

TOWN OF STEVENSVILLE
RAVALLI COUNTY
STEVENSVILLE, MONTANA

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2020

Strom & Associates, P. C.
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TOWN OF STEVENSVILLE
RAVALLI COUNTY
STEVENSVILLE, MONTANA 59870

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - MAYOR, COUNCIL AND OFFICIALS	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 - 10
INDEPENDENT AUDITOR’S REPORT	11 - 12
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds and Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22 - 44
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Postemployment Benefits Other Than Pensions.....	45
Schedule of Proportionate Share of Net Pension Liability	46
Schedule of Contributions to the State of Montana Retirement Systems.....	47
Notes to the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to the State of Montana Retirement Systems	48 - 49
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Budgeted Major Funds.....	50
Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	51 - 52
INDEPENDENT AUDITOR’S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53 - 54
SCHEDULE OF FINDINGS AND RESPONSES	55 - 62
CORRECTIVE ACTION PLAN	63-64

TOWN OF STEVENSVILLE
RAVALLI COUNTY
STEVENSVILLE, MONTANA 59870

ORGANIZATION

MAYOR AND TOWN COUNCIL

Brandon E. Dewey Mayor
Robert Michelson Chair
Robin Holcomb Trustee
Dempsey Vick Trustee
Jamie Devlin Trustee

OFFICIALS

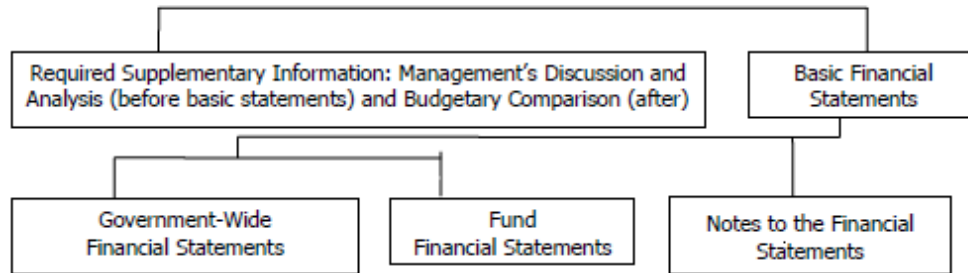
Maureen O'Connor Town Judge
Robert Underwood Finance Officer
Scott Owens Town Attorney
George Thomas Public Utilities Supervisor

As management of the Town of Stevensville (Town), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Town’s financial statements, which follow this narrative. In this discussion a column for the last audited year, prior to current financial statements, is included for comparison.

Overview of the Financial Statements

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

Figure 1-Required Components of Basic Financial Statements



Basic Financial Statements

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

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

Government-Wide Financial Statements

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

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

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Fund Financial Statements

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

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

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

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

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

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

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

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

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

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Government-Wide Financial Analysis

Net position serves, over time, as one useful indicator of a government's financial condition. As shown in the statement of net position, assets plus deferred outflows of the Town exceeded total liabilities plus deferred outflows (net position) at the end of June 30, 2020 by \$ 15,307,987; this is a \$341,948 total increase from the prior year. That represents a \$184,301 net position increase from governmental activities and a \$157,646 net position increase from business-type activities.

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

	2020	2019	Change
Net Investment in Capital Assets	\$ 12,360,263	\$ 12,218,043	\$ 142,220
Restricted Net Position	1,706,569	1,616,854	89,715
Unrestricted Net Position	1,237,262	1,131,142	106,120
Total Net Position	<u>\$ 15,304,094</u>	<u>\$ 14,966,039</u>	<u>\$ 338,055</u>

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

Figure 2-Governmental-Net Position

	2020	2019	Change
Current Assets	\$ 1,238,115	\$ 1,102,152	\$ 135,963
Capital Assets-Net	864,447	795,120	69,327
Total Assets	<u>\$ 2,102,562</u>	<u>\$ 1,897,272</u>	<u>\$ 205,290</u>
Deferred Outflow of Resources	\$ 62,009	\$ 76,876	\$ (14,867)
Total Deferred Outflows of Resources	<u>\$ 62,009</u>	<u>\$ 76,876</u>	<u>\$ (14,867)</u>
Current Liabilities	\$ 60,622	\$ 75,847	\$ (15,225)
Non-Current Liabilities	426,954	405,688	21,266
Total Liabilities	<u>\$ 487,576</u>	<u>\$ 481,535</u>	<u>\$ 6,041</u>
Deferred Inflows of Resources	\$ 47,383	\$ 43,410	\$ 3,973
Total Deferred Inflows of Resources	<u>\$ 47,383</u>	<u>\$ 43,410</u>	<u>\$ 3,973</u>
Net Position:			
Net Investment in Capital Assets	\$ 864,447	\$ 795,120	\$ 69,327
Restricted	775,989	689,878	86,111
Unrestricted Net Position	(10,824)	(35,795)	24,971
Total Net Position	<u>\$ 1,629,612</u>	<u>\$ 1,449,203</u>	<u>\$ 180,409</u>

As observed in Figure 2, governmental net position increased between June 30, 2019 and June 30, 2020. Net position changes generally are due primarily to operational activities with revenues and expenditures. As shown in figure 4, the Town's governmental activities' revenue increased and operating expenses decreased enough to produce an increase in net position; part of this is attributable to a positive change in the OPEB liability which affected opening net position and personnel costs.

