TOWN OF STEVENSVILLE
RAVALLI COUNTY
STEVENSVILLE, MONTANA 59870

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TOWN OF STEVENSVILLE
RAVALLI COUNTY
STEVENSVILLE, MONTANA 59870

ORGANIZATION

Mayor and Town Council

Brandon E. Dewey	Mayor
Robert Michelson	President
Robin Holcomb	Member
Raymond Smith	Member
Stacie Barker	Member

OFFICIALS

April L. VanTassel	Finance Officer
Brian J. West	Attorney
Maureen O’Connor	City Judge
George Thomas	Public Utilities Supervisor

STROM & ASSOCIATES, P.C.
Certified Public Accountants

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Billings, MT 59103

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
Town of Stevensville
Ravalli County
Stevensville, Montana 59870

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stevensville (Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stevensville as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 and 12 to the financial statements, in year ended June 30, 2018, the Town of Stevensville adopted GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the schedule of funding progress - other postemployment benefits other than pensions (page 37), the schedule of proportionate share of net pension liability and schedule of contributions to Montana retirement systems (pages 38-41), and the schedule of revenues, expenditures, and changes in fund balances - budget and actual(pages 42-43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019 on our consideration of the Town of Stevensville internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stevensville internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
June 24, 2019

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 953,409	$ 1,259,969	$ 2,213,378
Taxes receivable	44,561	-	44,561
Accounts receivable - net	-	113,700	113,700
Due from other governments	1,675	31,000	32,675
Prepaid expenses	4,007	-	4,007
Total current assets	1,003,652	1,404,669	2,408,321
Noncurrent assets:			
Restricted cash and investments	-	953,247	953,247
Capital assets:			
Land	2,707	663,198	665,905
Net depreciable assets	812,744	16,453,493	17,266,237
Total noncurrent assets	815,451	18,069,938	18,885,389
Total assets	1,819,103	19,474,607	21,293,710
DEFERRED OUTFLOWS OF RESOURCES:			
Employer pension plan activities	104,021	82,914	186,935
OPEB activities	16	17	33
Total deferred outflows of resources	104,037	82,931	186,968
Total assets and deferred outflows of resources	$ 1,923,140	$ 19,557,538	$ 21,480,678
LIABILITIES:			
Current liabilities:			
Accounts payable	19,399	40,900	60,299
Accrued payroll	17,001	11,504	28,505
Current portions compensated absences	13,376	19,768	33,144
Current portion long-term capital obligations	-	120,905	120,905
Contributions received in advance	1,700	-	1,700
Total current liabilities	51,476	193,077	244,553
Noncurrent liabilities:			
Compensated absences	13,376	19,768	33,144
Net pension accrual	366,997	292,526	659,523
Other postemployment benefits	53,171	57,602	110,773
Long-term capital debt obligations	-	5,478,711	5,478,711
Total noncurrent liabilities	433,544	5,848,607	6,282,151
Total liabilities	485,020	6,041,684	6,526,704
DEFERRED INFLOWS OF RESOURCES:			
Employer pension plan	2,996	2,388	5,384
OPEB activities	1,528	1,656	3,184
Total deferred inflows of resources	4,524	4,044	8,568
NET POSITION:			
Net investment in capital assets	815,451	11,517,075	12,332,526
Restricted	505,533	-	505,533
Unrestricted (Deficit)	112,612	1,994,735	2,107,347
Total net position	1,433,596	13,511,810	14,945,406
Total liabilities, deferred inflows and net position	$ 1,923,140	$ 19,557,538	$ 21,480,678

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENT OPERATIONS:							
General government	$ 179,223	$ 22,076	$ 13,402	$ -	$ (143,745)		$ (143,745)
Public safety	563,379	226,806	3,433	191,865	(141,275)		(141,275)
Public works	128,570	14,160	34,327	-	(80,083)		(80,083)
Social and economic services	-	-	960	-	960		960
Culture and recreation	58,715	22,538	300	-	(35,877)		(35,877)
Total Governmental Activities	929,887	285,580	52,422	191,865	(400,020)		(400,020)
BUSINESS-TYPE ACTIVITIES:							
Water	486,560	527,515	2,217	-		43,172	43,172
Sewer	652,895	552,960	2,107	19,565		(78,263)	(78,263)
Airport	177,597	81,351	72	156,740		60,566	60,566
Total Business-type activities	1,317,052	1,161,826	4,396	176,305		25,475	25,475
Total Primary Government	$ 2,246,939	$ 1,447,406	$ 56,818	$ 368,170	$ (400,020)	$ 25,475	$ (374,545)
GENERAL REVENUES:							
Taxes/Assessments					325,961	4,492	330,453
Local Option Taxes					54,635		54,635
Licenses and Permits					69,146		69,146
Federal/State Shared Revenues					217,918		217,918
Miscellaneous					33,003		33,003
Investment and Royalty Earnings					497	5,506	6,003
Other					1,650		1,650
Internal Balances					(88,303)	88,303	-
Total General Revenues					614,507	98,301	712,808
Change in Net Position					214,487	123,776	338,263
NET POSITION:							
Beginning of the year					1,253,152	13,427,020	14,680,172
Prior period adjustments					(34,043)	(38,986)	(73,029)
End of the year					$ 1,433,596	$ 13,511,810	$ 14,945,406

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	MAJOR General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 283,490	$ 669,919	$ 953,409
Taxes receivable	44,461	100	44,561
Interfund receivable	14,019	-	14,019
Due from other governments	1,675	-	1,675
Prepaid expenses	4,007	-	4,007
Total assets	347,652	670,019	1,017,671
DEFERRED OUTFLOWS OF RESOURCES:			
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 347,652	$ 670,019	$ 1,017,671
LIABILITIES:			
Current liabilities:			
Accounts payable	13,123	6,276	19,399
Interfund payable	-	14,019	14,019
Accrued payroll	15,672	1,329	17,001
Contributions received in advance	1,700	-	1,700
Total liabilities	30,495	21,624	52,119
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property taxes receivable	44,461	100	44,561
Total deferred inflows of resources	44,461	100	44,561
FUND BALANCE (DEFICITS):			
Nonspendable	4,007	-	4,007
Restricted	-	501,426	501,426
Assigned	-	160,709	160,709
Unassigned	268,689	(13,840)	254,849
Total fund balance	272,696	648,295	920,991
Total liabilities, deferred inflows of resources, and fund balance	$ 347,652	$ 670,019	$ 1,017,671

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	$ 920,991
Unavailable property taxes receivable	44,561
Governmental capital assets	815,451
Employer pension plan activities	104,021
Other postemployment benefits activities	16
Long-term Liabilities	
Compensated absences	(26,752)
Net pension accrual	(366,997)
Other postemployment benefits	(53,171)
Other postemployment benefit plan	(1,528)
Employer pension plan	(2,996)
Net Position of Governmental Activities	$ 1,433,596

