\$ -	\$ -	\$ -	\$ -
Restricted:				
General government	-	-	87,334	87,334
Public safety	-	-	137,488	137,488
Public works	-	-	177,807	177,807
Culture and recreation	-	-	75,000	75,000
Economic development	-	14,704	197,545	212,249
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:				
General fund	353,937	-	-	353,937
Fund deficits	-	-	(18,657)	(18,657)
Total fund balance	\$ 353,937	\$ 14,704	\$ 656,517	\$ 1,025,158
Total ENDING liabilities, deferred outflows and fund balances	\$ 406,616	\$ 30,475	\$ 665,061	\$ 1,102,152

RECONCILIATION: GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Amounts Reported For Governmental Activities in the Statement of Net Position are Different Because:

	Fund balance above	1,025,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 1,885,656	
Accumulated depreciation	(1,090,536)	
Tax receivables are deferred in funds but not government-wide	17,762	
Certain pension items and other benefits deferred outflows are deferred government-wide:	76,876	
deferred inflows	(43,410)	
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences liability	(33,230)	
Net pension liability	(332,845)	
OPEB liability	(56,228)	
Net position of governmental activities	\$ 1,449,203	

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

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

	Major Funds			Total Governmental Funds
	General Fund	Economic Development Fund	Other Governmental Funds	
REVENUES				
Taxes and assessments	\$ 372,227	\$ -	\$ 42,488	\$ 414,715
Licenses and permits	16,065	-	67,038	83,103
Intergovernmental revenues	213,452	150,000	51,208	414,660
Charges for services	37,751	-	2,548	40,299
Fines and forfeiture	11,182	-	-	11,182
Miscellaneous	17,870	-	55,909	73,779
Investment and royalty earnings	18	-	482	500
Total revenues	<u>\$ 668,565</u>	<u>\$ 150,000</u>	<u>\$ 219,673</u>	<u>\$ 1,038,238</u>
EXPENDITURES				
General government	\$ 176,874	\$ 178,788	\$ 2,445	\$ 358,107
Public safety	246,507	-	63,543	310,050
Public works	89,408	-	52,624	142,032
Culture and recreation	55,724	-	-	55,724
Capital outlay	42,172	-	14,736	56,908
Total expenditures	<u>\$ 610,685</u>	<u>\$ 178,788</u>	<u>\$ 133,348</u>	<u>\$ 922,821</u>
Excess of revenues over (under) expenditures	\$ 57,880	\$ (28,788)	\$ 86,325	\$ 115,417
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 29,000	\$ -	\$ 5,639	\$ 34,639
Transfers (out)	(5,639)	-	(40,250)	(45,889)
Total other financing sources (uses)	<u>\$ 23,361</u>	<u>\$ -</u>	<u>\$ (34,611)</u>	<u>\$ (11,250)</u>
Net change in fund balances	\$ 81,241	\$ (28,788)	\$ 51,714	\$ 104,167
Fund balances-BEGINNING OF YEAR	\$ 272,696	\$ 43,492	\$ 604,803	\$ 920,991
Prior period adjustment			-	-
Fund balances-END OF YEAR	<u>\$ 353,937</u>	<u>\$ 14,704</u>	<u>\$ 656,517</u>	<u>\$ 1,025,158</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balance - total governmental funds (prior page)	\$ 104,167
Amounts reported for governmental activities in the statement of activities are different because:	
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	56,908
Depreciation expense	(77,239)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase (decrease) in taxes receivable	(26,799)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
(Increase)Decrease in compensated absences	(6,478)
(Increase)Decrease in Other Poste Employment Benefits (OPEB)	(3,042)
Changes associated with Net Pension Liability	<u>(31,910)</u>
Change in net position in governmental activities	<u>\$ 15,607</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Lake County, Montana

Statement of Fund Net Position-Proprietary Funds
As of June 30, 2019

	Business-type Activities			
	Major Proprietary Funds			Totals
	Water Operating	Sewer Operating	Airport Operating	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 836,323	\$ 339,456	\$ 92,270	\$ 1,268,049
Investments	123,536		17,066	140,602
Accounts receivable	65,141	68,165		133,306
Due from other governments	-	-	9,759	9,759
Total current assets	<u>\$ 1,025,000</u>	<u>\$ 407,621</u>	<u>\$ 119,095</u>	<u>\$ 1,551,716</u>
Noncurrent assets				
Restricted assets:				
Cash & equivalents	\$ -	\$ 251	\$ -	\$ 251
Investments	624,693	302,032	-	926,725
Capital assets:				
Land	49,008	16,627	597,563	663,198
Construction in Progress	-	-	183,878	183,878
Buildings	116,708	34,001	5,268	155,977
Improvements other than buildings	5,903	-	5,353,428	5,359,331
Machinery and equipment	75,416	215,416	206,345	497,177
Infrastructure and systems	5,569,550	10,567,447	433,568	16,570,565
Less: accumulated depreciation	<u>(1,204,148)</u>	<u>(2,882,339)</u>	<u>(2,443,198)</u>	<u>(6,529,685)</u>
Net capital assets	4,612,437	7,951,152	4,336,852	16,900,441
Total noncurrent assets	<u>\$ 5,237,130</u>	<u>\$ 8,253,435</u>	<u>\$ 4,336,852</u>	<u>\$ 17,827,417</u>
Total assets	<u>\$ 6,262,130</u>	<u>\$ 8,661,056</u>	<u>\$ 4,455,947</u>	<u>\$ 19,379,133</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,241</u>	<u>\$ 29,350</u>	<u>\$ 1,281</u>	<u>\$ 59,872</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 21,905	\$ 11,300	\$ 1,613	\$ 34,818
Accrued payroll	6,634	6,634	378	13,646
Services owed for accounts paid in advance	5,123	-	-	5,123
Due to general fund	-	-	3,050	3,050
Current portion, compensated absences	7,722	7,723	-	15,445
Current portion of bonds and notes payable	36,153	80,971	8,756	125,880
Total current liabilities	<u>\$ 77,537</u>	<u>\$ 106,628</u>	<u>\$ 13,797</u>	<u>\$ 197,962</u>
Noncurrent liabilities				
Compensated absences	\$ 7,722	\$ 7,723	\$ -	\$ 15,445
Bond and notes payable	1,975,074	3,320,240	56,324	5,351,638
OPEB Liability	29,315	29,315	2,344	60,974
Net pension liability	126,604	127,074	5,546	259,224
Total noncurrent liabilities	<u>\$ 2,138,715</u>	<u>\$ 3,484,352</u>	<u>\$ 64,214</u>	<u>\$ 5,687,281</u>
Total liabilities	<u>\$ 2,216,252</u>	<u>\$ 3,590,980</u>	<u>\$ 78,011</u>	<u>\$ 5,885,243</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 17,956</u>	<u>\$ 18,003</u>	<u>\$ 967</u>	<u>\$ 36,926</u>
NET POSITION				
Net Investment in capital assets	\$ 2,601,210	\$ 4,549,941	\$ 4,271,772	\$ 11,422,923
Restricted for: bond covenants	624,693	302,283	-	926,976
Unrestricted	831,260	229,199	106,478	1,166,937
Total net position	<u>\$ 4,057,163</u>	<u>\$ 5,081,423</u>	<u>\$ 4,378,250</u>	<u>\$ 13,516,836</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

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

	Business-type Activities			
	Major Proprietary Funds			Totals
	Water Operating	Sewer Operating	Airport Operating	
OPERATING REVENUES				
Charges for services	\$ 366,989	\$ 352,609	\$ 24,085	\$ 743,683
Charges pledged as security for revenue bonds	188,444	225,169	-	413,613
Total operating revenues	<u>\$ 555,433</u>	<u>\$ 577,778</u>	<u>\$ 24,085</u>	<u>\$ 1,157,296</u>
<i>Pledged revenue percent of total</i>	<i>34%</i>	<i>39%</i>	<i>0%</i>	<i>36%</i>
OPERATING EXPENSES				
Personal services	\$ 150,725	\$ 156,427	\$ 9,122	\$ 316,274
Supplies	76,513	39,862	476	116,851
Purchased services	111,448	110,402	7,332	229,182
Fixed charges	8,963	16,866	4,207	30,036
Depreciation	118,936	222,014	157,486	498,436
Total operating expenses	<u>\$ 466,585</u>	<u>\$ 545,571</u>	<u>\$ 178,623</u>	<u>\$ 1,190,779</u>
OPERATING INCOME/(LOSS)	<u>\$ 88,848</u>	<u>\$ 32,207</u>	<u>\$ (154,538)</u>	<u>\$ (33,483)</u>
NONOPERATING REVENUES/(EXPENSES)				
Interest revenue	\$ 3,182	\$ 2,110	\$ 278	\$ 5,570
Taxes/assessment revenue	-	-	6,126	6,126
Intergovernmental revenue	4,255	4,266	132,858	141,379
Donations			560	560
Debt service interest expense	<u>(55,770)</u>	<u>(113,047)</u>	<u>(1,307)</u>	<u>(170,124)</u>
Total nonoperating revenues/(expenses)	<u>\$ (48,333)</u>	<u>\$ (106,671)</u>	<u>\$ 138,515</u>	<u>\$ (16,489)</u>
INCOME/(LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS				
CONTRIBUTIONS	\$ 40,515	\$ (74,464)	\$ (16,023)	\$ (49,972)
Transfers and capital contributions	-	-	11,250	11,250
Changes in net position	\$ 40,515	\$ (74,464)	\$ (4,773)	\$ (38,722)
Total net position-BEGINNING OF YEAR	\$ 4,016,648	\$ 5,155,887	\$ 4,339,275	\$ 13,511,810
Prior period adjustment			43,748	43,748
Total net position-END OF YEAR	<u>\$ 4,057,163</u>	<u>\$ 5,081,423</u>	<u>\$ 4,378,250</u>	<u>\$ 13,516,836</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