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Figure 3-Business-type Activities-Net Position

	2020	2019	Change
Current Assets	\$ 1,902,269	\$ 1,548,666	\$ 353,603
Non-Current Assets	947,844	926,976	20,868
Capital Assets-Net	<u>16,874,199</u>	<u>16,900,441</u>	<u>(26,242)</u>
Total Assets	<u>\$ 19,724,312</u>	<u>\$ 19,376,083</u>	<u>\$ 348,229</u>
Deferred Outflow of Resources	\$ 43,010	\$ 59,872	\$ (16,862)
Total Deferred Outflows of Resources	<u>\$ 43,010</u>	<u>\$ 59,872</u>	<u>\$ (16,862)</u>
Current Liabilities	\$ 525,348	\$ 194,912	\$ 330,436
Non-Current Liabilities	<u>5,534,626</u>	<u>5,687,281</u>	<u>(152,655)</u>
Total Liabilities	<u>\$ 6,059,974</u>	<u>\$ 5,882,193</u>	<u>\$ 177,781</u>
Deferred Inflows of Resources	\$ 32,866	\$ 36,926	\$ (4,060)
Total Deferred Inflows of Resources	<u>\$ 32,866</u>	<u>\$ 36,926</u>	<u>\$ (4,060)</u>
Net Position:			
Investment in Capital Assets	\$ 11,495,816	\$ 11,422,923	\$ 72,893
Restricted for Debt Service and Bond Indenture	930,580	926,976	3,604
Unrestricted Net Position	<u>1,248,086</u>	<u>1,166,937</u>	<u>81,149</u>
Total Net Position	<u>\$ 13,674,482</u>	<u>\$ 13,516,836</u>	<u>\$ 157,646</u>

Total business-type activities net position increased between June 30, 2019 and June 30, 2020. Figure 5 shows a net decrease in net position from operations (operating income(loss)) but an increase in capital grants and contributions. Major work at the airport brought in a capital grant from the Federal Aviation Administration.

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

	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services, Fines, etc.	\$ 219,875	\$ 156,493	\$ 63,382
Operating Grants and Contributions	324,198	197,197	127,001
Capital Grants and Contributions	71,600	-	71,600
General Revenues:			
Property & Local Option Taxes	\$ 402,779	\$ 387,916	\$ 14,863
Unrestricted Federal/State Shared Revenue	42,631	217,464	(174,833)
Interest revenue	159	500	(341)
Other and miscellaneous	11,792	6,869	4,923
Gain on disposal of assets	13,500	45,000	(31,500)
Transfers	(9,884)	(11,250)	1,366
Total Revenues	<u>\$ 1,076,650</u>	<u>\$ 1,000,189</u>	<u>\$ 76,461</u>
Expenses:			
General Government	\$ 224,293	\$ 372,311	\$ (148,018)
Public Safety	437,916	377,940	59,976
Public Works	162,951	177,075	(14,124)
Culture & Recreation and Community Development	85,937	57,256	28,681
Total Expenses	<u>\$ 911,097</u>	<u>\$ 984,582</u>	<u>\$ (73,485)</u>
Change in Net Position	<u>\$ 165,553</u>	<u>\$ 15,607</u>	<u>\$ 149,946</u>
Net Position, July 1	1,449,203	1,433,596	15,607
Prior Period Adjustment	14,856	-	14,856
Net Position, June 30	<u>\$ 1,629,612</u>	<u>\$ 1,449,203</u>	<u>\$ 180,409</u>

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Governmental Activities Change: Changes in governmental activities from 2019 to 2020 in charges for services include increase receipts in Police department activities such as providing a school resource officer. The economic development fund received a \$35,000 Big Sky Economic Development Grant and the Fire Capital Fund received \$70,200 in grant funds; the Town received \$33,447 in CARES Act funding, other increases came in shared revenues.