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	MAJOR		
	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes/assessments	$ 331,882	$ 43,299	$ 375,181
Licenses and permits	15,541	53,605	69,146
Intergovernmental revenues	210,350	39,175	249,525
Charges for services	257,094	452	257,546
Fines and forfeitures	21,624	-	21,624
Miscellaneous	28,300	8,020	36,320
Investment and royalty earnings	18	479	497
Total revenues	864,809	145,030	1,009,839
EXPENDITURES:			
Current:			
General government	161,280	8,105	169,385
Public safety	445,434	46,200	491,634
Public works	76,402	39,337	115,739
Culture and recreation	56,656	-	56,656
Capital outlay	-	98,427	98,427
Total expenditures	739,772	192,069	931,841
Excess (deficiency) of revenues over expenditures	125,037	(47,039)	77,998
OTHER FINANCING SOURCES/USES:			
Fund transfers in	-	1,268	1,268
Fund transfers (out)	(73,978)	(15,593)	(89,571)
Total other financial sources/uses	(73,978)	(14,325)	(88,303)
Net changes in fund balances	51,059	(61,364)	(10,305)
FUND BALANCE:			
Beginning of the year	240,847	710,869	951,716
Prior period adjustments	(19,210)	(1,210)	(20,420)
End of the year	$ 272,696	$ 648,295	$ 920,991

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

Net Changes in Fund Balance		$ (10,305)
Revenues on the Statement of Activities not included in governmental funds statement:		
Capital contributions	190,198	
Increase (decrease) in taxes receivable	27,126	
State Pension Aid	5,514	222,838
Expenses on the Statement of Activities not included in the governmental funds statement:		
Depreciation Expense	(72,354)	
Actuarial Pension Expense	(31,887)	
(Increase) decrease in Other Post Employment Benefits	(10,995)	
(Increase) decrease in compensated absence liability	18,763	(96,473)
Expenditures reported in the governmental funds statement not included in the Statement of Activities		
Capital outlays		98,427
Change in net position reported on the Statement of Activities		$ 214,487

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	MAJOR			
	Water	Sewer	Airport	Total Enterprise Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 886,696	$ 258,882	$ 114,391	$ 1,259,969
Accounts receivable - net	51,233	62,467	-	113,700
Due from other governments	-	-	31,000	31,000
Total current assets	937,929	321,349	145,391	1,404,669
Noncurrent assets:				
Restricted cash and investments	622,916	330,331	-	953,247
Capital assets:				
Land	49,008	16,627	597,563	663,198
Net depreciable assets	4,617,697	8,122,900	3,712,896	16,453,493
Total noncurrent assets	5,289,621	8,469,858	4,310,459	18,069,938
Total assets	6,227,550	8,791,207	4,455,850	19,474,607
DEFERRED OUTFLOWS OF RESOURCES:				
Employer pension plan activities	41,816	39,747	1,351	82,914
OPEB activities	8	8	1	17
Total deferred outflows of resources	41,824	39,755	1,352	82,931
Total assets and deferred outflows of resources	$ 6,269,374	$ 8,830,962	$ 4,457,202	$ 19,557,538
LIABILITIES:				
Current liabilities:				
Accounts payable	3,807	2,285	34,808	40,900
Accrued payroll	5,566	5,566	372	11,504
Current portions compensated absences	9,833	9,833	102	19,768
Current portion long-term capital obligations	35,237	75,287	10,381	120,905
Total current liabilities	54,443	92,971	45,663	193,077
Noncurrent liabilities:				
Compensated absences	9,833	9,833	102	19,768
Net pension accrual	147,530	140,231	4,765	292,526
Other postemployment benefits	27,693	27,694	2,215	57,602
Long-term capital debt obligations	2,011,227	3,402,405	65,079	5,478,711
Total noncurrent liabilities	2,196,283	3,580,163	72,161	5,848,607
Total liabilities	2,250,726	3,673,134	117,824	6,041,684
DEFERRED INFLOWS OF RESOURCES:				
Employer pension plan	1,204	1,145	39	2,388
OPEB activities	796	796	64	1,656
Total deferred inflows of resources	2,000	1,941	103	4,044
NET POSITION:				
Net investment in capital assets	2,620,241	4,661,835	4,234,999	11,517,075
Unrestricted (Deficit)	1,396,407	494,052	104,276	1,994,735
Total net position	4,016,648	5,155,887	4,339,275	13,511,810
Total liabilities, deferred inflows and net position	$ 6,269,374	$ 8,830,962	$ 4,457,202	$ 19,557,538

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2018

	MAJOR			
	Water	Sewer	Airport	Total Enterprise Funds
OPERATING REVENUES:				
Charges for services	$ 342,634	$ 332,105	$ 23,326	$ 698,065
Miscellaneous	-	-	58,025	58,025
Special assessments	184,881	220,855	-	405,736
Total operating revenues	527,515	552,960	81,351	1,161,826
OPERATING EXPENSES:				
Personal services	171,823	165,644	8,177	345,644
Supplies	43,629	19,910	1,317	64,856
Purchased services	93,128	117,018	6,909	217,055
Fixed charges	8,580	16,216	2,656	27,452
Depreciation	112,608	218,309	157,486	488,403
Total operating expense	429,768	537,097	176,545	1,143,410
Operating income (loss)	97,747	15,863	(95,194)	18,416
NONOPERATING REVENUES (EXPENSES)				
Taxes/assessment revenue	-	-	4,492	4,492
Intergovernmental revenue	2,217	2,107	72	4,396
Interest revenue	3,431	1,843	232	5,506
Debt service interest expense	(56,792)	(115,798)	(1,052)	(173,642)
Total nonoperating revenue (expenses)	(51,144)	(111,848)	3,744	(159,248)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS				
Capital contributions	-	19,565	156,740	176,305
Transfers in	-	-	88,303	88,303
Change in net position	46,603	(76,420)	153,593	123,776
NET POSITION:				
Beginning of the Year	3,988,652	5,251,053	4,187,315	13,427,020
Prior period adjustments	(18,607)	(18,746)	(1,633)	(38,986)
End of the Year	$ 4,016,648	$ 5,155,887	$ 4,339,275	$ 13,511,810

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravilli County
Stevensville, MT 59870

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			
	MAJOR			Total
	Water	Sewer	Airport	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 536,387	$ 558,209	$ 81,351	$ 1,175,947
Payments to employees	(159,936)	(152,356)	(7,233)	(319,525)
Payments to suppliers	(149,286)	(182,998)	(43,118)	(375,402)
Net cash provided (used) by operating activities	227,165	222,855	31,000	481,020
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating subsidies and transfers between funds	-	-	9,303	9,303
Subsidies from taxes assessments	-	-	4,492	4,492
Net cash provided (used) by noncapital financing activities	-	-	13,795	13,795
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	19,565	125,740	145,305
Purchases of capital assets	-	-	(174,303)	(174,303)
Principal paid on capital debt	(34,217)	(73,730)	(14,985)	(122,932)
Interest paid on capital debt	(56,792)	(115,798)	(1,052)	(173,642)
Net cash provided (used) by capital and related financing activities	(91,009)	(169,963)	(64,600)	(325,572)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	3,431	1,843	232	5,506
Net cash provided (used) by investing activities	3,431	1,843	232	5,506
Net increase (decrease) in cash and cash equivalents	139,587	54,735	(19,573)	174,749
BALANCE:				
Beginning of the year	1,370,025	534,478	133,964	2,038,467
End of the year	$ 1,509,612	$ 589,213	$ 114,391	$ 2,213,216
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 97,747	$ 15,863	$ (95,194)	$ 18,416
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	112,608	218,309	157,486	488,403
OPEB expense	5,727	5,728	451	11,906
GASB 68 pension expense	16,352	13,850	223	30,425
Changes in assets and liabilities:				
Accounts receivable	8,872	5,249	-	14,121
Accounts payable	(3,949)	(29,854)	(32,236)	(66,039)
Compensated absences	(9,677)	(6,178)	90	(15,765)
Accrued payables	(515)	(112)	180	(447)
Net cash provided (used) by operating activities	$ 227,165	$ 222,855	$ 31,000	$ 481,020
Supplemental schedule of noncash activities				
GASB 68 state contribution	$ 2,217	$ 2,107	$ 72	$ 4,396