Statement of Cash Flows-Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-type Activities			
	Major Proprietary Funds			Totals
	Water Operating	Sewer Operating	Airport Operating	
Cash flows from operating activities:				
Cash received from customers	\$ 546,648	\$ 572,080	\$ 24,085	\$ 1,142,813
Cash paid to suppliers	(178,826)	(158,115)	(45,210)	(382,151)
Cash paid for employees	(141,812)	(141,807)	(4,644)	(288,263)
Net cash provided/(used) by operating activities	<u>\$ 226,010</u>	<u>\$ 272,158</u>	<u>\$ (25,769)</u>	<u>\$ 472,399</u>
Cash flows from non-capital financing activities:				
Cash borrowed from General Fund	\$ -	\$ -	\$ 3,050	\$ 3,050
Subsidies from tax assessment, other governments and donations	1,424	1,425	6,685	9,534
Net cash provided by financing activities	<u>\$ 1,424</u>	<u>\$ 1,425</u>	<u>\$ 9,735</u>	<u>\$ 12,584</u>
Cash flows from capital and related financing activities:				
Contribution from economic development fund	\$ -	\$ -	\$ 11,250	\$ 11,250
Capital grant	-	-	151,268	151,268
Purchase/construction of capital assets	(64,669)	(33,639)	(140,130)	(238,438)
Principal paid on capital debt	(35,237)	(76,481)	(10,380)	(122,098)
Interest paid on capital debt	(55,770)	(113,047)	(1,307)	(170,124)
Net cash provided/(used) by capital financing activities	<u>\$ (155,676)</u>	<u>\$ (223,167)</u>	<u>\$ 10,701</u>	<u>\$ (368,142)</u>
Cash flows from investing activities:				
Interest earnings	\$ 3,182	\$ 2,110	\$ 278	\$ 5,570
Net cash provided/(used) by investing activities	<u>\$ 3,182</u>	<u>\$ 2,110</u>	<u>\$ 278</u>	<u>\$ 5,570</u>
Net increase/(decrease) in cash, cash equivalents and investments	\$ 74,940	\$ 52,526	\$ (5,055)	\$ 122,411
Cash, cash equivalents and investments reported BEGINNING OF YEAR	\$ 1,509,612	\$ 589,213	\$ 114,391	\$ 2,213,216
Cash, cash equivalents and investments END OF YEAR	<u>\$ 1,584,552</u>	<u>\$ 641,739</u>	<u>\$ 109,336</u>	<u>\$ 2,335,627</u>
RECONCILIATION TO CASH IN STATEMENT OF NET POSITION:				
Unrestricted cash, cash equivalents and investments	\$ 959,859	\$ 339,456	\$ 109,336	\$ 1,408,651
Restricted cash and investments	624,693	302,283	-	926,976
Total cash, cash equivalents and investments	<u>\$ 1,584,552</u>	<u>\$ 641,739</u>	<u>\$ 109,336</u>	<u>\$ 2,335,627</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:				
Net operating income/(loss)	\$ 88,848	\$ 32,207	\$ (154,538)	\$ (33,483)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Depreciation expense	118,936	222,014	157,486	498,436
(Increase)/decrease in receivables and due from	(8,785)	(5,698)	-	(14,483)
Increase (decrease) in payables, accrued payroll and due to	19,166	10,083	(33,189)	(3,940)
Increase/(decrease) in compensated absences	(4,222)	(4,220)	(204)	(8,646)
Increase/(decrease) in OPEB and net pension items	12,067	17,772	4,676	34,515
Net cash provided/(used) by operating activities	<u>\$ 226,010</u>	<u>\$ 272,158</u>	<u>\$ (25,769)</u>	<u>\$ 472,399</u>

The accompanying notes are an integral part of these financial statements.

Town of Stevensville
Ravalli County, Montana

Statement of Fiduciary Net Position
As of June 30, 2019

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3
Taxes receivable	-
Total assets	<u>\$ 3</u>
LIABILITIES	
Due to other entities	\$ <u>3</u>
Total liabilities	<u>\$ 3</u>
Change in Fiduciary Net Position	
Receipts	\$ 4,012
Disbursement to entity	<u>(4,012)</u>
Change in net assets	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Stevensville (Town)) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units(GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the time of preparing these financial statements GASB has announced it is postponing implementation of new financial standards which apply to fiscal period beginning after June 15, 2018; for these financial statements the Town's fiscal period began July 1, 2018. The extension ranges from 12 to 18 months. The Town did implement Statement No. 84 *Fiduciary Activities* for fiscal 19 but will be considering standards related to leases and fiduciary reporting for fiscal 2021. The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Stevensville, ("town") was established in 1841 as a mission and trading post; it is known as the oldest town in Montana. The town was incorporated under the State of Montana in 1899. The Town provides general government including, but no limited to: administration, police, fire, streets, sidewalks, street lights, cemetery, parks and swimming pool, water and sewer utilities as well as an airport.

The Town's financial reporting entity is the primary government. Component units are legally separate entities for which the City would have significant influence or accountability based primarily on operational or financial relationships as described in Governmental Accounting Standard Board Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*. The Town does not have any component units.

The operations of the town are governed by a Mayor and a four member council. The most recent population estimate is 1,944 persons.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the Town. The effects of inter-fund balances within the governmental activities column have been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on charges for services.

The government-wide statement of activities presents information to show the extent to which direct expenses of a given function or program, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All other sources of revenue, such as taxes, intergovernmental revenues and interest earned are considered general revenues.

Fiduciary funds are not included in the government wide financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated for the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements - The Town segregates transactions related to certain functions or activities in separate “funds” to aid financial management and to demonstrate compliance with budgeting and other requirements as established by law, grantors and financing. Separate statements are presented for the activities of governmental funds and proprietary funds. **Major** funds are those in which one of assets, liabilities, revenue, expense/expenditure are more than 5% of their category and more than 10% of their type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major governmental and enterprise funds are aggregated into one column in the fund financial statements.

Governmental Funds are used for most governmental functions. The financial statement focus for the balance sheets and the statements of revenues, expenditures and changes in fund balance in fund financial statements is on current financial sources, which looks at sources, uses and balances of the current period

Major funds for the City’s governmental activities included:

General fund- The general fund is the main operating fund of the City. It is used to account for sources and uses related to administration of general government: public works, public safety, culture and recreation and activities not included in other funds.

Major Special Revenue Fund- Economic Development fund; due to \$!50,000 grant in fiscal 2019.

Non-major Special Revenue Funds— These funds are established to account for resources allocated by law, contractual agreement or administrative regulations for specific purposes or activities.

Debt Service Funds – These governmental funds account for receipts of taxes and assessments to make bond or oan payments and the payments made from these resources for non-business borrowing. The Town did not need to use any debt service funds in the year ended June 30, 2019.

Non-major Capital Improvements Fund- These funds are used to account for revenues received from bond or other long-term general obligation debt issues, special assessment debt issues, grants, or shared revenues from other governments, property taxes, transfers from other funds or other sources and used to acquire and/or construct major, long-lived capital facilities other than those financed by enterprise fund revenue. Included as non-major for the fiscal year reported are two general capital

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – cont.

improvements funds, general capital improvement and fire department capital improvement. In the capital funds, when the construction or acquisition of an assets is less than the proceeds, the balance is transferred to the appropriate debt service fund for use in repaying debt.

The chart on the below shows all non-major governmental funds included in the “other” governmental funds column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance:

Non-Major Governmental Funds, Purpose and Resources:

Fund Name	Purpose	Major Revenues/Inflows
Ambulance	Record revenues and expenditures related to ambulance operations	New in fiscal 2019 Financed by reimbursements
Planning	Activities related to planning and zoning for Town and development	Planning fees
Tax Increment Financing	Town development	Dedicated property taxes subject to MCA 15-20-420
Targeted Economic Development	Economic development	Voter approved levy
Drug Forfeiture	Law enforcement supplies or training	Proceeds from items forfeited in drug enforcement actions
Building Code	Building safety and inspections	Building permits
Lighting districts (5)	Pay electricity for street lights	Assessment to homeowners
Police training	Law enforcement training	State shared revenues from insurance commissioner
Gas Tax Apportionment	Street maintenance. UP to 25% of revenue can be used for capital items	State shared revenue of gas tax
Gas Tax Special fund	Street related capital use- requires request to state	State shared gas tax revenues plus local match from general fund
Heyer Grant	Wildland firefighting supplies	Private grant
COPS Grant	Police wages and benefits for certain holiday support	Federal Department of Justice grant through the State of Montana
Jen Thomas park Fund	Park beautification	Private grant
Capital Improvements	Construction and improvement of general governmental assets	Sales of surplus assets, interest, transfers from other funds
Sidewalk Capital	Sidewalk construction and improvements	Interest
Fire Engine Capital	Purchase of new fire apparatus	Sales of surplus assets, interest

Proprietary Funds include enterprise funds such as water and sewer utility operations or certain governmental internal service activities. The Town uses proprietary funds to report its water, sewer and airport services; the Town does not have any internal service funds. The accounting is similar to private business with a focus on results of operations. Operating revenues and expenses represent daily activities

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – cont.

in providing and collecting for services. Non-operating revenues and expenses represent other activities such as acquiring and paying debt, earnings from investments that are not part of the daily operations.

Water Enterprise Fund—the water enterprise fund reflects charges to residents who purchase water from the City and related activities to construct and operate the system.

Sewer Enterprise Fund—the sewer fund reflects charges to residents who use the sewer system and the related activities to construct and operate the system.

Airport Enterprise Fund—the airport fund record receipts for leases of hangars and other fees plus grants; expenses for maintenance and construction at the airport site.