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

	2020	2019	Change
Operating Revenues			
Charges for Services	\$ 1,162,417	\$ 1,157,296	\$ 5,121
Operating grants		8,645	(8,645)
Total Operating Revenues	<u>\$ 1,162,417</u>	<u>\$ 1,165,941</u>	<u>\$ (3,524)</u>
Operating Expenses:			
Water	\$ 471,809	\$ 466,589	\$ 5,220
Sewer	489,764	545,576	(55,812)
Airport	313,475	178,606	134,869
Total Operating Expenses	<u>\$ 1,275,048</u>	<u>\$ 1,190,771</u>	<u>\$ 84,277</u>
Operating Income/(Loss)	<u>\$ (112,631)</u>	<u>\$ (24,830)</u>	<u>\$ (87,801)</u>
Non-Operating Revenues/(Expenses)			
Dedicated taxes	\$ 5,550	\$ 6,126	\$ (576)
Intergovernmental revenues			-
Interest revenue	5,571	5,510	61
Donation	-	560	(560)
Debt service interest expense	(191,286)	(170,124)	(21,162)
Total Non-Operating Revenues/(Expenses)	<u>\$ (180,165)</u>	<u>\$ (157,928)</u>	<u>\$ (22,237)</u>
Increase/(Decrease) in Net Position before Transfers & Contributions	<u>\$ (292,796)</u>	<u>\$ (182,758)</u>	<u>\$ (110,038)</u>
Capital Grants and Contributions	405,509	132,734	272,775
Transfers from governmental funds	9,884	11,250	(1,366)
Change in Net Position	<u>\$ 122,597</u>	<u>\$ (38,774)</u>	<u>\$ 161,371</u>
Net Position, July 1	13,516,783	13,511,810	4,973
Prior Period Adjustment	35,102	43,748	(8,646)
Beginning Net Position Restated	<u>\$ 13,551,885</u>	<u>\$ 13,555,558</u>	<u>\$ (3,673)</u>
Net Position, June 30	<u>\$ 13,674,482</u>	<u>\$ 13,516,784</u>	<u>\$ 157,698</u>

Business-type Activities Change: Business-type activities increased net position in fiscal year 2020. Operating expenses increased more than operating expense, but as described earlier, a capital grant for airport work increased total net position significantly. Airport work began in fiscal 2019 and was not complete by June 2020 so it appears as "construction in progress" in the business-type assets for the statement of net position in the business-type fund financial statements.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. Expenditures from this fund pay for mayor and Town council, administration and finance, judicial, police and fire operations, street operations not funded by gas tax revenues, cemetery, park and pool operations. Special revenue funds such as activities financed by tax revenues and special

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

assessments for street lighting, building permit fees, grants, and gas tax revenues are part of the "other" governmental funds.

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

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

	Major Funds			Total
	General	Economic	Other Govern-	
	Fund	Development	Governmental	
Fund Balances July 1, 2018	\$ 272,696	\$ -	648,295	\$ 920,991
Re-classify Economic Development. Fund Balance		43,492	(43,492)	-
Fiscal Year 19 Revenues	668,565	150,000	219,673	1,038,238
Fiscal Year 19 Expenditures	(610,685)	(178,788)	(133,348)	(922,821)
Other Financing Sources(uses)	23,361		(34,610)	(11,249)
Fund Balances June 30, 2019	\$ 353,937	\$ 14,704	656,518	\$ 1,025,159
Re-classify Economic Development fund balance		(14,704)	14,704	-
Fiscal Year 20 Revenues	717,978	-	350,486	1,068,464
Fiscal Year 20 Expenditures	(660,355)	-	(256,698)	(917,053)
Other Financing Sources(uses)	(22,651)	-	12,767	(9,884)
Prior period adjustment	(3,893)	-	-	(3,893)
Fund Balances June 30, 2020	\$ 385,016	\$ -	777,777	\$ 1,162,793

Total governmental fund balances increased for the year ended June 30, 2020 by \$137,634. No large changes were made in fundamental operations, certain revenues tied to inflation or tax levies automatically increased but the effect of the Covid 19 pandemic were beginning to show in activity by late spring of 2020.

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

Figure 7-Budgetary Report Significant Differences

General Fund	2019		2019	2019
	Original Budget	Final Budget		
Revenues	\$ 655,009	\$ 655,009	\$ 661,123	
Expenditures	\$ 650,812	\$ 650,812	\$ 603,243	
General fund	2020		2020	2020
	Original Budget	Final Budget		
Revenues	\$ 660,838	660,838	710,347	
Expenditures	\$ 732,998	732,998	652,724	

Governmental rules require that a Town include budgetary information for at least the general fund and any special revenue funds that reported as major funds. For the year ended June 30, 2020 there were no special revenue funds that qualified as major. The budgetary comparison schedule is also required to show the original adopted budget and the final budget after any amendments have been made. No amendments were made to the general fund for both years displayed above though some amendments were made to the non-major funds. Both budgeted and actual expenditures for fiscal 2020 reflect increases in police department staffing.

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Capital Assets and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 was \$ 17,738,646 (net of related accumulated depreciation). These assets include land, buildings, improvements other than buildings, machinery and equipment, roads and street infrastructure, and utility system infrastructure and systems. See figures 8 and 9 for end of year balances.

Net investment in capital assets shown in the net position of the Statement of Net Position consists of the capital assets net of depreciation (as noted above) of \$17,738,644 less outstanding debt of \$ 5,378,382.