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Agency Funds
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 32,026
Due from other governments	67
Total Assets	$ 32,093
LIABILITIES:	
Current liabilities:	
Warrants payable	32,093
Total Liabilities	$ 32,093

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Town of Stevensville (Town) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to Generally Accepted Accounting Principles (GAAP). The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

At the end of fiscal year 2018 the Town adopted the following GASB Statements:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The Town implemented this Statement.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Town reviewed its debt disclosures and does not believe this Statement significantly affect its current debt disclosures.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Town determined that this Statement does not significantly affect it reporting, but will comply if any construction projects are entered into.

The following is a listing of GASB Statements which have been issued and the Town assessment of effects to the financial statements.

- GASB Statement No. 83 – *Certain Asset Retirement Obligation*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Town believes that this Statement is not applicable to its financial statements, however it will make a final determination on its applicability before the effective date.
- GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town plans to implement this Statement once the State of Montana updates the standard chart of accounts.
- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Town plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.

The Town provides a full range of governmental services to the citizens of the Town. These services include but are not limited to construction, reconstruction, maintenance and repair of roads, streets and alleys, parks and recreation, library, public safety, and other municipal services. Water, sewer, and airport services are provided and accounted for in Enterprise Funds. The mayor and Town council are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The Town of Stevensville was incorporated under the laws of the State of Montana and, as required by GAAP, the financial statements of the reporting entity include those of the Town of Stevensville (the primary government) and any component units. The criteria for including organizations as component units within the Town's reporting entity is set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the Town's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the Town. Based on those criteria the Town has no component units.

Related Organizations
Some activities controlled by governing boards of other organizations and which may be appointed by the Mayor and Council or otherwise considered dependent on the Town are as follows:

> The fire department relief association, a legally separate organization, is reflected as an Agency Fund, since the Town holds assets for pension purposes in accordance with GASB 73, paragraph 116.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds (primary government). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting and generally include the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The statement of activities reports the direct expenses or segments of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and
- Operating and Capital grants that are restricted to a particular function or segment.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The fire department relief association are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for Town operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period – anything collected after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Proprietary, trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and airport funds, are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Resources received for capital acquisition or construction are reported as separate items.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (e.g., total governmental or total enterprise funds), and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Town reports the following major enterprise funds:

- Water Fund – This fund is used to account for financing the activities of the Town's water distribution operations and to collect and administer water impact fees.

- Sewer Fund – This fund is used to account for financing the activities of the Town's sewer collection and treatment operations and includes the storm sewer system.

- Airport Fund – This fund accounts for charge for services and grant revenues as well as other miscellaneous revenues and the related expenses for the operating and maintenance of the airport facilities.

1. b. 3. OTHER FUND TYPES

Agency Funds – These funds account for assets that the Town holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the Town's payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the Town Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) directs the Town trustee to pay a particular sum of money to a payee (person or entity) from funds in the Town treasury which are or may become available. The Town also receives funds for the Fire Department Relief Association Pension Plan through state insurance pass though funds. The Town collects these funds and passes them through to the Fire Department Relief Association Pension Plan.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by State of Montana statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in:

- United States government treasury bills, notes, or bonds
- Certain United States treasury obligations
- United States government security money market fund, if investments consist of those listed above
- Time or savings deposits with a bank or credit union which is Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association insured
- Repurchase agreements as authorized by MCA
- State of Montana Short-Term Investment Pool (STIP)

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Cash Flow Statement – For purposes of the Statement of Cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash – Restricted cash accounts of the Enterprise Fund are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds that represent a liability to the enterprise fund. These restricted cash accounts are used to repay current debt, establish a reserve for future debt, and to establish a replacement and deprecation reserve for the purpose of replacing the system in the future.

1. c. 2. TAXES

Property tax levies are set in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Town. Taxable values are established by the State of Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

Property taxes are collected by the County Treasurer, who credits to the Town funds its respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The Town receives its share of the sale proceeds of any such auction.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3. INVENTORIES

Materials, and supplies inventory are expenditures when acquired in governmental funds (using the purchases method) since the focus of governmental funds is on the use of current financial resources. At year-end, inventories were not material.

1. c. 4. CAPITAL ASSETS

The Town's property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, lighting) are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established when the capital assets were initially recorded by determining the actual cost or estimating the cost using standard costing procedures. The Town considers capital assets to be items in excess of $5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. Land and construction in progress are not depreciated. The useful life of depreciable assets has been estimated as follows:

Capital Asset Classes	Useful Life
Buildings	39 years
Improvements other than buildings	10 – 39 years
Machinery and Equipment	7 – 50 years
Infrastructure	15 – 70 years

1. c. 5. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (e.g., expense/expenditure) until that time.

In addition to liabilities, the statement of financial position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (e.g., revenue) until that time.

Pension Liability– Deferred outflow/inflow – The Town recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, deferred inflows of resources, or deferred outflows of resources depending on the nature of the change and the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Property Taxes – Deferred inflows – The Town reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet, they are reported as unavailable from property taxes receivable.

1. c. 6. VACATION AND SICK LEAVE

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 no 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 at the current rate of pay. Town employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. At termination, only 25% of accumulated sick leave is paid at the employee's current rate of pay.

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 on the statement of activities. The amount expected to be paid within one year is $13,376 and it is generally paid out of the general fund. The amount expected to be paid within one year in enterprise funds is $19,768 and is paid out of the fund which has incurred the liability.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – This component of net position is restricted either externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – This balance includes amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.
- Restricted – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – This balance includes amounts management has set aside for a specific purpose.
- Unassigned – This balance includes amounts that are available for any purpose. These amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2018, fund balance components other than unassigned fund balance consist of the following:

Purpose	**Non-spendable**	**Restricted**	**Assigned**
General government	$ 4,007	$ 0	$ (0)
Public safety	0	15,956	0
Public works	0	358,828	0
Social and economic services	0	49,975	0
Culture and recreation	0	76,667	0
Future Capital Costs	0	0	160,709
Total	$ 4,007	$ 501,426	$ 160,709

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred and assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the Mayor and City Council has provided otherwise.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2. COUNTY PROVIDED SERVICES

The Town is provided various financial services by Ravalli County. 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 Town's name and are periodically remitted to the Town by the Ravalli County Treasurer. No service charges have been recorded by the Town or the Ravalli County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2018, the summary of cash, cash equivalents for governmental and business-type activities, and fiduciary funds is as follows:

Account Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 953,409	$ 1,259,969	$ 32,026	$ 2,245,404
Restricted Assets	0	953,247	0	953,247
Total	$ 953,409	$ 2,213,216	$ 32,026	$ 3,198,651

The carrying amount of cash on hand, deposits, and investments at June 30, 2018 is as follows:

	Amount
Cash on Hand	$ 60
Demand Accounts	2,099,866
Time Deposits	1,098,725
Total	$ 3,198,651

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, the Town's bank balance was exposed to custodial credit risk as follows:

Deposits	Fair Value June 30, 2018
Covered depository insurance	$ 569,470
Collateral held by the pledging bank's trust department but not in the Entity's name.	2,629,684
Uninsured and uncollateralized	0
Total bank balance	$ 3,199,154

2. a. RESTRICTED ASSETS

The following restricted cash was held by the Town Treasurer as of June 30, 2018:

Fund Name	Water	Sewer	Total
Restricted for Capital Improvement	$ 362,028	$ 0	$ 362,028
Restricted for Bond Repayment	91,008	330,331	421,339
Restricted for Replacement and Deprecation	169,880	0	169,880
Total	$ 622,916	$ 330,331	$ 953,247

The ordinances authorizing the water and sewer system revenue bonds requires that the Town establish sinking funds or cash restricted for payment of principal and interest on all revenue bonds. At June 30, 2018, the sinking fund balance is sufficient to satisfy such bond ordinance requirements.