All three funds were major finds in the proprietary financial statements of the year ended June 30, 2019.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and are reported using the accounting principles similar to proprietary funds.

The Town's fiduciary funds are represented in fiduciary fund statements by type (pension, private purpose and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The Town utilizes agency funds to report money received from the state for fireman benefits, which are held in trust until distributed. The Town also uses an agency fund to report the judge's trust fund, which receives collections on fines and forfeitures and distributes to the appropriate governmental entity. The Town did not have pension or private purpose fiduciary funds during the reporting period.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; **basis of accounting refers to when** revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement. All government-wide statements and the fund financial statements for the proprietary funds are reported using the *economic resources focus* and accounted for using the *accrual basis* of accounting. All assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual basis* of accounting. The current financial resources focus places an emphasis on current in-flows, out-flows and results. Modified

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – cont.

accrual accounting limits accruals of receivables and liabilities to those items which are called "susceptible to accrual" or measurable and known to be available soon enough after the end of the current period to pay liabilities of the current period. The Town generally does not consider amounts susceptible to accrual after the fiscal year end, other than recognizing taxes collected by the county in June and remitted to the Town in July as part of "due from other governments."

D. Cash and Investments

All of the cash balances of the Town's funds are pooled for investment purposes. Cash on hand, demand deposits and certificates of deposit (time deposits) with maturity dates less than three months are reported as cash and cash equivalents.

Investments are reported at fair value which is determined using institution confirmations. The Town reports certificates of deposit with original maturity dates greater than three months as investments in proprietary funds and as cash equivalents in governmental funds. Cash deposits are reported at confirmed carrying amounts which reasonably estimates fair value. For the year ended June 30, 2018 the Town held certificates of deposit with varying original maturity periods; interest payments are semi-annual.

Fair value measurement is considered Level 1 if observable inputs are available that reflect quoted prices for identical assets or liabilities in active markets (i.e. stock quotes), Level 2 if observable inputs are available but not for quoted markets, and Level 3 if fair value is required to be measured from resources other than observable inputs. The Town's fair value inputs are Levels 1 or 2.

Under Montana code, allowable investments may include direct obligations of the United States Government; repurchase agreements; savings or time deposits in a state or national bank, building and loan association, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA, or located in the state. It is also allowable to invest monies under the State Unified Investment Program (STIP) established in Title 17, Chapter 6, of Montana Code Annotated. The Town's investments are all certificates of deposit.

Montana law allows the Town to require security for the portion of deposits not guaranteed or insured by FHIC. Collateral may be taken up to 50 percent of deposits, if the institution in which the deposits are made has a net worth to total assets ratio of 6 percent or more, and 100 percent if the total ratio is less than 6 percent. The Town's bank held securities pledge as collateral for the Town's deposit with market value of \$3,033,936 at June 30, 2019

Cash and cash equivalents, is defined for the statement of cash flows to include cash on hand, checking deposits and certificates of deposits.

F. Receivables

Governmental fund receivables consist of property taxes, inter-fund loans, amount due from the county and lighting district assessments. Fund financial statements include deferred revenue offset for taxes

NOTE 1: SUMMARY OF SIGIFICANT ACCOUNTING POLICES, continued

F. Receivables, continued

receivables since the Town generally does not consider receivables available after the fiscal year end. Property is assessed by the county assessor of Ravalli County, an agent of the State of Montana. Valuations are determined under State law and submitted to the county treasurer for the preparation of tax bills.

Ravalli County serves as cashier and treasurer for the Town's tax collections. The collections made on behalf of the Town are accounted for in an agency fund of the County in the Town's name and are remitted to the Town by the county treasurer.

Real property taxes and assessments are charged against the property owner of record as of January 1st. The taxes/assessments for the current year are generally levied on or before the second Monday in August, in connection with the budget process, and billed by the county treasurer as of November 1st. Real property taxes/assessments not paid become delinquent; a lien upon property may be placed. After three years of delinquency, the Town may proceed to exercise the lien and take title of the property.

Personal property taxes are generally billed no later than the second Monday in July, based on the prior November's levies. Personal property taxes, other than mobile home, are due thirty days after billing. Mobile home personal property taxes are due between May 31st and July 31st, depending on billed dates, and November 30th. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes paid under protest are not recognized until the protest is settled and taxes are distributed to the Town by the Ravalli County Treasurer. All other taxes assessed are recorded by the Town when earned. Uncollectible accounts are considered immaterial, so no allowance is maintained for real and personal property taxes and special assessments receivables. The direct write-off method is used for these accounts when needed.

Water and sewer fund receivables consist of amounts due from consumers. An allowance for uncollectible accounts is not recorded in the water and sewer funds; the Town is able to file a lien for materially past due accounts which are then billed with property taxes and collected by the county on behalf of the Town.

F. Inventory

Materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained.

G. Restricted assets

Certain assets, usually cash, of the enterprise funds are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds representing a liability to the enterprise funds. These restricted assets represent cash and cash equivalents restricted for use to repay current debt, establish a reserve for future debt and to establish a replacement and depreciation reserve for the purpose of replacing the system in the future. Assets of special revenue funds may also be restricted to meet the requirements of the funding source.

NOTE 1: SUMMARY OF SIGIFICANT ACCOUNTING POLICES, continued

H. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available and accumulated cost, including interest, if constructed. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance for capital assets are recorded as expenses unless they exceed the Town's capital asset threshold of \$5,000.

Depreciation for all depreciable assets (land is not depreciated) is calculated using the straight line method over the estimated useful life. Estimated useful lives are as follows:

Buildings	39 years
Improvements	10-39 Years
Machinery & Equipment	7-50 Years
Infrastructure	15-70 Years

When applicable, construction in progress is capitalized in the appropriate category when the construction is finished. No depreciation is calculated until the asset is capitalize.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element for deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures/expenses) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows for resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to the future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

Pensions and Other Post-Employment Benefits liability and deferred outflows/inflows – for purposes of measuring the net pension and other postemployment benefit (OPEB) assets and liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the pension and OPEB plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this

NOTE 1: SUMMARY OF SIGIFICANT ACCOUNTING POLICES, continued

I. Deferred Outflows/Inflows of Resources, continued

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property taxes/special assessments – deferred inflow – the Town reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet, taxes and assessment recorded as deferred inflows of resources are eliminated in the conversion to the accrual base statement of net position.

Deferred outflow of resources is a financial statement element. A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The government-wide statement of net position, proprietary fund statement of net position, and governmental fund balance sheet report a separate section for deferred outflows of resources.

Deferred outflows and deferred inflows may be disclosed on the face of the financial statements, in the notes to the financial statements or a combination of both.

Deferred outflows on the face of the Town’s financial statements are as follows:

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Government-Wide Statement of Net Position	Pensions - consumption of net assets applicable to future periods	\$ 136,715
	OPEB - consumption of net assists to future periods	\$ 33
		<u>\$ 136,748</u>

Deferred inflows on the face of the town’s financial statements are as follows:

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Government-Wide Statement of Net Position	Pensions - acquisition of net assets applicable to future periods	\$ 59,922
	OPEB - acquisition of net assets applicable to future	\$ 20,429
		<u>\$ 80,351</u>
Governmental Funds Balance Sheet	Property taxes - expected future acquisition of tax payments	\$ 17,762

J. Compensated Absences

Town employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Town employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is not requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave on the accumulation of u unused sick leave. At termination 25% or accumulated sick leave is paid at the employee’s current rate of pay.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. Compensated Absences, continued

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued in proprietary funds and the government-wide statement of activity.

J. Long-term Obligations

In the government-wide financial statements and the proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, when applicable are deferred and amortized over the life of the bonds using the effective interest method; issuance costed are expensed as occurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an "other financing source". Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Government-wide and Proprietary Funds Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and less deferred inflows of resources. In the government-wide financial statements equity is classified as net position and displayed in three components:

Net Investment in Capital Assets- consists of capital assets, including restricted capital assets, net of accumulation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted Net Position- all other net positions that do not meet the criteria of "restricted" or "investment in capital assets".

Proprietary fund equity is also classified as net position in the fund financial statements.

L. Fund Balances in Governmental Fund Financial Statements

Governmental fund equity is classified as fund balance in the fund financial statements. The following classifications describe the relative strength of spending constraints, per GASB No. 54 that requires presentation of governmental fund balances by specific purpose, either discretely or in the aggregate:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances in Governmental Fund Financial Statements, continued

Non-spendable Fund Balance - (the portion of net resources that cannot be spent) because 1) their form (such as inventory or prepaid expenses) 2) they must be kept intact (corpus). The Town reports prepaid expenses, if any, in this classification.

Restricted — (externally enforceable limitation on use) limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. The Town reports most “other” governmental funds resources in this classification.

Committed — (self-imposed limitations set in place prior to the end of the period) limitations imposed at highest level of decision making that requires formal action at the same level to remove. For the Town this would require a resolution or ordinance. The Town did not report fund balance in this classification at June 30, 2019.

Assigned — (limitations resulting from intended use) intended use established by highest level of decision making or by official designated by the governing body. For fiscal 2019, assignment would occur through council approval.

Unassigned Fund Balance — (residual net resources) this classification includes all of the general fund’s fund balance in excess of amounts in more restrictive classifications and any deficit fund balances of other governmental funds. At June 30, 2019, the Town reported deficit fund balance of \$5,904 in the Ambulance fund and a deficit fund balance of \$12,762 in the planning fund.

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

N. Net Position Significantly Impacted by Deferred Outflows or Deferred Inflow of Resources

GASB 63 requires disclosure of any deferrals that have a significant impact on net positions. The deferral of inflow and outflow of resources had some impact on net position for both governmental and business-type activities. Within the governmental government-wide activities, there was a net impact of \$ 36,444 increase in net position. Within the business-type activities, there was a net impact of \$ 55,941 in net position.