Figure 8-Governmental-Capital Assets

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

	2020	2019	Change
Land	\$ 2,707	\$ 2,707	\$ -
Depreciable assets:			
Buildings	434,985	434,985	-
Improvements other than Buildings	301,470	301,470	-
Machinery and Equipment	1,133,959	1,010,054	123,905
Infrastructure	136,440	136,440	-
Total Capital Assets	\$ 2,009,561	\$ 1,885,656	\$ 123,905
Less Accumulated Depreciation	(1,145,115)	(1,090,536)	(54,579)
Net Governmental Capital Assets	\$ 864,446	\$ 795,120	\$ 69,326

During FY 2020 the Town purchased an excavator and a skid steer, both were shared by streets, water and sewer. The fire department received new breathing apparatus (SCBA) by participating in a county-wide grant; ultimately the Town paid \$25,000 for its share and the grant provided \$70,200.

Figure 9-Business Activities-Capital Assets

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

	2020	2019	Change
Land	\$ 663,198	\$ 663,198	\$ -
Construction in progress	628,662	183,878	444,784
Buildings and other improvements	5,515,308	5,515,308	-
Machinery and Equipment	541,033	497,177	43,856
Infrastructure and systems	16,678,673	16,570,564	108,109
Total Capital Assets	\$ 24,026,874	\$ 23,430,125	\$ 596,749
Less Accumulated Depreciation	(7,152,675)	(6,529,684)	(622,991)
Net Business-type Capital Assets	\$ 16,874,199	\$ 16,900,441	\$ (26,242)

During FY the Town water and sewer funds participated in purchasing an excavator and skid steer, the water fund worked on wells and added pumps, the airport continued its runway project which was still in progress at June 30, 2020.

Figure 10-Governmental-Outstanding Debt

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

	2020	2019	Change
Compensated absences	\$ 53,414	\$ 33,230	\$ 20,184
Net Pension Liability	346,259	332,845	13,414
OPEB liability	27,281	56,228	(28,947)
Total	\$ 426,954	\$ 422,303	\$ 4,651

The Town did not have any governmental debt related to financing in fiscal 2019 or 2020. Compensated absences and Net Pension Liability increased slightly while the Other Post Employment Benefits (OPEB) liability decreased significantly. All three obligations are accruals related to employee benefits.

TOWN OF STEVENSVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Figure 11-Business Activities-Outstanding Debt

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Bonds and notes	\$ 5,378,383	\$ 5,477,518	\$ (99,135)
Compensated Absences	18,971	16,990	1,981
Net Pension liability	240,168	259,224	(19,056)
OPEB liability	18,926	60,974	(42,048)
Total	<u>\$ 5,656,448</u>	<u>\$ 5,814,706</u>	<u>\$ (158,258)</u>

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

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

By the time the Town of Stevensville fiscal 2020 financial statements are being released, fiscal 2021 has progressed to the point that much of the Covid 19 pandemic immediate effects have been felt and the town is working on budgeting for fiscal 2022. However, the scope of some activities, such as swimming pool usage, will remain unknown until later in the 2022 fiscal year. The Town expects to receive significant additional funding from the American Rescue Plan stimulus money and will be moving forward on long-time needed street repairs.

Requests for Information

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

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



STROM & ASSOCIATES, P.C.

Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

INDEPENDENT AUDITOR'S REPORT

Mayor and Town 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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Stevensville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stevensville as of June 30, 2020, 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 Notes 1. b .2 to the financial statements, during the year ended June 30, 2020, the Town of Stevensville changed from upon receipt revenue recognition to 30 day revenue recognition for reporting taxes receivable. In past years, The Town of Stevensville reported taxes receivable and revenues upon receipt which was the County’s May taxes receivable report since the County June activity is not remitted to the Town until sometime in mid to late July and now they are using the June County report. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the Town of Stevensville adopted GASB Statement No. 84 – *Fiduciary Activities*. 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 require that the Management’s Discussion and Analysis (pages 3-10), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 45), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 46-49), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 50-52) 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021 on our consideration of the Town of Stevensville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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’s internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
October 11, 2021

STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,197,062	\$ 1,837,754	\$ 3,034,816
Taxes Receivable	14,700	-	14,700
Accounts Receivable - Net	-	122,813	122,813
Internal Balances	3,050	(3,050)	-
Due from Other Governments	58,794	330,303	389,097
Prepaid Expenses	4,611	-	4,611
Total Current Assets	<u>1,278,217</u>	<u>2,287,820</u>	<u>3,566,037</u>
Noncurrent Assets:			
Restricted Cash and Investments	-	562,291	562,291
Capital Assets:			
Land	2,707	663,198	665,905
Construction in Progress	-	628,662	628,662
Net Depreciable Assets	849,240	15,710,920	16,560,160
Total Noncurrent Assets	<u>851,947</u>	<u>17,565,071</u>	<u>18,417,018</u>
Total Assets	<u>2,130,164</u>	<u>19,852,891</u>	<u>21,983,055</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Employer Pension Plan Related	62,009	43,010	105,019
Total Deferred Outflows of Resources	<u>62,009</u>	<u>43,010</u>	<u>105,019</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,192,173</u>	<u>\$ 19,895,901</u>	<u>\$ 22,088,074</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 46,180	\$ 385,407	\$ 431,587
Unearned Revenue	-	5,123	5,123
Accrued Payroll	4,047	2,148	6,195
Other Current Liabilities	10,395	-	10,395
Current Portion of Compensated Absences	26,707	9,550	36,257
Current Portion of Long-term Capital Obligations	-	123,972	123,972
Total Current Liabilities	<u>87,329</u>	<u>526,200</u>	<u>613,529</u>
Noncurrent Liabilities:			
Compensated Absences	26,707	9,420	36,127
Net Pension Accrual	346,259	240,168	586,427
Other Postemployment Benefits	27,281	18,926	46,207
Long-term Capital Debt Obligations	-	5,254,412	5,254,412
Total Noncurrent Liabilities	<u>400,247</u>	<u>5,522,926</u>	<u>5,923,173</u>
Total Liabilities	<u>487,576</u>	<u>6,049,126</u>	<u>6,536,702</u>
DEFERRED INFLOWS OF RESOURCES:			
Employer Pension Plan Related	42,962	29,797	72,759
Other Postemployment Benefits Related	4,421	3,068	7,489
Total Deferred Inflows of Resources	<u>47,383</u>	<u>32,865</u>	<u>80,248</u>
NET POSITION:			
Net Investment in Capital Assets	851,947	11,624,396	12,476,343
Restricted	781,699	947,844	1,729,543
Unrestricted (Deficit)	23,568	1,241,670	1,265,238
Total Net Position	<u>1,657,214</u>	<u>13,813,910</u>	<u>15,471,124</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,192,173</u>	<u>\$ 19,895,901</u>	<u>\$ 22,088,074</u>

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	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	\$ 229,797	\$ 30,802	\$ 256,125	\$ -	\$ 57,130		\$ 57,130
Public Safety	467,129	128,917	40,752	70,200	(227,260)		(227,260)
Public Works	134,202	18,467	63,530	1,399	(50,806)		(50,806)
Public Health	-	2,070	-	-	2,070		2,070
Culture and Recreation	50,337	11,442	-	-	(38,895)		(38,895)
Housing and Community Development	35,565	14,986	-	-	(20,579)		(20,579)
Total Governmental Operations	<u>917,030</u>	<u>206,684</u>	<u>360,407</u>	<u>71,599</u>	<u>(278,340)</u>		<u>(278,340)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	530,599	535,927	-	-		5,328	5,328
Sewer	621,133	600,148	-	-		(20,985)	(20,985)
Airport	175,175	26,342	-	-		(148,833)	(148,833)
Total Business-type Activities	<u>1,326,907</u>	<u>1,162,417</u>	<u>-</u>	<u>-</u>		<u>(164,490)</u>	<u>(164,490)</u>
Total Primary Government	<u>\$ 2,243,937</u>	<u>\$ 1,369,101</u>	<u>\$ 360,407</u>	<u>\$ 71,599</u>	<u>\$ (278,340)</u>	<u>\$ (164,490)</u>	<u>\$ (442,830)</u>
GENERAL REVENUES:							
Taxes/Assessments					339,207	5,550	344,757
Local Option Taxes					63,572	-	63,572
Federal/State Shared Revenues					50,262	405,509	455,771
Miscellaneous					11,792	-	11,792
Investment and Royalty Earnings					196	5,573	5,769
Gain (loss) on Sale of Assets					14,500	-	14,500
Internal Balances					(9,884)	9,884	-
Total General Revenues					<u>469,645</u>	<u>426,516</u>	<u>896,161</u>
Change in Net Position					191,305	262,026	453,331
NET POSITION:							
Beginning of the Year					1,447,160	13,516,785	14,963,945
Prior Period Adjustments					18,749	35,099	53,848
End of the Year					<u>\$ 1,657,214</u>	<u>\$ 13,813,910</u>	<u>\$ 15,471,124</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>MAJOR</u>		
	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 382,353	\$ 814,709	\$ 1,197,062
Taxes Receivable	13,602	1,098	14,700
Interfund Receivable	26,839	-	26,839
Due from Other Governments	58,107	687	58,794
Prepaid Expenses	4,611	-	4,611
Total Assets	<u>485,512</u>	<u>816,494</u>	<u>1,302,006</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 485,512</u>	<u>\$ 816,494</u>	<u>\$ 1,302,006</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	32,351	13,829	46,180
Interfund Payable	-	23,789	23,789
Accrued Payroll	4,047	-	4,047
Other Current Liabilities	10,395	-	10,395
Total Liabilities	<u>46,793</u>	<u>37,618</u>	<u>84,411</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Property Taxes Receivable	13,602	1,098	14,700
Total Deferred Inflows of Resources	<u>13,602</u>	<u>1,098</u>	<u>14,700</u>
FUND BALANCE (DEFICITS):			
Nonspendable	4,611	-	4,611
Restricted	-	775,990	775,990
Committed	-	5,894	5,894
Assigned	-	14,782	14,782
Unassigned	420,506	(18,888)	401,618
Total Fund Balance	<u>425,117</u>	<u>777,778</u>	<u>1,202,895</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 485,512</u>	<u>\$ 816,494</u>	<u>\$ 1,302,006</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance Reported Above	\$ 1,202,895
Unavailable Property Taxes Receivable	14,700
Governmental Capital Assets	851,947
Employer Pension Plan Related	62,009
Long-term Liabilities	
Compensated Absences	(53,414)
Net Pension Accrual	(346,259)
Other Postemployment Benefits	(27,281)
Employer Pension Plan Related	(42,962)
Other Postemployment Benefits Related	(4,421)
Net Position of Governmental Activities	<u>\$ 1,657,214</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	MAJOR		
	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes and Assessments	\$ 360,275	\$ 45,566	\$ 405,841
Licenses and Permits	21,954	110,694	132,648
Intergovernmental Revenues	286,101	103,074	389,175
Charges for Services	58,797	14,186	72,983
Fines and Forfeitures	8,848	-	8,848
Miscellaneous	82,837	6,622	89,459
Investment and Royalty Earnings	14	182	196
Total Revenues	818,826	280,324	1,099,150
EXPENDITURES:			
Current:			
General Government	194,937	10,287	205,224
Public Safety	319,988	57,596	377,584
Public Works	90,701	29,995	120,696
Culture and Recreation	47,099	-	47,099
Housing and Community Development	-	35,565	35,565
Capital Outlay	70,200	53,054	123,254
Total Expenditures	722,925	186,497	909,422
Excess (Deficiency) of Revenues Over Expenditures	95,901	93,827	189,728
OTHER FINANCING SOURCES (USES):			
Fund Transfers In	1,349	24,000	25,349
Fund Transfers (Out)	(24,000)	(11,233)	(35,233)
Total Other Financial Sources (Uses)	(22,651)	12,767	(9,884)
Net Change in Fund Balance	73,250	106,594	179,844
FUND BALANCE:			
Beginning of the Year	351,867	671,184	1,023,051
End of the Year	\$ 425,117	\$ 777,778	\$ 1,202,895