NOTE 3. TAXES/ASSESSMENTS RECEIVABLE

The Town is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2017, upon which the levy for the 2018 fiscal year was based, was $2,591,958 for the Town. The tax rates assessed for the year ended June 30, 2018 to finance Town operations and applicable taxes receivable follows:

Fund	Mill Levies	Taxes Receivable	Assessments Receivable	Total
General*	108.53	$ 44,461	$ 0	$ 44,461
Twin Creeks lighting	0.00		100	100
Total	108.53	$ 44,461	$ 100	$ 44,561

* Denotes Major Funds

Property taxes or special assessment fees assessed may be paid under protest and held by the county treasurer until the action is finally determined to be in favor or against the governmental entity levying the tax or special assessment. Money paid under protest is accounted for by the county in a protested tax agency fund until the final determination.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable represent the outstanding balances of amounts billed for services the Town has provided for water and sewer funds. An allowance for doubtful accounts has not been established. In addition, State law allow the Town to place delinquent utility balances on the tax rolls for collection.

Fund	Accounts Receivable	Net Accounts Receivable
Water*	$ 51,233	$ 51,233
Sewer*	62,467	62,467
Total	$ 113,700	$ 113,700

* Denotes Major Funds

NOTE 5. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

5. a. GENERAL CAPITAL ASSETS

At June 30, 2018, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance July 1, 2017	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2018
Non-depreciable:					
Land	$ 2,707	$ 0	$ 0	$ 0	$ 2,707
Construction in progress	1,375	0	0	(1,375)	0
Total Non-depreciable	4,082	$ 0	0	(1,375)	2,707
Depreciable:					
Buildings	427,934	0	0	0	427,934
Improvements other than buildings	286,079	0	0	0	286,079
Machinery and equipment	693,013	288,625	(7,425)	1,375	975,588
Infrastructure	136,440	0	0	0	136,440
Total Depreciable	1,543,466	288,625	(7,425)	1,375	1,826,041
Accumulated Depreciation:					
Buildings	(349,003)	(4,904)	0	0	(353,907)
Improvements other than buildings	(101,447)	(13,505)	0	0	(114,952)
Machinery and equipment	(484,549)	(44,849)	7,425	0	(521,973)
Infrastructure	(13,369)	(9,096)	0	0	(22,465)
Total Depreciation	(948,368)	(72,354)	7,425	0	(1,013,297)
Net Depreciable Assets	595,098	216,271	0	1,375	812,744
Net General Capital Assets	$ 599,180	$ 216,271	$ 0	$ 0	$ 815,451

General capital asset depreciation expense was charged to governmental functions as follows:

Function	Amount
General government	$ 4,799
Public safety	41,372
Public works	24,651
Culture and recreation	1,532
Total Depreciation Expense	$ 72,354

5. b. BUSINESS-TYPE CAPITAL ASSETS

At June 30, 2018, the schedule of changes in business-type activities capital assets follows:

Business-type Activities:	**Balance July 1, 2017**	**Additions**	**Balance June 30, 2018**
Non-depreciable:			
Land	$ 663,198	$ 0	$ 663,198
Depreciable:			
Buildings	155,977	0	155,977
Improvements other than buildings	5,185,028	174,303	5,359,331
Machinery and equipment	441,068	0	441,068
Source of supply	3,584,682	0	3,584,682
Pumping plant	18,900	0	18,900
Treatment plant	10,276,790	0	10,276,790
Transmission and distribution	2,214,425	0	2,214,425
Infrastructure	433,568	0	433,568
Total Depreciable	22,310,438	174,303	22,484,741
Accumulated Depreciation:			
Buildings	(108,904)	(2,698)	(111,602)
Improvements other than buildings	(1,880,953)	(115,415)	(1,996,368)
Machinery and equipment	(314,389)	(22,132)	(336,521)
Source of supply	(224,751)	(69,999)	(294,750)
Pumping plant	(18,900)	(0)	(18,900)
Treatment plant	(2,673,700)	(209,843)	(2,883,543)
Transmission and distribution	(212,082)	(39,411)	(251,493)
Infrastructure	(109,166)	(28,905)	(138,071)
Total Depreciation	(5,542,845)	(488,403)	(6,031,248)
Net Depreciable Assets	16,767,593	(314,100)	16,453,493
Net Business-type Capital Assets	$ 17,430,791	$ (314,100)	$ 17,116,691

NOTE 6. OTHER ASSETS

6. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the Town for costs incurred but not reimbursed by third party grantors. The amounts reported and the organization due from are noted below:

Fund	**Amount**	**Due From**	**Reason**
General*	$ 1,675	Town of Stevensville Court	Town of Stevensville City Court remittance
Airport*	31,000	FAA	Airport Improvement Program – FAA Grant
Total	$ 32,675		

* Denotes Major Funds

6. b. INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables represent loan resources from one fund to another fund experiencing a temporary cash shortage. Each fund is a separate fiscal entity and therefore presents Interfund borrowing on fund level financial statements. Liabilities arising from Interfund borrowing do not constitute general long-term debt. The amounts reported and the purpose of the Interfund borrowing are noted below:

Interfund Receivable	**Amount**	**Interfund Payable**	**Purpose of the Transfer**
General*	$ 14,019	Planning	Temporarily cover negative cash

* Denotes Major Funds

NOTE 7. CHANGES IN LONG-TERM DEBT

7. a. At June 30, 2018, the schedule of changes in general long-term debt follows:

Governmental Activities:	Balance July 1, 2017	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2018	Due within One Year
Other Liabilities:					
Compensated Absences	$ 45,515	$ 0	$ (18,763)	$ 26,752	$ 13,376
Accrued Pension	315,099	51,898	0	366,997	0
Other Postemployment Benefits	30,065	23,106	0	53,171	0
Total Other Liabilities	390,679	75,004	(18,763)	446,920	13,376
Total Governmental Activities - Long-Term Debt:	$ 390,679	$ 75,004	$ (18,763)	$ 446,920	$ 13,376

7. b. BUSINESS-TYPE LONG-TERM DEBT

At June 30, 2018, the schedule of changes in Business-Type long-term debt follows:

Business-type Activities:	Balance July 1, 2017	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2018	Due within One Year
Bonds and Notes Payable:					
Revenue Bonds	$ 5,632,103	$ 0	$ (107,947)	$ 5,524,156	$ 110,524
Notes payable	90,445	0	(14,985)	75,460	10,381
Total Bonds and Notes Payable	5,722,548	0	(122,932)	5,599,616	120,905
Other Liabilities:					
Compensated Absences	55,301	90	(15,855)	39,536	19,768
Accrued Pension	244,573	47,953	0	292,526	0
Other Postemployment Benefits	20,301	37,301	0	57,602	0
Total Other Liabilities	320,175	85,344	(15,855)	389,664	19,768
Total Business-Type Activities - Long-Term Debt:	$ 6,042,723	$ 85,344	$ (138,787)	$ 5,989,280	$ 140,673

7. c. REVENUE BONDS

Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water system and sewer system. These bonds were issued for the terms and payment schedules indicated in below:

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2018
Water bond #1	6/15/2010	2.75%	40 years	6/15/2050	$2,173,000	$ 2,046,464
Sewer Rus #1 (2000A)	3/26/1997	4.50%	40 years	3/26/2037	1,250,000	951,229
Sewer Rus #3 (2000B)	6/18/1999	4.50%	40 years	6/18/2039	814,000	619,440
Sewer Bond #2 (2011)	3/24/2010	3.00%	40 years	3/24/2050	780,000	707,464
Sewer Bond (2016 B)	2/10/2016	1.875%	40 years	2/10/2056	450,000	431,832
Sewer Bond (2016A)	2/10/2016	1.875%	40 years	2/10/2056	800,000	767,727
					$6,267,000	$ 5,524,156

Debt service requirements to maturity for principal and interest for all bonded long-term obligations are as follows:

For the year ended June 30:	Water Principal	Water Interest	Sewer Principal	Sewer Interest
2019	$ 35,237	$ 55,771	$ 75,287	$ 114,241
2020	36,268	54,740	79,045	110,483
2021	37,278	53,730	81,864	107,664
2022	38,317	52,691	84,795	104,733
2023	39,384	51,624	87,843	101,685
2024-2028	213,996	241,044	489,363	458,277
2029-2033	245,499	209,541	586,152	361,488
2034-2038	281,642	173,398	704,276	243,364
2039-2043	323,106	131,934	540,850	116,005
2044-2048	370,674	84,366	324,683	65,677
2049-2053	420,909	29,795	313,192	26,034
2054-2056	4,154	8	110,342	2,672
Totals	$2,046,464	$1,138,642	$3,477,692	$1,812,323

The revenue bonds are collateralized by the revenues of the water and sewer systems and the various special funds established by the bond ordinances. The ordinances 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 funds. Any remaining revenues may then be used for any lawful purpose.

The bond ordinances also require that water 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 covenants: 1) require that cash be restricted and reserved for operations, construction, 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. The Town complied with the applicable covenants, except for the water bond requirement for net revenues exceeding 125%.

7. d. NOTES PAYABLE

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

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2018
Montana Aeronautics 2010	9/3/2009	1.625%	10 years	2/28/2019	$ 16,250	$ 1,625
Montana Aeronautics 2014	12/19/2013	1.625%	10 years	2/28/2013	16,557	9,935
Runway Rehab. FY17-LG	3/1/2017	1.750%	10 years	3/1/2026	71,000	63,900
					$ 103,807	$ 75,460

For the year ended June 30:	Principal	Interest
2019	$ 10,381	$ 1,305
2020	8,756	1,129
2021	8,756	978
2022	8,756	827
2023	8,756	675
2024-2027	30,055	1,270
Totals	$ 75,460	$ 6,184

NOTE 8. DEFERRED INFLOWS OF RESOURCES

8. a. PROPERTY TAXES

Fund	Amount	Reason
General*	$ 44,461	Taxes Receivable
Twin Creeks Lighting	100	Taxes Receivable
Total	$ 44,561	

* Denotes Major Funds

NOTE 9. DEFICIT FUND BALANCES

Deficit fund balance result from commitments exceeding the resources. The following is a listing of deficit fund balances.

Fund	Amount	How Town plans to correct
Planning	$ 13,727	Future revenue

NOTE 10. PRIOR PERIOD ADJUSTMENTS

Fund	Governmental Funds	Propriety Funds	Total Primary Government	Reason
General*	$ (19,210)	$	$ (19,210)	Prior year payroll accrual
Building code enforcement	(1,210)		(1,210)	Prior year payroll accrual
Water*		(12,526)	(12,526)	Implementation of GASB-75
Water*		(6,081)	(6,081)	Prior year payroll accrual
Sewer*		(13,068)	(13,068)	Implementation of GASB-75
Sewer*		(5,678)	(5,678)	Prior year payroll accrual
Airport*		(1,441)	(1,441)	Implementation of GASB-75
Airport*		(192)	(192)	Prior year payroll accrual
Total	$ (20,420)	$ (38,986)	$ (59,406)	
* Denotes Major Funds				
Governmental-Type Activities			(13,623)	Implementation of GASB-75
Total	$ (20,420)	$ (38,986)	$ (73,029)	

NOTE 11. INTERFUND OPERATING TRANSFERS IN/OUT

Operating Fund - In	Amount	Operating Fund - Out	Purpose of Transfer
Airport*	$ 73,978	General*	Airport improvements
Airport*	14,325	TEDD	Airport improvements
Capital Improvements	1,268	Fire Engine Capital Improvement	Future capital projects
Total	$ 89,571		

* Denotes Major Funds

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

The Town implemented GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018.

12. a. 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 Montana Municipal Interlocal Authority. Benefit provisions are set annually by the Town's governing board. 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 federal C.O.B.R.A. law. As required by State 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 are typically older than the average age of active plan participants and therefore receive a benefit of lower insurance rates. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

12. b. FUNDING 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 OPEB liability since it has paid the full amount due each month.

12. c. 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 the total OPEB liability. Per GASBS 75, all employers must have a valuation performed at least every two years as of the first fiscal year beginning after June 15, 2017.

12. d. BENEFITS PROVIDED

The plan provides healthcare, dental, vision, and prescription drugs 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.

12. e. HEALTH INSURANCE PREMIUMS

The Town pays $558 of the premium for its active employees and contributes nothing to the premium for its retirees. For the current fiscal year, premiums for the retirees and active employees were at the same rate, and varied between $506 and $657 per month, depending on the coverage selected.

12. f. EMPLOYEES COVERED BY BENEFIT TERMS

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

Active employees	7
Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0

12. g. TOTAL OPEB LIABILITY

The Town’s total OPEB liability of $110,773 was measured as of June 30, 2018, and was determined by an Alternative Measurement Method valuation as of that date.