O. Use of Resources

When both restricted and unrestricted net positions are available for the same purposes the Town uses restricted resources first. For fund balance classifications in governmental funds, the Town will use resources in the following order as appropriate and available: nonspendable, restricted, committed, assigned and unassigned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or between proprietary funds are not netted as part of the reconciliation to the government-wide financial statements.

R. Revenues, Expenditures, and Expenses

Program Revenues in the government-wide statement of activities consist of: licenses, court fines, permits, special assessment collections, operating grants and capital grants. The Town identifies all expenditures/expenses *directly* to functions and does not maintain any accounts of indirect expenses; there is no allocation of overhead charges to funds but employee salaries and wages are reported by fund and function. *Compensated absence* changes at the end of the year appear as increases or decreases in personal services expenses in the proprietary funds and in the governmental fund functions at the government-wide level. In water, sewer and airport proprietary funds the Town recognizes usage charges as *operating revenues*; all other revenues are non-operating. In the proprietary funds the Town *does not calculate an allowance for uncollectible accounts* because unpaid accounts can be assessed and filed with the county to be charged with tax billing.

S. Use of Estimates – the preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The Town's fiscal year begins July 1 and ends the following June 30. An annual appropriated operating budget is adopted each fiscal year for the general, special revenue, debt service, capital projects, and enterprise funds on the budgetary basis of accounting which approximates cash basis. The appropriated budget is prepared by fund, function, and for the general fund by department. A preliminary budget may be approved and adopted, by resolution, by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the state Department of Revenue. State code requires that the Town give notice of a public hearing on the preliminary budget. Generally, the Town receives notice of taxable values by early August, holds the public hearing, approves and adopts a preliminary budget and gives public notice of the final budget by the end of August or early September. The Town may amend the preliminary budget after a public hearing and considering any public comment. The amended budget constitutes the final budget. The final budget must be balanced so that appropriations do not exceed projected beginning balances plus revenues of each fund for the fiscal year. The final budget resolution has an effective date of July 1 of the fiscal year, even if the resolution is adopted after that date. The Town may receive and expend money

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued

A. BUDGETARY INFORMATION, continued

between July 1 of the fiscal year and the date the final budget resolution is adopted. The Town has the right to transfer budgetary authority among the various line items of a fund, but not between funds without an amendment. The Town may amend a final budget when necessary. The procedure to amend the budget can be made only after the Town prepares a resolution, notice is published of a public hearing, and a public hearing is held in accordance with state law.

All appropriations, except for construction in progress, lapse at the end of the fiscal year. Encumbrance accounting is not used by the Town.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In March 2019 the Town council amended the budget for Fund 4002- Fire Engine Capital Improvement. In December 2019 the Town council amended the budgets for Fund 2390 Drug Fines and forfeitures, Fund 2394 Building Code Enforcement, Fund 2940 Economic Development, Fund 5310 Sewer Operations, and budget transfers from Building Code enforcement and Tax Increment Finance District to fund 4000 General Capital Improvements. At year end the consolidated expenditures for the lighting districts exceeded the consolidated appropriation by \$1,166; however, these funds had sufficient excess reserves to absorb payments.

C. DEFICIT FUND BALANCE

For the year ended June 30, 2019 the following funds showed deficit fund balance: Ambulance (\$5,914) and Planning \$(12,752). The ambulance was a new fund with few revenues. The planning fund balance improved by \$1.087 in fiscal 2019.

NOTE 3: CASH AND INVESTMENTS

During the fiscal year ending June 30, 2019, the Town maintained four checking accounts, one money market account, two savings accounts and 15 certificates of deposit. Certificates of deposit balances with original maturities greater than 90 days are reported as cash equivalents in governmental funds and as investments in business-type funds. Rates of interest for the year ended June 30, 2019 ranged from 0.01% to 0.85%. The composition of the Town's cash and investments, including funds held in fiduciary capacity, at fair value on were as follows:

<u>Cash</u>	<u>June 30, 2019</u>	<u>Cash and Investments in the</u>	<u>Statements of Net Position at:</u>
Cash on hand	\$ 100		
Cash in banks:			<u>June 30, 2019</u>
Checking	2,264,952	Governmental funds	\$ 1,065,869
Money market	36,640	Business-type funds	2,335,627
Savings	63,400	Fiduciary	3
Certificates of deposit	1,074,046		
Items in transit	<u>(37,639)</u>		
Total cash and investments at June 30,	<u>\$ 3,401,499</u>	Total cash and investments	<u>\$ 3,401,499</u>

Custodial Credit Risk-Deposits: This is the risk that, in the event of the failure of the depository or investment counterparties, the Town will not be able to recover its deposits. All of the checking

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 3: CASH AND INVESTMENTS

Custodial Credit Risk-Deposits, continued

accounts and money market accounts were secured by either the FDIC or pledged securities in the Town's name and held by financial institutions.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the depository or investment counterparties, the Town will not be able to recover the value of its investments. As explained in note 1.E.2, all the Town's deposits were covered by FDIC insurance or pledged securities

Concentration of Credit Risk: The Town splits its deposits and investments between three local banks to minimize its credit risk. At June 30, 2019.

Interest Rate Risk: The Town follows a conservative practice of investing in certificates of deposit at stated interest rates for varying periods of time with staggered maturities.

Credit Risk: The Town addresses credit risk by limiting investments to those allowed by state law as described in note 1.E.1.

NOTE 4: RESTRICTED INVESTMENTS

The following certificates of deposit were reported as investments on the government-wide statement of net position and proprietary funds statement of fund net position:

Description:	Water Fund	Sewer Fund	June 30, 2019 Restricted Investments
Restricted for bond covenants	\$ 624,693	\$ 302,283	\$ 926,976

NOTE 5: RECEIVABLES

Receivables in the statement of net position as of June 30, 2019 for the Town's individual major funds, non-major funds, and fiduciary funds in the aggregate:

	General Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	Airport Fund	Town Total	Fiduciary
Receivables							
Taxes and assessments	\$ 14,863	\$ 2,899	\$ -	\$ -	\$ -	\$ 17,762	\$ -
Accounts and other		-	65,141	68,165	-	133,306	-
Interfund receivable	3,401	-	-	-	-	3,401	(351)
Due from other governments	<u>10,928</u>	<u>4,012</u>	<u>-</u>	<u>-</u>	<u>9,759</u>	<u>24,699</u>	<u>-</u>
Total receivables	<u>\$ 29,192</u>	<u>\$ 6,911</u>	<u>\$ 65,141</u>	<u>\$ 68,165</u>	<u>\$ 9,759</u>	<u>\$ 179,168</u>	<u>\$ (351)</u>

Governmental funds report *deferred inflows* in the governmental fund financial statements in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For the Town these amounts represent the total of taxes and lighting special assessments deferred receivables at June 30. Total tax and assessment deferred inflows for governmental funds for the fiscal year ending June 30, 2019 was \$14,601. Fund financial statements may also show *interfund* receivables which are eliminated in the statement of net position; only interfund receivables between governmental and business-type or fiduciary funds would appear in the statement of net position. The Town was due \$351 from the Judge's Trust fund for June collections.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 6: CHANGES IN CAPITAL ASSETS

During fiscal year 2019 the Town purchased a Kubota excavator and a 2019 Dodge Ram pickup which were shared by the streets, water and sewer facilities. Governmental funds also purchased a Toro mower which was shared by the cemetery and parks, a fence for Fire Station #2, upgraded a park restroom and made improvements at Town Hall. The water fund purchased a new pump.

Depreciation expense was charged to functions of the primary government and business-type funds as follows:

Governmental activities	<u>2019</u>		
General government	\$ 5,504	Business-type activities	<u>2019</u>
Public safety	41,758	Water utilities	\$ 118,937
Public works	26,973	Sewer utilities	222,014
Culture and recreation	3,004	Airport	157,487
Total governmental activities depreciation	<u>\$ 77,239</u>	Total business-type activities depreciation	<u>\$ 498,438</u>

Following is a schedule of changes in capital assets and accumulated depreciation for the **governmental** funds for the period ended June 30, 2019:

	Balance June 30, 2018	Additions	Rounding & Deletions	Re-classify	Balance June 30, 2019
Cost of Assets:					
Land	\$ 2,707	\$ -	\$ -	\$ -	\$ 2,707
Assets being Depreciated:					-
Buildings	427,934	7,051	-	-	434,985
Improvements Other Than Buildings	286,079	15,391	-	-	301,470
Machinery and equipment	975,588	34,466	-	-	1,010,054
Infrastructure	136,440	-	-	-	136,440
Total assets being depreciated	<u>\$ 1,826,041</u>	<u>\$ 56,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,882,949</u>
Accumulated Depreciation:					
Buildings	\$ (353,907)	\$ (5,609)	\$ -	\$ -	\$ (359,516)
Improvements Other Than Buildings	(114,952)	(14,659)	-	-	(129,611)
Machinery and equipment	(521,973)	(47,875)	-	-	(569,848)
Infrastructure	(22,465)	(9,096)	-	-	(31,561)
Total	<u>\$ (1,013,297)</u>	<u>\$ (77,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,090,536)</u>
Net book value depreciable assets	<u>812,744</u>	<u>(20,331)</u>	<u>-</u>	<u>-</u>	<u>792,413</u>
Total land and net depreciable assets	<u>\$ 815,451</u>	<u>\$ (20,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,120</u>

On the next page is a schedule of changes in the **proprietary** funds' capital assets and accumulated depreciation for the period ending June 30, 2019:

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 6: CHANGES IN CAPITAL ASSETS
Proprietary funds, continued