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 – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

Net Changes in Fund Balance	\$	179,844
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	(3,062)	
State Pension Aid	7,631	4,569
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(80,927)	
Actuarial Pension Expense	(46,697)	
(Increase) Decrease in Other Postemployment Benefits	16,946	
(Increase) Decrease in Compensated Absence Liability	(20,184)	(130,862)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	123,254	
Gain (Loss) on Sale of Assets	14,500	137,754
Change in net Position Reported on the Statement of Activities	\$	191,305

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	MAJOR			Total Enterprise Funds
	Water	Sewer	Airport	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,279,697	\$ 447,304	\$ 110,753	\$ 1,837,754
Accounts Receivable - Net	56,563	66,250	-	122,813
Due from Other Governments	-	-	330,303	330,303
Total Current Assets	1,336,260	513,554	441,056	2,290,870
Noncurrent Assets:				
Restricted Cash and Investments	260,008	302,283	-	562,291
Capital Assets:				
Land	49,008	16,627	597,563	663,198
Construction in Progress	-	-	628,662	628,662
Net Depreciable Assets	4,573,404	7,739,593	3,397,923	15,710,920
Total Noncurrent Assets	4,882,420	8,058,503	4,624,148	17,565,071
Total Assets	6,218,680	8,572,057	5,065,204	19,855,941
DEFERRED OUTFLOWS OF RESOURCES:				
Employer Pension Plan Related	21,288	21,346	376	43,010
Total Deferred Outflows of Resources	21,288	21,346	376	43,010
Total Assets and Deferred Outflows of Resources	\$ 6,239,968	\$ 8,593,403	\$ 5,065,580	\$ 19,898,951
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 16,136	\$ 13,412	\$ 355,859	\$ 385,407
Unearned Revenue	5,123	-	-	5,123
Interfund Payable	-	-	3,050	3,050
Accrued Payroll	1,074	1,068	6	2,148
Current Portion of Compensated Absences	4,704	4,702	144	9,550
Current Portion of Long-term Capital Obligations	36,153	79,063	8,756	123,972
Total Current Liabilities	63,190	98,245	367,815	529,250
Noncurrent Liabilities:				
Compensated Absences	4,703	4,574	143	9,420
Net Pension Accrual	118,875	119,195	2,098	240,168
Other Postemployment Benefits	9,366	9,394	166	18,926
Long-term Capital Debt Obligations	1,942,856	3,263,988	47,568	5,254,412
Total Noncurrent Liabilities	2,075,800	3,397,151	49,975	5,522,926
Total Liabilities	2,138,990	3,495,396	417,790	6,052,176
DEFERRED INFLOWS OF RESOURCES:				
Employer Pension Plan Related	14,749	14,788	260	29,797
Other Postemployment Benefits Related	1,518	1,523	27	3,068
Total Deferred Inflows of Resources	16,267	16,311	287	32,865
NET POSITION:				
Net Investment in Capital Assets	2,643,403	4,413,169	4,567,824	11,624,396
Restricted for Debt Service	626,345	304,235	17,264	947,844
Unrestricted (Deficit)	814,963	364,292	62,415	1,241,670
Total Net Position	4,084,711	5,081,696	4,647,503	13,813,910
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,239,968	\$ 8,593,403	\$ 5,065,580	\$ 19,898,951