12. h. ALTERNATIVE MEASUREMENT METHOD ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability as of June 30, 2018 was determined using the following Alternative Measurement Method assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	4.00%
Discount rate	3.87%
Retiree's share of benefit related costs	100%
Health care cost rate trend:	

Year	% Increase
2019	6.50%
2020	6.00%
2021	5.90%
2022	5.70%
2023	5.60%
2024	5.50%
2025	5.30%
2026	5.20%
2043	5.10%
2044	5.00%

12. i. CHANGES IN THE TOTAL OPEB LIABILITY

Balance at June 30, 2017	$ 50,366
Prior period adjustment for retrospective application of GASB 75	40,750
Balance at July 1, 2017	$ 91,116
Changes for the year:	
Service cost (OPEB expense)	26,734
Interest	0
Changes of benefit terms	0
Changes in assumptions or other inputs	3,151
Benefit payments	(10,228)
Net Changes	19,657
Balance at June 30, 2018	$ 110,773

12. j. SENSITIVITY ANALYSIS

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease (2.87%)	**Discount Rate (3.87%)**	**1% Increase (4.87%)**
Total OPEB Liability	$ 122,872	$ 110,773	$ 100,189

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	**Healthcare Cost Trend Rate**	**1% Increase**
Total OPEB Liability	$ 98,728	$ 110,773	$ 124,923

12. k. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2018, the Town recognized OPEB expense of $26,734.

At June 30, 2018, the Town 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
Difference between expected and actual experience	$ 33	$ 0
Changes of assumptions	0	3,184
Net difference between projected and actual earnings of OPEB plan Investments	0	0
Total	$ 33	$ 3,184

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (432)
2020	(432)
2021	(432)
2022	(432)
Thereafter	(1,423)
	(3,151)

12. l. MARITAL AND DEPENDENCY STATUS

Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.

12. m. MORTALITY RATES

Mortality rates were based on the RP 2000 Healthy Combined Mortality Table, set back one year for males and with no collar adjustment for females, with mortality improvements projected by Scale BB to 2020 and RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females. The calculation of projected benefit payments for each year is based on the assumption that all participants will live until their expected age.

NOTE 13. RISK MANAGEMENT

The Town faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability, (i.e. errors and omission), environmental damage, workers' compensation, and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. 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 workers' compensation, tort liability and property coverage.

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 upon 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 which established a workers' compensation plan and a tort liability plan. In 1996, the Montana Municipal Interlocal Authority 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 million per occurrence with a $750 deductible per government. State tort law limits the Town's liability to $1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Interlocal Authority.

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

The Town participates in a state-wide, cost-sharing multiple employer defined benefit retirement plan which covers all Town employees. The Public Employee Retirement System (PERS) covers Town employees. The plan is established under State law and administered by the State of Montana.

The plan issues publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies, and plan audited financial statements. Those reports may be obtained from the following:

Public Employees Retirement System
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

14. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) prepares their financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable GASB statements.

14. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The PERS-Defined Benefit Retirement Plan (Defined Benefit plan), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945 and is governed by Title 19, chapters 2 & 3, MCA. This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit Plan or join the PERS-Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be members of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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

14. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:	• Hired prior to July 1, 2011: o Age 60, 5 years of membership service; o Age 65, regardless of membership service; or o Any age, 30 years of membership service. • Hired on or after July 1, 2011: o Age 65, 5 years of membership service; or o Age 70, regardless of membership service.
Early Retirement: (actuarially reduced)	• Hired prior to July 1, 2011: o Age 50, 5 years of membership service; or o Any age, 25 years of membership service. • Hired on or after July 1, 2011: o Age 55, 5 years of membership service.
Second Retirement: (requires returning to PERS-covered employer or PERS service)	• Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit: o A refund of member's contributions plus return interest (currently .77% effective July 1, 2017); o No service credit for second employment; o Start the same benefit amount the month following termination; and o Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement. • Retire before January 1, 2016 and accumulate at least 2 years additional service credit: o A recalculated retirement benefit based on provision in effect after the initial retirement; and o GABA starts on the recalculation benefit in the January after receiving the new benefit for 12 months. • Retire on or after January 1, 2016 and accumulate 5 or more years additional service credit: o The same retirement as prior to the return to service; o A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and o GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.
Vesting:	5 years of membership service
Member's Highest Average Compensation (HAC):	• Hired prior to July 1, 2011: o HAC during any consecutive 36 months. • Hired on or after July 1, 2011: o HAC during any consecutive 60 months.
Compensation Cap:	• Hired on or after July 1, 2013: o 110% annual cap on compensation considered as part of a member's HAC.
Monthly Benefit Formula:	• Hired prior to July 1, 2011: o Less than 25 years of membership service - 1.785% of HAC per year of service credit; or o 25 years of membership service or more - 2% of HAC per year of service credit. • Hired on or after July 1, 2011: o Less than 10 years of membership service - 1.5% of HAC per year of service credit; o 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or o 30 years or more of membership service - 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment: After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of other adjustments to the member's benefit:

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

14. b. 2. OVERVIEW OF CONTRIBUTIONS

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:
    a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

3. Non-Employer Contributions:
    a. Special Funding
        i. The State contributed 0.1% of members' compensation on behalf of local government entities.
        ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
    b. Not Special Funding
        i. The State contributed a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

14. b. 3. ACTUARIAL ASSUMPTIONS

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

- Investment Return (net of admin expenses) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:
    - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
        - 3% for members hired prior to July 1, 2007
        - 1.5% for members hired between July 1, 2007 and June 30, 2013
        - Members hired on or after July 1, 2013:
            - 1.5% for each year PERS is funded at or above 90%;
            - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
            - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members and service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

14. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under MCA. The State contributed 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

14. b. 5. TARGET ALLOCATIONS

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

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			2.75%
Portfolio Return Expectation			7.12%

The long-term expected nominal rate of return of 7.12% is an expected portfolio rate of return provided by Board of Investments, which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

14. b. 6. DEFINED CONTRIBUTION PLAN

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

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

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

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

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled $396,650.

14. c. SENSITIVITY ANALYSIS

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

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
PERS			
Net Pension Liability	$ 2,836,551,371	$ 1,947,626,401	$ 1,201,441,171
Town's Net Pension Liability	$ 960,537	$ 659,522	$ 406,842

14. d. NET PENSION LIABILITY

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize, and report certain amounts associated with their participation in the PERS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

As of measurement date	NPL as of 6/30/18	NPL as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in Percent of Collective NPL
PERS					
Town Proportionate Share	$ 659,522	$ 559,672	0.0339%	0.0329%	0.0010%
State of Montana Proportionate Share associated with Employer	8,890	6,839	0.0453%	0.0420%	0.0033%
Total	$ 668,412	$ 566,511	0.0792%	0.0748%	0.0043%

At June 30, 2018, the employer recorded a liability for its proportionate share of the NPL of $659,522 for PERS. At June 30, 2018, the employer's proportion was 0.0339 percent for PERS.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of:

- June 30, 2016 and applying standard roll forward procedures for PERS. The roll forward procedures uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

	PERS
Changes in actuarial assumptions, other inputs, and methods:	Effective July 1, 2017, the following assumption changes were used: • Lowered the interest rate from 7.75% to 7.65%. • Lowered the inflation rate from 3.00% to 2.75%. • Updated non-disabled mortality to the RP 2000 Combined Employee and Annuitant projected to 2020 using scale BB, males set back one year. • Increased rates of withdrawal. • Lowered the merit component of the total salary increase. • Lowered the wage base component of the total salary increase from 4.00% to 3.50%. • Decreased the administrative expense load from 0.27% to 0.26%. Effective July 1, 2017, the following method changes were used: • Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for PERS. This amount will vary from year to year based on the prior year's actual administrative expenses. • To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.
Changes in benefit terms:	Effective July 1, 2017, the following were benefit changes: • The interest rate credited to member accounts increased from 0.25% to 0.77%. • Lump sum payouts are limited to the member's accumulated contributions rather than the present value of the member's benefit.
Changes in proportionate share:	There were no changes between the measurement date of the collective NPL and the employer's reporting date.