	Balance June 30, 2018	Additions	Rounding & Deletions	Balance June 30, 2019
Cost of Assets:				
Land	\$ 663,198	\$ -	\$ -	\$ 663,198
Construction in progress		183,878		183,878
Assets being Depreciated:				
Buildings	155,977	-	-	155,977
Improvement other than buildings	5,359,331	-	-	5,359,331
Machinery and equipment	441,068	56,109		497,177
Source of supply	3,584,682			3,584,682
Pumping plant	18,900	42,199		61,099
Treatment plant	10,276,790			10,276,790
Transmission and distribution Infrastructure	2,214,425			2,214,425
	433,568	-	-	433,568
Total assets being depreciated	\$ 22,484,741	\$ 98,308	\$ -	\$ 22,583,049
Accumulated Depreciation:				
Buildings	\$ (111,602)	\$ (2,699)	\$ -	\$ (114,301)
Improvement other than buildings	(1,996,368)	(115,416)	1	(2,111,783)
Machinery and equipment	(336,521)	(27,945)		(364,466)
Source of supply	(294,750)	(69,998)		(364,748)
Pumping plant	(18,900)	(4,220)		(23,120)
Treatment plant	(2,883,543)	(209,844)	1	(3,093,386)
Transmission and distribution Infrastructure	(251,493)	(39,412)	-	(290,905)
	(138,071)	(28,904)		(166,975)
Total	\$ (6,031,248)	\$ (498,438)	\$ 2	\$ (6,529,684)
Net book value depreciable assets	16,453,493	(400,130)	2	16,053,365
Total land and net depreciable assets	\$ 17,116,691	\$ (216,252)	\$ 2	\$ 16,900,441

NOTE 7: LONG TERM DEBT

The Town's long-term debt changes and balances at June 30 were:

	2018	Increases	Decreases	2019	Current portion
Compensated absences	\$ 66,288	\$ 6,478	\$ (8,646)	\$ 64,120	\$ 32,060
Notes and loans	75,460	-	(10,381)	65,079	8,756
Revenue bonds	5,524,156	-	(111,719)	5,412,437	117,123
Net pension liability	659,523	782	(68,235)	592,070	-
OPEB	110,773	6,429	-	117,202	-
Totals	\$ 6,436,200	\$ 13,689	\$ (198,981)	\$ 6,250,908	\$ 157,939
Governmental changes	\$ 446,920	\$ 9,535	\$ (34,152)	\$ 422,303	\$ 16,615
Business-type changes	5,989,280	4,154	(164,829)	5,828,605	141,325
Totals	\$ 6,436,200	\$ 13,689	\$ (198,981)	\$ 6,250,908	\$ 157,940

A. REVENUE BONDS—Business-type Activities

Revenue bonds pledge income derived from acquired or constructed assets to pay debt service on the bonds. The Town has issued revenue bonds to finance work on the water and sewer systems. Pledged revenues recognized during the year ended June 30, 2019 equaled payments made in the period.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 7: LONG TERM DEBT, continued

The City's revenue bonds outstanding were as follows:

Bond Name	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Issued	Annual Payment	Balance June 30, 2019
Water Bond #1	6/15/2010	2.75%	40 Years	6/15/2050	2,173,000	36,152	2,011,226
Sewer RUS #1 (2000A)	12/19/2000	4.50%	40 Years	3/26/2037	1,250,000	26371	925,967
Sewer RUS #3 (2000B)	12/19/2000	4.50%	40 Years	6/18/2039	814,000	17173	602,990
Sewer Bond #2 (2011)	12/14/2011	3.00%	40 Years	3/24/2050	780,000	12842	694,976
Sewer Bond (2016A)	2/10/2016	1.875%	40 Years	2/10/2056	450,000	15731	753,471
Sewer Bond (2016B)	2/10/2016	1.875%	40 Years	2/10/2056	800,000	8,855	423,807
Totals					\$ 6,267,000	117,124	\$ 5,412,437
Less current portion							(117,124)
Long term portion							\$ 5,295,313

REQUIREMENTS TO AMORTIZE REVENUE BONDS—Business-type Activities

Fiscal Year Ending June 30	Business-Type Activities					
	Water Bond		All Sewer Bonds		Total Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 36,153	\$ 54,855	\$ 78,809	\$ 110,719	\$ 114,962	\$ 165,574
2021	37,160	53,848	81,882	107,646	119,042	161,494
2022	38,194	52,814	84,814	104,714	123,008	157,528
2023	39,258	51,750	87,862	101,666	127,120	153,416
2024	40,351	50,657	91,032	98,496	131,383	149,153
2025-2029	219,252	235,787	507,340	440,300	726,592	676,087
2030-2034	251,531	203,509	608,075	339,564	859,606	543,073
2035-2039	288,562	166,478	731,071	216,569	1,019,633	383,047
2040-2044	331,044	123,996	444,926	99,826	775,970	223,822
2045-2049	379,781	75,259	332,423	57,937	712,204	133,196
2050-2054	349,941	20,344	286,432	19,313	636,373	39,657
2055-2056	-	-	66,544	995	66,544	995
Total	\$ 2,011,227	\$ 1,089,297	\$ 3,401,210	\$ 1,697,745	\$ 5,412,437	\$ 2,787,042
Less:						
Current portion	(36,152)		(80,972)		(117,124)	
Long-term portion	\$ 1,975,075		\$ 3,320,238		\$ 5,295,313	

CHANGES IN REVENUE BOND LIABILITIES—Business-type Activities

Bonds	Balance		Increase	Decrease	Balance	
	June 30, 2018				June 30, 2019	
Water improvement	\$ 2,046,464	\$	\$	(35,237)	\$	2,011,227
Sewer improvement	3,477,692	-	-	(76,482)		3,401,210
Totals	\$ 5,524,156	\$ -	\$	(111,719)	\$	5,412,437

Water and sewer revenue bonds are collateralized by revenues of the water and sewer systems and the various special accounts established by bond covenants. The covenants provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond covenants. Any remaining revenue may be used for any lawful purposes.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 7: LONG TERM DEBT, continued

A. REVENUE BONDS—Business-type Activities, continued

The bond covenants also require that utility rates be sufficient to provide for operations, maintenance and 125% of the maximum amount of principal and interest requirements in any future fiscal year of the Town. The more significant covenant: 1) required that cash be restricted and reserved for operations, construction (while in progress), debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and, 3) provide specific and timely reporting of financial information to bond holders and the registrar.

B. AIRPORT NOTES-Business-type Activities

The Town entered into notes in prior years with the Aeronautics Division of the Montana Department of Transportation. The loans were issued for the terms and payment schedules listed below:

Note	Origination Date	Interest Rate	Bond Term	Maturity Date	Notes Issued	Annual Payment	Balance June 30, 2019
Montana Aeronautics 2010	9/3/2009	1.625%	10 Years	2/28/2019	16,250	1,625	-
Montana Aeronautics 2010	12/19/2013	1.625%	10 Years	2/28/2023	16,557	1656	8,279
Runway Rehab FY17-LG	3/1/2017	1.750%	10 Years	3/1/2026	71,000	7100	56,800
Totals					\$ 103,807	10,381	\$ 65,079
Less current portion							(8,756)
Long term portion							\$ 56,323

Requirements to amortize airport debt to maturity are:

Fiscal Year Ending June 30	Business-Type Activities					
	\$16,557 Note		\$71,000 Note		Total Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,656	\$ 135	\$ 7,100	\$ 994	\$ 8,756	\$ 1,129
2021	1,656	108	7,100	870	8,756	978
2022	1,656	81	7,100	746	8,756	827
2023	1,656	54	7,100	521	8,756	575
2024	1,655	27	7,100	497	8,755	524
2025-2029		-	21,300	746	21,300	746
Total	\$ 8,279	\$ 405	\$ 56,800	\$ 4,374	\$ 65,079	\$ 4,779
Less Current Portion:	(1,656)		(7,100)		(8,756)	
Long-term portion	\$ 6,623		\$ 49,700		\$ 56,323	

C. COMPENSATED ABSENCES

	Balance		Increase	Decrease	Balance	
	June 30, 2018				June 30, 2019	
Governmental activity	\$ 35,383	\$		(2,153)	\$ 33,230	
Business-type activity:						
Water Fund	15,205	239			15,444	
Sewer Fund	15,207	239			15,446	
Airport Fund	-	-			-	
Totals	\$ 65,795	\$ 478	\$	(2,153)	\$ 64,120	
				Less Current Portion:	(32,060)	
				Long Term Portion	32,060	

Governmental funds accumulated vacation and sick pay, also known as compensated absences, is reported in the government-wide statement of net position but not in the governmental funds.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 7: LONG TERM DEBT, continued

COMPENSATED ABSENCES, continued

Payments for compensated absences are recorded when paid in governmental funds. Business-type funds activities record accrued absences in both fund and government-wide statements as earned.

B. NET PENSION LIABILITY (NPL) and OTHER POST EMPLOYMENT BENEFITS (OPEB)

NPL – The town participates in a statewide mandatory, cost-sharing, multiple employer, defined benefit retirement plan which covers all eligible employees. The Public Employees Retirement System (PERS) provides retirement, disability, and death benefits to plan members and beneficiaries with amounts determined by the State. The plan is established by State law and is administered by the State of Montana through the Public Employees Retirement Administration (MPERA). For entities who participate in the plan, employee participation in the plan is mandatory for employees who work 960 or more hours in a fiscal year.

MPERA issues publicly available financial reports, which include financial statements and required supplementary information for the plans. The reports may be obtained from the following: Public Employees Retirement Administration, PO Box 200131, Helena, MT, 59620-0131 or at mpera.mt.gov.

Detailed disclosures by MPERA for PERS, including components of the Town’s net pension liability, deferred outflows and deferred inflows are in Note 14.