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

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	MAJOR			Total Enterprise Funds
	Water	Sewer	Airport	
OPERATING REVENUES:				
Charges for Services	\$ 535,927	\$ 600,148	\$ 26,222	\$ 1,162,297
Miscellaneous	-	-	120	120
Total Operating Revenues	<u>535,927</u>	<u>600,148</u>	<u>26,342</u>	<u>1,162,417</u>
OPERATING EXPENSES:				
Personal Services	134,892	134,712	3,732	273,336
Supplies	74,413	13,250	606	88,269
Purchased Services	122,554	99,726	9,651	231,931
Fixed Charges	12,887	18,218	2,570	33,675
Depreciation	127,062	223,860	157,487	508,409
Total Operating Expense	<u>471,808</u>	<u>489,766</u>	<u>174,046</u>	<u>1,135,620</u>
Operating Income (Loss)	<u>64,119</u>	<u>110,382</u>	<u>(147,704)</u>	<u>26,797</u>
NONOPERATING REVENUES (EXPENSES)				
Taxes and Assessments	-	-	5,550	5,550
Intergovernmental	2,620	2,627	400,262	405,509
Interest	3,157	2,097	319	5,573
Debt Service Interest	(58,791)	(131,367)	(1,129)	(191,287)
Total Nonoperating Revenue (Expenses)	<u>(53,014)</u>	<u>(126,643)</u>	<u>405,002</u>	<u>225,345</u>
CONTRIBUTIONS AND TRANSFERS				
Transfers In	-	-	9,884	9,884
Change in Net Position	11,105	(16,261)	267,182	262,026
NET POSITION:				
Beginning of the Year	4,057,160	5,081,418	4,378,207	13,516,785
Prior Period Adjustments	16,446	16,539	2,114	35,099
End of the Year	<u>\$ 4,084,711</u>	<u>\$ 5,081,696</u>	<u>\$ 4,647,503</u>	<u>\$ 13,813,910</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	MAJOR			Total Enterprise Funds
	Water	Sewer	Airport	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 544,505	\$ 602,063	\$ 26,342	\$ 1,172,910
Payments to Employees	(148,837)	(148,771)	(7,057)	(304,665)
Payments to Suppliers	(215,735)	(129,195)	(14,440)	(359,370)
Net Cash Provided (Used) by Operating Activities	<u>179,933</u>	<u>324,097</u>	<u>4,845</u>	<u>508,875</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers Between Funds	-	-	9,884	9,884
Subsidies from Tax Assessments	-	-	5,550	5,550
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>-</u>	<u>15,434</u>	<u>15,434</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	-	-	79,672	79,672
Purchases of Capital Assets	(137,037)	(28,928)	(88,925)	(254,890)
Principal Paid on Capital Debt	(32,218)	(58,160)	(8,756)	(99,134)
Interest Paid on Capital Debt	(58,791)	(131,367)	(1,129)	(191,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(228,046)</u>	<u>(218,455)</u>	<u>(19,138)</u>	<u>(465,639)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends	<u>3,157</u>	<u>2,097</u>	<u>319</u>	<u>5,573</u>
Net Cash Provided (Used) by Investing Activities	<u>3,157</u>	<u>2,097</u>	<u>319</u>	<u>5,573</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(44,956)</u>	<u>107,739</u>	<u>1,460</u>	<u>64,243</u>
BALANCE:				
Beginning of the Year	<u>1,584,661</u>	<u>641,848</u>	<u>109,293</u>	<u>2,335,802</u>
End of the Year	<u>\$ 1,539,705</u>	<u>\$ 749,587</u>	<u>\$ 110,753</u>	<u>\$ 2,400,045</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 64,119	\$ 110,382	\$ (147,704)	\$ 26,797
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	127,062	223,860	157,487	508,409
OPEB Expense	(6,331)	(6,206)	(378)	(12,915)
GASBS No. 68 Pension Expense	3,983	3,883	(2,862)	5,004
Changes in Assets and Liabilities:				
Accounts Receivable	8,578	1,915	-	10,493
Accounts Payable	(5,881)	1,999	(1,613)	(5,495)
Compensated Absences	(6,037)	(6,170)	287	(11,920)
Accrued Payables	(5,560)	(5,566)	(372)	(11,498)
Net Cash Provided (Used) by Operating Activities	<u>\$ 179,933</u>	<u>\$ 324,097</u>	<u>\$ 4,845</u>	<u>\$ 508,875</u>
Supplemental Schedule of Noncash Activities:				
GASBS No. 68 State Contribution	<u>\$ 2,620</u>	<u>\$ 2,627</u>	<u>\$ 46</u>	<u>\$ 5,293</u>