14. e. PENSION EXPENSE

	Pension Expense as of 6/30/18	**Pension Expense as of 6/30/17**
PERS (as of measurement date)		
Town's Proportionate Share	$ 91,236	$ 53,847
State of Montana Proportionate Share associated with the Employer	474	573
Grant revenue from the State of Montana Coal Tax Fund	9,435	9,806
Total	$ 101,145	$ 64,226

At June 30, 2018, the employer recognized a Pension Expense of $101,145 for its proportionate share of the PERS Pension Expense. The employer also recognized grant revenue of $9,909 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS.

14. f. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2018, the employer reported its proportionate share of PERS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between actual and expected economic experience	$ 16,242	$ 955
Changes in actuarial assumptions	90,150	0
Difference between projected and actual investment earnings	0	4,429
Changes in proportion and differences between actual and expected contributions	35,664	0
Contributions paid subsequent to the measurement date – FY 2018 Contributions *	44,879	0
Total	$ 186,935	$ 5,384

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

Year ended June 30	**PERS Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense**
2018	$ 23,362
2019	$ 51,572
2020	$ 40,112
2021	$ (14,038)
2022	$ 0
2023	$ 0
Thereafter	$ 0

14. g. PENSION AMOUNTS TOTAL FOR EMPLOYER – EMPLOYER'S PROPORTION OF PERS PENSION AMOUNTS

	The employer's proportionate share associated with PERS
Total Pension Liability	$ 2,512,465
Fiduciary Net Position	$ 1,852,943
Net Pension Liability	$ 659,522
Deferred Outflows of Resources	$ 186,935
Deferred Inflows of Resources	$ 5,384
Pension Expense	$ 101,145

NOTE 15. LOCAL RETIREMENT PLAN

Fire Department Relief Association Disability and Pension Fund

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 a volunteer fire department who has served 20 years or more is entitled to benefits after attaining age 50. Volunteers serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the 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 contributes, out of moneys received for insurance premium taxes, an amount equal to 1½ mills times the total taxable value of the Town, but not less than $100. The State's contribution to the plan for the fiscal year was $3,888. The plan's benefits are established by the Association's Board of Trustees. Total benefits paid in the fiscal year ended June 30, 2018 amounted to $17,700.

NOTE 16. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

TOWN OF STEVENSVILLE

SCHEDULE OF FUNDING PROGRESS
Other Postemployment Benefits Other Than Pensions
For the year ended June 30, 2018

OTHER POSTEMPLOYMENT CHANGE IN LIABILITY

Fiscal year end	Service cost (a)	Interest (b)	Changes of benefit terms (c)	Changes of assumptions or other inputs (d)	Benefit payments (e)	Net Change in total OPEB liability Sum of (a) to (e)=(f)	Total OPEB Liability beginning (g)	Total OPEB Liability ending (f)+(g)
6/30/18	$ 26,734	$ 0	$ 0	$ 3,151	$ (10,228)	$ 19,657	$ 91,116	$ 110,773

OTHER POSTEMPLOYMENT PAYROLL RATIO

Fiscal year end	Covered payroll	Total OPEB liability as a percentage of covered-employee payroll
6/30/18	$ 500,878	22%

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

TOWN OF STEVENSVILLE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	State of Montana's proportionate share of the net pension liability associated with the Employer (b)	Total (a)+(b)=(c)	Employer's covered payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2014	0.0293%	$ 364,891	$ 4,456	$ 369,347	$ 337,990	111.22%	79.87%
2015	0.0304%	$ 425,435	$ 5,226	$ 430,661	$ 355,176	119.78%	78.40%
2016	0.0329%	$ 559,672	$ 6,839	$ 566,511	$ 393,572	142.20%	74.71%
2017	0.0339%	$ 659,522	$ 8,890	$ 668,412	$ 416,297	158.43%	73.75%

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

TOWN OF STEVENSVILLE

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in relation to contractually required contributions (c)	Contribution deficiency (excess) (a)+(b)-(c)=(d)	Employer's covered payroll (e)	Contributions as a percentage of covered payroll ((a)+(b))/(e)
2015	$ 29,268	$ 3,614	$ 32,882	$ 0	$ 355,176	9.26%
2016	$ 32,897	$ 2,133	$ 35,030	$ 0	$ 393,572	8.90%
2017	$ 35,161	$ 0	$ 35,161	$ 0	$ 416,297	8.45%
2018	$ 44,879	$ 0	$ 44,879	$ 0	$ 466,519	8.47%

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

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2018

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

1. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) plan provision were made as identified:

2015 Legislative Changes:
General Revisions - House Bill 101, effective January 1, 2016
Second Retirement Benefit - for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
   - refund of member’s contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and
   - GABA starts again the January immediately following second retirement.
2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
   - member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
   - GABA starts the January after receiving recalculated benefit for 12 months.
3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
   - refund of member’s contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and,
   - GABA starts again the January immediately following second retirement.
4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
   - member receives same retirement benefit as prior to return to service;
   - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
   - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015
Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP
The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

2017 Legislative Changes:
General Revisions – House Bill 101, effective July 1, 2017
Working Retiree Limitations – for PERS
If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.
Terminating Employers – Recovery of actuary costs – for PERS
Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

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

Family Law Orders
If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the GABA, the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS Defined Contribution (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.

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY 2018 - $31.386 million
2. FY 2019 - $31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
   a. FY 2020 - $32.277 million
   b. FY 2021 - $32.6 million
   c. FY 2022 - $32.926 million
   d. FY 2023 - $33.255 million
   e. FY 2024 - $33.588 million
   f. FY 2025 - $33.924 million

1. b CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
*Includes inflation at	2.75%
Merit increase	0% to 4.8%
Investment rate of return	7.65 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
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.

Town of Stevensville
Ravalli County
Stevensville, Montana 59870

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	General		
	Original Budget	Final Budget	Actual
REVENUES:			
Taxes/assessments	$ 325,429	$ 325,429	$ 331,882
Licenses and permits	14,000	14,000	15,541
Intergovernmental revenues	201,107	201,107	210,350
Charges for services	217,891	217,891	257,094
Fines and forfeitures	16,000	16,000	21,624
Miscellaneous	15,000	15,000	28,300
Investment and royalty earnings	50	50	18
Total revenues	789,477	789,477	864,809
EXPENDITURES:			
Current:			
General government	162,933	162,933	161,280
Public safety	472,198	472,198	445,434
Public works	87,324	87,324	76,402
Culture and recreation	53,763	53,763	56,656
Total expenditures	776,218	776,218	739,772
Excess (deficiency) of revenues over expenditures	13,259	13,259	125,037
OTHER FINANCING SOURCES/USES:			
Fund transfers in	79,371	79,371	-
Fund transfers (out)	(33,036)	(33,036)	(73,978)
Total other financial sources/uses	(33,036)	(33,036)	(73,978)
Net changes in fund balances	(19,777)	(19,777)	51,059
FUND BALANCE:			
Beginning of the year			240,847
Change in inventories			
Prior period adjustments			(19,210)
End of the year			$ 272,696

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2018

NOTE 1. BUDGETS

1. a. 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.