OPEB – Montana Code requires government employers who provide health insurance to make the plan available to employees after retirement as long as the employee reimburses the town for his/her individual premiums. Plans that use age-related premiums do not incur an implicit liability for OPEB; however, plans which use flat-rate premiums for each class of participants incur an implied liability to support lower premiums for retirees. GASB Statement No. 75 *Accounting and financial Reporting for Postemployment Benefits Other Than Pensions* sets out calculation and disclosures relating to the OPEN liability. Detailed disclosures for the Town’s OPEN liability, including components of liability, deferred outflows and deferred inflows are in Note 15.

NOTE 8: INTERFUND RECEIVABLES/PAYABLES, TRANSFERS AND PRIOR PERIOD ADJUSTMENTS

The compositions of interfund balances on the balance sheet of June 30, 2018 were as follows:

Purpose	Receivable Fund/ Payable Fund/		Amount
	Due from Other Fund	Due to Other Fund	
Short-term loan in cash pool	General	Planning	\$ 14,019
Short-term loan in cash pool	General	Ambulance	4,592
Short-term loan in cash pool	General	Airport	3,050
Total			\$ <u>18,611</u>

The following is an analysis of fund transfers in and out during the fiscal year ending June 30, 2018:

Purpose	Receiving Fund/ Paying Fund/		Amount
	Transfer In	Transfer Out	
Required Town match	Special Gas Tax	General	\$ 639
Police capital transfer	Capital Improvement	General	5,000
Operating Transfer	Airport	Targeted Economic Development	11,500
Total			\$ <u>17,139</u>

Prior period adjustments consisted of:

Fund	Amount	Reason for Adjustment
Airport fund	\$ 43,748	Capitalize runway improvement payments in prior year
Total Net Position change	\$ <u>43,748</u>	

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 9: BEGINNING AND ENDING FUND BALANCE CLASSIFICATIONS AND NET POSITION

In the Governmental Funds:	June 30, 2018	June 30, 2019	Reconciliation to	June 30, 2019
<u>Fund Balance Classification</u>	<u>Fund Balances</u>	<u>Fund Balances</u>	<u>Net Position</u>	<u>Net Position</u>
Nonspendable:			Plus capital assets net of depreciation	
Nonspendable in Form \$	-	-	then less debt equals	
Legal or Contractual	4,007	-	Net investment in capital assets	795,120
Restricted	501,426	689,842	Restricted net assets	689,842
Committed	-	-		-
Assigned	160,709	-		-
Unassigned	254,849	333,210	Effect of Deferred outflows, inflows and Debt	
Total Fund Balance \$	<u>920,991</u>	<u>1,023,052</u>	Equal Unrestricted	<u>(37,865)</u>
			Total Net Position	<u>1,447,097</u>

NOTE 10: COUNTY PROVIDED SERVICES

Ravalli County provides various financial services to the Town. The county also serves as cashier and treasurer for the Town for tax and assessment collections and other revenues received by the county which are subject to distribution to the various taxing jurisdictions located in the county. The collections made by the county on behalf of the Town are accounted for in an agency fund in the City's name and are periodically remitted to the Town by the county treasurer. No service charges have been recorded by the Town or the county.

NOTE 11: RISK MANAGEMENT

The Town faces a considerable number of risks of loss, including 1) damages to and loss of property and contents, 2) employee torts, 3) professional liability (i.e. errors and omissions), 4) environmental damage, 5) workers compensation (i.e. employee injuries), and 6) medical insurance costs of employees. A variety of methods are used to provide coverage for these risks. Commercial insurance policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee's torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the Town has no coverage for potential losses from environmental damages. The Town participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for worker's compensation, tort liability and property damage.

Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the Town's general fund and other funds based on the insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the past three years.

In 1986, the town joined other Montana cities in the Montana Municipal Interlocal Authority (MMIA) which established a workers' compensation plan. In 1996, MMIA created a property insurance plan. The public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 per occurrence with a \$1,000 deductible per government. State tort laws limits the town's liability to \$1.5 million. The town pays an annual premium for its employee injury coverage, which is allocated to the town's funds based on a funds' salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

NOTE 11: RISK MANAGEMENT, continued

Separate audited financial statements are available from the Montana Municipal Interlocal Authority, PO Box 6669, Helena, MT 59604. Or at mmia.net.

NOTE 12: CONTINGENT LIABILITIES

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance but may bear responsibility for portions of settlements. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No pending litigation, threatened litigation, asserted claims, or assessments against the Town as of June 30, 2019 meet the test for accrual under accounting principles generally accepted in the United States of America.

NOTE 13: SUBSEQUENT EVENTS

The Town continued progress on resolving water rights issues and well permitting through DNRC. No obligations related to this work are reportable for the period ended June 30, 2019.

Status of Town's Corrective Action Plan

In response to four audit findings for the year ended June 30, 2018 the Town prepared a corrective action plan. Corrective actions for finding 2018-002(filing budget on time). 2018-003(excess lighting district reserves) and 2018-004(credit card documentation) are considered complete. However, the Town has chosen not to take any action on finding 2018-001 (lack of actuarially determined fire relief pension liability) because the Town believes the determination is not cost effective.

NOTE 14: PENSION PLAN'S DISCLOSURES, **Public Employees Retirement System (PERS) Disclosures**
Following are disclosures provided by the Montana Public Employee Retirement Administration (MPERA) which administers PERS:

PUBLIC EMPLOYEES' RETIREMENT SYSTEM- DEFINED BENEFIT
GASB 68 NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED
JUNE 30, 2018 (measurement date)
JUNE 30, 2019 (reporting date)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single- employer, or agent plans. The report provides information for employers who are using a June 30, 2018 measurement date for the 2019 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2019.

NOTE 14: PENSION PLAN'S DISCLOSURES, **(PERS) Disclosures**, continued

Summary of Significant Accounting Policies – 79

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (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

NOTE 14: PENSION PLAN'S DISCLOSURES, **(PERS) Disclosures**, continued

formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measureable. 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 applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

General Information about the Pension Plan – 76a, 76b, 76c

Plan Description – 76a: The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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 *define benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

Benefits provided – 76b: The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after 5 years of service.

Service Retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service
 - Age 65, regardless of membership service
 - 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:

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

NOTE 14: PENSION PLAN'S DISCLOSURES, **(PERS) Disclosures**, continued

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

- Retired before January 1, 2016 and accumulated less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently .77%, effective July 1, 2017).
 - No service credit for second employment;
 - Start the same benefit amount the month following terminations; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - Second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months,

Members highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

- Members hired prior to July 1, 2011
 - Less than 25 years of membership service: 1.75% 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 all 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:
 - (a) 1.5% for each year PERS is funded at or above 90%
 - (b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

NOTE 14: PENSION PLAN'S DISCLOSURES, (PERS) Disclosures, continued

Contributions – 76c: The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates re 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 for state agencies and universities but are reported as employer contributions.

Members and employer contribution rates area shown in the table below:

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired	Hired	Employer	Employer	State	Employer	State
	<07/01/11	>07/01/11					
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	7.800%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.933%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	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 .01% per year and will continue over 10 years through 2024. The additional employer contributions including the .027% added in 20087 and 2009, will terminate on January 1 following actuary valuations 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 contribution 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 employer contributions allocated to the 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.

NOTE 14: PENSION PLAN'S DISCLOSURES, **(PERS) Disclosures**, continued

3. Non-employer Contributions:

a. Special finding

- i. The State contributed .01% of members' compensation on behalf of local government entities.
- ii. The state contributed 0.37% of members' compensation on behalf of school district entities.
- iii. The state contributed a Statutory Appropriation from the General Fund of \$33,454,182

Pension Liabilities (80a, 80b, 80c, 80d, 80e, 80f), and Deferred Outflows of Resources and Deferred Inflows of Resources (57, 80h,80i) 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, 2018, was determined by rolling the results of the June 30, 2017, 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 annual 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 of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The employer's 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 employer recorded a liability of \$196,964 and the employer's proportionate share was 0.0094 percent.

As of measurement date	Net Pension Liability as of June 30, 2018	Net Pension Liability as of June 30, 2017	Percent of Collective NPL as of 06/30/2018	Percent of Collective NPL as of 06/30/2017	Change Percent of Collective NPL
TOWN of STEVENSVILLE					
Proportionate Share	\$ 592,070	\$ 699,522	0.0284%	0.0339%	-0.0055%
State of Montana Proportionate Share Associated with Employer	\$ 198,349	\$ 8,890	0.0381%	0.0453%	-0.0072%
Total	\$ 790,419	\$ 708,412	0.0665%	0.0792%	-0.0127%

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in benefit terms: There have been not 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.

Pension Expense – 80g,80j: At June 30, 2018, the employer recognized \$ 26,799 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$ 4,383 for the State of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$0 from the State Statutory Appropriations from the General Fund.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 14: PENSION PLAN'S DISCLOSURES, **(PERS) Disclosures**, continued

Pension expense:

As of reporting date	Pension Expense as of June 30, 2018	Pension Expense as of June 30, 2019
Employer's Proportionate Share	\$ 73,286	\$ 91,236
Employer Grant revenue - State of Montana Proportionate Share for employer	\$ 13,238	\$ 474
Employer Grant Revenue - State of Montana appropriation for employer	\$ -	\$ 9,435
Total	\$ 86,524	\$ 101,145

Recognition of Deferred Inflows and Outflows – 57, 80h, 80i: At June 30, 2018, the employer 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
Expected vs. Actual Experience	\$ 45,023	\$ -
Projected Investment Earnings vs. Actual Investment Earnings	\$ -	\$ 9,195
Changes in Assumptions	\$ 50,347	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 50,727
Employer Contributions Subsequent to the Measurement Date	\$ 41,345	\$ -
Total	\$ 136,715	\$ 59,922

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expenses 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
2019	\$ 42,225
2020	\$ 23,117
2021	\$ (26,116)
2022	\$ (3,778)
2023	\$ -
Thereafter	\$ -

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 14: PENSION PLAN'S DISCLOSURES, (PERS) Disclosures, continued

Actuarial Assumptions – 77: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Investment Return (net of admin expense)	7.65%
Admin Expense a % of Payroll	0.26%
General Wage Growth *	3.50%
* includes Inflation at	2.75%
Merit Increases	0% to 6.30%
Postretirement Benefit Increases	
1. Guaranteed Annual Benefit Adjustment (GABA) each January	
- 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	
- Members hired prior to July 1, 2007	3.00%
- Members hired between July 1, 2007 & June 30, 2013	1.50%
- Members hired on or after July 1, 2013	
- For each year PERS is funded at or above 90%	
- The 1.	
5% is reduced by 0.1% for each 2.0%	
PERS is funded below 90%	
- 0% whenever the amortization period for PERS is 40 years or more	0.00%
Mortality	
- Contributing members, service members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back on year for males
- Disabled Members	RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.6%	4.00%
Domestic Equity	36.0%	4.55%
Foreign Equity	18.0%	6.35%
Fixed Income	23.4%	1.00%
Private Equity	12.0%	7.75%
Real Estate	8.0%	4.00%
Total	100.0%	

NOTE 14: PENSION PLAN'S DISCLOSURES, (PERS) Disclosures, continued

Discount Rate – 78a, 78b,78d,78e: The discount rate used to measure the TPL was 7.65%. The projections 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 a statutory appropriation 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 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – 78g: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.63%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
TOWN OF STEVENSVILLE's Net Pension Liability	\$ 856,270.00	\$ 592,070.00	\$ 375,119.00

NOTE 15: OTHER POST EMPLOYMENT BENEFITS

The Town implemented GASB 75 *Accounting and Reporting for Postemployment Benefits Other Than pensions* during the fiscal year ended June 30, 2018. The year ended June 30, is the second year of a two year cycle to use information from the June 30, 2018 valuation.

Plan Description

The Town maintains a single-employer defined benefit healthcare plan called the Town of Stevensville Employee Group Benefits Plan. The plan is administered by the Montana Municipal Interlocal Authority. Benefit provisions are set annually by the Town's governing council. Terminated employees may remain on the Town's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal C.O.B.R.A. law. As required by State of Montana law (MCA 2-18-704) the town allows its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participation in the government's group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other postemployment benefits plan (OPEB) since retirees typically are older than the average age of active plan participants and therefore receive a benefit o lower insurance rates. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75

NOTE 15: OTHER POST EMPLOYMENT BENEFITS, *continued*

Finding Policy

The Town provides no direct subsidy to the health insurance premiums for retirees. Eligible participating retirees pay for the entire cost of the health insurance premium. The Town funds OPEB costs when they come due, on a pay-as-you-go basis and does not plan to set aside assets to fund the OPEN liability since it is paid in full each month.

Reporting Requirements

Because the government has fewer than 100 employees (active and inactive) that are provided with OPEB through the plan, the government qualifies and has elected to use the alternative measurement method for calculating total OPEB liability. For GASB 75 all employers must have a valuation performed at least every two years as of the first fiscal year beginning after June 15, 2017. The first valuation under GASB 75 was for reporting June 30, 2018 (July 2017 through June 2018).

Benefits Provided

The plan provides healthcare, dental, vision, and prescription drug insurance benefits for retirees, eligible spouses and dependents as defined in MCA 2-18-704.

Medicare Retiree – for retirees who are 65 years of age or older, Medicare is primary and the Plan will be secondary for the covered retiree if he/she is an individual who is enrolled in Medicare part A or Part B as a result of age and retired.

Medicare is primary and the Plan will be secondary for the covered retiree’s dependent spouse who is enrolled in Medicare part A or B, if both the covered retiree and his/her covered dependent spouse are enrolled in Medicare part A or Part B as a result of age and retired.

Medicare is primary for the retiree’s dependent spouse when the retiree is not enrolled for Medicare part A or Part B as a result of age and the retiree’s dependent spouse is enrolled in Medicare Part A or part B as a result of age.

Health Insurance Premiums

The town pays \$594 of the premium for its active employees and contributes nothing to the premium of its retirees. The Town also pays 50% of dental and vision premiums for active employees and nothing for its retirees.

Employees Covered by Benefit Terms

At June 30, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	7
Total	8

Total OPEB Liability

As of June 30, 2019, the Town of Stevensville total OPB liability is \$117,153 and was determined by using the alternative measurement method as of June 30, 2018 with a roll-forward as of June 30, 2019.

Town of Stevensville
Notes to the Financial Statements
June 30, 2019

NOTE 15: OTHER POST EMPLOYMENT BENEFITS, *continued*

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019 was determined using the following assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

			<u>OPEB Valuation</u>				<u>Roll-forward</u>	
Average age of retirement based on historical data			58.1					
Turnover Rate			0.00%					
Discount Rate			3.87%				3.87%	
Average Salary Increase			4.00%					
Healthcare cost trend rate:								
<u>From</u>	<u>To</u>	<u>Annual %</u>	<u>From</u>	<u>To</u>	<u>Annual %</u>			
Year	year	Increase	Year	year	Increase			
2018	2019	20.24%	2049	2053	4.80%			
2019	2020	6.50%	2053	2058	4.70%			
2020	2021	6.00%	2058	2065	4.60%			
2021	2022	5.90%	2065	2066	4.50%			
2022	2023	5.70%	2066	2067	4.40%			
2023	2024	5.60%	2067	2068	4.30%			
2024	2025	5.50%	2068	2070	4.20%			
2025	2026	5.30%	2070	2071	4.10%			
2026	2043	5.20%	2071	2073	4.00%			
2043	2044	5.10%	2073	2074	3.90%			
2044	2046	5.00%	2074	-	3.80%			
2046	2049	4.90%						

Sensitivity of total OPEB liability to changes in the discount rate

The following presents the total OPEB liability reported by the Town of Stevensville, as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent:

	1.0% Decrease (2.87%)	Discount Rate 3.87%	1.0% Increase (4.87%)
Total OPEB Liability	\$ 129,651	\$ 117,153	\$ 106,240

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability reported by the Town of Stevensville as well as how that liability would change if the healthcare trend rate used in projecting benefit payments were to decrease or increase by 1 percent.

	1.0% Decrease	Health Cost Trend Rates	1.0% Increase
Total OPEB Liability	\$ 103,608	\$ 117,153	\$ 133,189

See the cost trend rates in the actuarial assumptions above.

NOTE 15: OTHER POST EMPLOYMENT BENEFITS, *continued*

OPEB expense and deferred outflows and deferred inflows of resources related to OPEB

For the year ending June 30, 2019, the Town of Stevensville recognized OPEB expense of \$117,153. The Town of Stevensville reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33	\$ -
Changes in assumptions or other inputs	\$ -	\$ (20,429)
Total	<u>\$ 33</u>	<u>\$ (20,429)</u>

Amounts reported as deferred outflows(inflows) or resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Incurred Year:		
	<u>2018</u>	<u>2019</u>	<u>2019</u>
2019	\$ (432)	\$ -	\$ (432)
2020	\$ (432)	\$ (2,347)	\$ (2,779)
2021	\$ (432)	\$ (2,347)	\$ (2,779)
2022	\$ (432)	\$ (2,347)	\$ (2,779)
2023	\$ (432)	\$ (2,347)	\$ (2,779)
Thereafter	\$ (991)	\$ (7,713)	\$ (8,704)

NOTE 16: LOCAL RETIREMTN PLAN

Fire Department Relief Association Disability and Relief Plan

Town volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State law. The association is managed by a board of trustees made up of members of the fire department. A member of the fire department who has served 20 years or more is entitled to benefits after attaining age 50. Volunteers serving more than less than 20 year but more than 10 years may receive reduced benefits. The amount of pension benefits is set by the Association's board of trustees.

Montana law requires that the disability and pension fund contain at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater. The State's contribution, out of money received from insurance premium taxes, an amount equal to 1.5 mills times the total taxable value of the Town, but no less than \$100. The State's contribution to the plan for the fiscal year ended June 30, 2019 was \$4,012. Total benefits paid have not been reported by the plan's board of trustees.

The Town's primary function for the plan is to receive the payment from the State and pass it through to the fire relief board, the agency fund used for this purpose is reported in eth Town's fiduciary financial statements. The fire relief association's board of trustees is responsible for maintaining cash accounts, distributing benefits and evaluating whether the plan assets meet the minimum state requirements. In the event the plan assets are insufficient the relief board will inform the Town who will be responsible to provide additional funds.