1. a. 1 GENERAL BUDGET POLICIES:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds. The major funds Water, Sewer, and Airport are not included in the schedule because they are enterprise funds.

1. a. 2 BUDGET OPERATION:

The Town operates within the budget requirements for incorporated city or town's county's as specified by State law. The financial report reflects 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 Department of Revenue.
- Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.
- The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- The governing body and each municipal city/town only official are 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 this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
    - Debt service funds for obligations related to debt approved by the governing body;
    - Trust funds for obligations authorized by trust covenants;
    - Any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
    - Any fund for special assessments approved by the governing body;
    - The proceeds from the sale of land;
    - Any fund for gifts or donations; and
    - Money borrowed during the fiscal year.
- If an expenditure is to be financed from a tax levy required to be authorized and approved at an 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 obligated by the Town.

NOTE 3. BUDGET AMENDMENT

The Town approved resolutions 423 and 434 to amend the budget for fiscal year 2018.

Governmental Fund	Amount	Reason
General	$ (23,680)	Temporary firefighter costs less than anticipated
Heyer Foundation Grant	1,667	Unanticipated grant received
Capital Improvements	21,280	Future capital costs
Fire Engine Capital Improvement	6,119	Upgrades to fire engines not anticipated
Total	$ 5,386	

STROM & ASSOCIATES, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
Town of Stevensville
Ravalli County
Stevensville, Montana 59870

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Stevensville as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Stevensville's basic financial statements and have issued our report thereon dated June 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Stevensville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2018-001 and 2018-004.

Compliance and Other Matters

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

Town of Stevensville's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Strom & Associates, P.C.
STROM & ASSOCIATES, PC
Billings, Montana
June 24, 2019

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2018

Prior year findings/status:

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2018.

2017-001 – Annual Reporting Preparation	Implemented
2017-002 – Budget	Implemented
2017-003 – Cash Reserves	Repeated as 2018-003 below
2017-004 – Taxes receivable reporting	Implemented
2017-005 – Fire department relief association (FDRA) Accrued liability	Repeated as 2018-001 below
2017-006 – Claims approval process	Partially repeated as 2018-004 below
2017-007 – Tax revenue distribution	Implemented
2017-008 – Late submission of Single Audit	Implemented
2017-009 – Payroll tax reports	Implemented

Current year findings:

2018-001: Fire Department Relief Association (FDRA) Accrued Liability

Criteria: Governmental Accounting Standards Board statement 73 (GASB-73) requires the pension trust fund report an actuarially determined pension liability.

Condition: The Town did not report an accrued liability for the FDRA pension trust fund.

Effect: Not in compliance with generally accepted accounting principles.

Context: During our review of the financial activity of the Town of Stevensville's FDRA we noted they had members who were either active or retired. We also noted no liability was reported on the Town's financial statements for the liability associated with future benefit payments.

Cause: The Town complied with Montana Code Annotated (MCA) 19-18-503 "Fund to be soundly funded" and believed it also covered the requirements of GASB-73. Also, the costs of hiring an actuary was not feasible to the Town.

Recommendation: We recommend the Town comply with the requirements of GASB-73.

2018-002: Budget submission

Criteria: Montana Code Annotated (MCA) 7-6-4003 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 department of revenue.

Condition: The fiscal year 2018 budget was due to the State October 1, 2017 but was not submitted until November 6, 2017.

Effect: Non-compliance with state law.

Context: The Town of Stevensville went through staff turnover during this time frame.

Cause: The budget was prepared late due to staff turnover.

Recommendation: We recommend the final budget be submitted to the state by the required deadlines.

2018-003: Cash Reserves

Criteria: MCA 7-6-4034 – Determination of fund requirements – property tax levy a city's or town's fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

MCA 17-2-302– Limitation on balance in…local charge for services…a local government entity that deposits money into a local charge for services fund may not maintain a cash balance in the fund greater than twice the annual appropriation

Condition: During our review of the budgeted tax levy requirement schedule we noted several funds that exceed the 50% and 200% cash reserve balances as specified in State law.

Effect: Budgeted cash reserves exceed applicable section of Montana Code Annotated (MCA)

Context: During our review of the budgeted tax levy requirement schedule we noted several funds that exceed the 50% and 200% cash reserve balances as specified in State law, as noted below:

Fund Name	Appropriations (Adopted expenditure budget)	Allowable Cash Reserve	Budgeted Cash Reserves	Calculated Cash Reserve %	Actual TFS Ending Cash Balance	Calculated Cash Reserve %
Tax Increment Finance	47,041	50.00%	106,394	226%	160,467	341.12%
Dayton Lighting District	3,200	200.0%	7,607	238%	7,895	246.72%
Geo Smith Lighting	3,500	200.0%	8,222	235%	8,494	242.69%
Creekside Lighting	1,050	200.0%	4,407	420%	2,955	281.43%

Cause: Appears to be not following State law

Recommendation: We recommend the governing body review MCA and discuss the budget process with legal council to ensure budget cash reserves are within allowable provisions of MCA.

2018-004: VISA card documentation

Criteria: Montana Code Annotated (MCA) 7-6-4301 requires payment of claims against a town to occur only when the payee has provided an invoice or other document identifying the quantity and total cost of each item.

Condition: While examining supporting documentation we noted that expenditures related to several VISA card payments did not have supporting documentation of items purchased.

Effect: Not all expenditures where adequately supported with the necessary invoices.

Context: During the audit we noticed that VISA payments with claim numbers 13802, 13974, and 14028 did not have adequate documentation of recorded line items totaling $2,540.64. Three claims with missing documentation in a total sample size of 55 indicates that the controls over VISA payments are not operating effectively.

Cause: Not consistently maintaining adequate documentation of expenditures for credit cards.

Recommendation: Make sure that all credit card expenditures are supported with appropriate invoices from the original vendor.

CORRECTIVE ACTION PLAN
For the year ended June 30, 2018

Hon. Brandon E. Dewey
Mayor of Stevensville

April L. VanTassel
Finance Officer/HR

Town of
STEVENSVILLE
Montana

Stevensville Town Hall
206 Buck Street
Stevensville, MT 59870
Phone: 406-777-5271
Fax: 406-777-4284

June 21, 2019

Strom & Associates
3203 3rd Ave. N., Suite 208
Billings, MT 59101

The Town of Stevensville formally objects to the findings 2018-001 and 2018-003 in our FY18 audit. In addition, we maintain our objection to finding 2017-003 in our FY17 audit.

Management has determined that it is not cost effective to actuarially determine the pension liability for the Fire Department Relief Association.

The Town will consult and seek an opinion from it's legal counsel to determine whether or not the findings described above, relating to tax increment financing, should be upheld.

Stevensville does not "levy" mills for the tax increment finance. The Town does levy for the general fund which would be subject to the % limit. The tax increment revenue is an allocation of tax revenue based on the determined increment from the City, County, Schools, and State levies. There is not a specific mill levy for tax increment made by the Town. Stevensville has the smallest Light Industrial District with the smallest increment in the State. The Town has the right and the fiscal responsibility to save for large capital projects. MCA 7-15-4286 requires the "tax increment" to be put in a separate fund. Again, the Town did not levy for the tax increment finance. The Town did segregate the increment to a separate fund as required by law.

Sincerely,

Brandon E. Dewey
Mayor