REQUIRED
SUPPLEMENTARY
INFORMATION

Town of Stevensville
Ravalli County, Montana
-Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual, (Non-GAAP Budgetary Basis),
for the Fiscal Year Ended June 30, 2019

GENERAL FUND	Non-GAAP Budgetary Basis				GAAP Adjustment to Fund Financial Statements	Foot- note	GAAP Basis
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)			Statement of Revenues, Expenditures and Changes in Fund Balance
REVENUES							
Taxes	\$ 282,129	\$ 282,129	\$ 372,227	\$ 90,098	-		\$ 372,227
Licenses and permits	16,000	16,000	16,065	65			16,065
Intergovernmental revenue	215,000	215,000	206,010	(8,990)	7,442		213,452
Charges for services	86,880	86,880	37,751	(49,129)			37,751
Fines and forfeitures	25,000	25,000	11,182	(13,818)			11,182
Miscellaneous	30,000	30,000	17,870	(12,130)			17,870
Investment earnings	-	-	18	18			18
Total revenues	\$ 655,009	\$ 655,009	\$ 661,123	\$ 6,114			\$ 668,565
EXPENDITURES							
Legislative services	\$ 14,921	\$ 14,921	\$ 14,233	\$ (688)			\$ 14,233
Executive services	5,178	5,178	3,945	(1,233)			3,945
City court	50,275	50,275	47,325	(2,950)			47,325
Administration, audit & accounting	76,860	76,860	80,213	3,353	1,577		81,790
Elections	-	-	-	-			-
Legal services	16,200	16,200	21,241	5,041			21,241
Facilities administration	7,938	7,938	8,257	319			8,257
Law enforcement services	189,404	189,404	188,228	(1,176)	4,771		192,999
Building code enforcement	-	-	18	18			18
Fire protection & control	80,625	80,625	61,279	(19,346)			61,279
Public works administration	68,578	68,578	54,861	(13,717)	1,094		55,955
Road & street services	55,032	55,032	47,087	(7,945)			47,087
Cemetery services	13,277	13,277	14,272	995			14,272
Parks and recreation services	72,524	72,524	62,284	(10,240)			62,284
Total expenditures	\$ 650,812	\$ 650,812	\$ 603,243	\$ (47,569)			\$ 610,685
Excess of revenues over (under) expenditures	\$ 4,197	\$ 4,197	\$ 57,880	\$ 53,683			\$ 57,880
Net Transfers In(Out)	\$ (639)	\$ -	\$ 23,361	\$ 23,361			\$ 23,361
Net change in fund balances	\$ 3,558	\$ 4,197	\$ 81,241	\$ 77,044			\$ 81,241
Fund Balance BEGINNING OF YEAR			272,696				272,696
Prior period adjustment			-				-
Fund Balance June END OF YEAR			353,937				\$ 353,937

Town of Stevensville
Ravalli County, Montana
-Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual, (Non-GAAP Budgetary Basis),
for the Fiscal Year Ended June 30, 2019

ECONOMIC DEVELOPMENT FUND	Non-GAAP Budgetary Basis				GAAP Basis		
	Original Budget	Final Budget	Actual	Variance with Final budget Over (Under)	Adjustment to Fund Financial Statements	Foot- note	Statement of Revenues, Expenditures and Changes in Fund Balance
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -			\$ -
Intergovernmental	150,000	160,000	150,000	(10,000)			150,000
Total revenues	<u>\$ 150,000</u>	<u>\$ 160,000</u>	<u>\$ 150,000</u>	<u>\$ (10,000)</u>			<u>\$ 150,000</u>
EXPENDITURES							
Personal Services	\$ 1,438	\$ 11,438	\$ 26,388	\$ 14,950			\$ 26,388
Operating & Maintenance	170,800	170,800	152,400	(18,400)			152,400
Total expenditures	<u>\$ 172,238</u>	<u>\$ 182,238</u>	<u>\$ 178,788</u>	<u>\$ (3,450)</u>			<u>\$ 178,788</u>
Excess of revenues over (under) expenditures	<u>\$ (22,238)</u>	<u>\$ (22,238)</u>	<u>\$ (28,788)</u>	<u>\$ (6,550)</u>			<u>\$ (28,788)</u>
Transfers in	\$ -	\$ -	\$ -	\$ -			\$ -
Net change in fund balances	<u>\$ (22,238)</u>	<u>\$ (22,238)</u>	<u>\$ (28,788)</u>	<u>\$ (6,550)</u>			<u>\$ (28,788)</u>
Fund Balance July 1, 2018			43,492				43,492
Fund Balance June 30, 2019			<u>14,704</u>				<u>\$ 14,704</u>

RSI Budget NOTE 1. BUDGETS

Budgets

Budgets are adopted on a basis consistent with the State of Montana budget laws (title 7, chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds of the Town. All annual appropriations lapse at fiscal year end, unless the Town elects to encumber supplies and personal property ordered but not received at year end. The Town does not use a formal encumbrance system.

General Budget Policies

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds. GAAP requires presentation of a Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget to Actual for the general fund and all major special revenue funds that are budgeted funds. For the year ended June 30, 2019 only the general fund qualified for a budget to actual schedule. The schedule has been prepared to display a near-cash basis for the budgets and actual columns with a reconciliation to the GAAP based modified accrual basis of the fund financial statements.

Budget Operation

The Town operated within the budget requirements for incorporated cities, towns and counties as specified in State law. The financial reports reflect the following budgetary standards:

- A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Montana Department of Revenue.
- Local government offices may not make a disbursement or expenditure or incur an obligation in excess of the **total appropriations** of the fund.
- The governing body may amend the budget during the fiscal year by conducting public hearings at a regularly scheduled meeting. Budget amendments providing for additional appropriations must identify the fund

Town of Stevensville
 Ravalli County, Montana
 -Schedule of Revenues, Expenditures and Changes in
 Fund Balance-Budget and Actual, (Non-GAAP Budgetary Basis),
 for the Fiscal Year Ended June 30, 2019

- RSI Budget NOTE 1. BUDGETS, continued
-
- reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations. The governing body and each municipal city/town is limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to the limitation- Appropriations may be adjusted according to procedures authorized by the governing body for:
 - o Debt service funds for obligations related to debt approved by the governing body
 - o Trust fund for obligations authorized by trust covenants
 - o Any fund for federal,, state,, local, or private grants and shared revenue accepted and approved by the governing body
 - o Any fund for special assessments approved by the governing body
 - o The proceeds from sale of land
 - o Any fund for gifts or donations, and
 - o Money borrowed during the fiscal year
- If expenditure is to be financed from a tax levy required to be authorized and approved at election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligate by the Town.

RSI Budget NOTE 2. BUDGET AMENDMENT

The Town approved Resolutions 445,454,456,460 which made the following budget amendments:

Governmental Fund	Amount	Purpose
4002 Fire Engine Capital	18,000	SCBA units
2390 Drug Forfeiture	400	Police equipment
2394 Building Code Enforcement	15,560	Staff retirement and new personnel
2940 Economic Development Fund	10,000	Unanticipated revenue
Tax Increment Financing District, Capital Improvement (general)	TBD	Transfer excess reserves to capital fund

**Public Employees' Retirement System
Town of Stevensville (6604)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Last Ten fiscal Years*
81a1**

As of Measurement Date	2018	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (Percentage)	0.0284%	0.0339%	0.0329%	0.0304%	0.0293%
Employer's Net Pension Liability (Amount)	\$ 592,070	\$ 659,522	\$ 559,672	\$ 425,435	\$ 364,891
State's Net Pension Liability (Amount)	\$ 198,349	\$ 8,890	\$ 6,839	\$ 5,226	\$ 4,456
Total	\$ 790,419	\$ 668,412	\$ 566,511	\$ 430,661	\$ 369,347
Employer's Covered Payroll	\$ 466,519	\$ 416,297	\$ 393,572	\$ 355,176	\$ 337,990
Employer's Proportionate Share as a percent of Covered Payroll	126.90%	158.43%	142.20%	119.78%	111.22%
Plan Fiduciary Net Position as a percent of Total Pension Liability	73.47%	73.75%	74.71%	78.40%	79.87%

**The amounts presented above for each fiscal year were determined as of June 30th, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**Public Employees' Retirement System
Town of Stevensville (6604)
Required Supplementary Information
Schedule of Contributions
For the Last Ten fiscal Years*
81b**

	2019	2018	2017	2016	2015
Contractually Required DB Contributions	\$ 41,324	\$ 39,514	\$ 35,161	32,897	29,268
Plan Choice Rate Required Contributions	\$ -	\$ -	\$ -	2,133	3,614
Contributions in Relation to the Contractually Required Contributions	\$ 41,342	\$ 39,514	\$ 35,161	35,030	32,882
Contribution Deficiency(Excess)	\$ -	\$ -	\$ -	-	-
Employer's Covered Payroll	\$ 482,410	\$ 466,519	\$ 416,297	393,572	355,176
Contributions as a percent of Covered Payroll	8.570%	8.470%	8.450%	8.900%	9.260%

**The amounts presented above for each fiscal year were determined as of June 30th, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**Public Employees Retirement System
Town of Stevensville (6604)
Notes to Required Supplementary Information
for the Year ended June 30, 2018 (as of Measurement Date)**

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Change in Benefit Terms

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

2017:
Working Retiree Limitations – for PERS

Town of Stevensville
Ravalli County, Montana

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

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.

Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

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

Lump-sum payouts

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

Disabled PERS Defined Contributions (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

Methods and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2016 experience study:

General Wage Growth*	3.5%
Investment rate of return	7.65%,
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30 %
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, 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	0.26%

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

Required Supplementary Information - OPEB
Schedule of Changes in Town of Stevensville's Total OPEB Liability and
Related Ratios
– Last Ten Years

Total OPEB Liability	2019	2018
Service Cost	\$ 22,057	\$ 22,347
Interest *	\$ 5,141	\$ 4,387
Changes of Benefit Terms	\$ -	\$ -
Differences between expected and actual experience	\$ -	\$ 33
Changes of assumptions or other inputs	\$ (17,101)	\$ (3,184)
Benefit payments	\$ (3,717)	\$ (3,826)
net Change in total OPEB Liability	\$ 6,380	\$ 19,757
Total OPEB Liability- beginning	\$ 110,773	\$ 91,016
Total OPEB Liability - ending	\$ 117,153	\$ 110,773
Covered - employee payroll	\$ 314,292	\$ 302,204
Total OPEB liability as a percentage of covered-employee payroll	37.28%	36.66%

Notes to Schedule

*Interest includes beginning of year Total OPEB Liability and Service Cost

Changes of benefit terms:

None

Changes of Assumptions:

Revised discount rate per Bond Buyer's 20-year municipal bond rate as of
June 30, 2019