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, 2020

	<u>Custodial Funds</u>
	Fire Department Relief Association
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,547
Total Assets	<u>\$ 4,547</u>
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Restricted For:	
Individuals and Organizations	4,547
Total Net Position	<u>\$ 4,547</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2020

	<u>Custodial Funds</u>
	Fire Department Relief Association
ADDITIONS:	
Contributions from State of Montana	\$ 4,544
Total Additions	<u>4,544</u>
DEDUCTIONS:	
Total Deductions	-
Change in Net Position	4,544
NET POSITION:	
Beginning of the Year	3
End of the Year	<u>\$ 4,547</u>

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

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

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 (Montana), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the end of fiscal year 2020, the Town adopted the following GASB Statements:

- 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.
- GASB Statement No. 92 – *Omnibus*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Town determined that this Statement does not significantly affect its financial reporting. The Town plans to follow the guidance in this Statement as it is applicable to financial reporting of the Town.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The Town determined that this Statement does not significantly affect its financial reporting. The Town does not have any derivative instruments, but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships*. This Statement establishes guidance for the various aspects of Public-Private and Public-Public Partnerships (PP&Ps) and Availability Payment Arrangements (APAs). The Town determined that this Statement does not significantly affect its financial reporting. The Town does not have any PP&Ps or APAs, but will comply with this statement if it enters into any such instruments in the future.

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

- 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 June 15, 2021. The Town plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Town plans to implement this Statement once it has identified how it affects the Town and has reviewed the Q&A on this Statement.
 - GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32*. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution other postemployment benefits (OPEB) plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and some elements are effective for reporting period beginning after June 15, 2021. The Town plans to implement this Statement once it has identified how it affects the Town and has reviewed the Q&A on this Statement.

Services Provided: 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.

Incorporation: The Town was incorporated under the laws of Montana and as required by GAAP, the financial statements of the reporting entity include those of the Town (the primary government) and any component units. The criteria for including organizations as component units within the Town's reporting entity are 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 Disability (FDRA) and Pension Fund, a legally separate organization, is reflected as a fiduciary fund, since the Town holds assets for pension purposes in accordance with GASB No. 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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2020

The Statement of Activities reports the direct expenses of a given governmental function or business-type segment offset by program revenues directly connected with the functional program or segment. 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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. 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. Custodial funds and funds held in trusts are used to account for resources held for the benefit of parties outside of the Town and are reported as fiduciary funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Town own programs.

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 thirty days after June 30. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and 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 and assessments. Property tax and assessments revenue and revenues received from the 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 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 special assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenues are reported by major source and are reported net of all related discounts and allowances, including those relating to the increase or decrease to the allowance for uncollectible accounts.

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, and 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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Fiduciary fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. For fiduciary activities, a liability to the beneficiaries of a fiduciary activity should be recognized when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. For example, a liability is recognized when tax collections for other governments occurs, even though it may not be required to distribute the taxes to those governments until a specified time in the future.

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund. Other individual governmental and enterprise 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.

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 is used to account for financing the activities of the Town’s Airport service.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

- Custodial Funds report resources, not in a trust, that are held by the Town for other parties outside of Town’s reporting entity. The following custodial funds are maintained by the Town.
 - FDRA – This fund accounts for the resources collected, held, and disbursed by the Town for the volunteer firefighter 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 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 or National Credit Union Association insured
- Repurchase agreements as authorized by MCA
- State of Montana Short-Term Investment Pool

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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.

Clearing Funds – Warrants written but not redeemed are reported in the Town’s payroll and claims clearing funds. However, for financial reporting purposes, these are treated as a cash reconciling items. Cash in the accounting system is held for warrants which were written but have not been paid by the Ravalli County 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.

Statement of Cash Flows – 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 depreciation reserve for the purpose of replacing the system in the future.

1. c. 2. TAXES

Property Tax Levies – 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 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 Montana statute as a fixed percentage of market value.

Special Assessments – Special Assessments are set in connection with the budget process and are based on assessable area. Assessable area means the portion of a lot or parcel of land that is benefited by the special district. The assessable area may be less than but may not exceed the actual area of the lot or parcel. The governing body shall estimate annually, as near as practicable, the costs and expenses covered by the special assessment.

Collections – Property taxes and special assessments are collected by the County Treasurer, who credits to the Town funds its respective share of the collections. Tax levies are collectible in two installments, which become delinquent after November 30 and May 31. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction.

Delinquency – Unpaid property taxes are liens on the property being taxed. Taxes and special assessments 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. The Town receives its share of the sale proceeds of any such auction.

1. c. 3. INVENTORIES

Materials and supplies inventory are reported as 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 with a historical cost in excess of \$5,000 and 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:

<u>Capital Asset Classes</u>	<u>Useful Life</u>
Buildings	39 years
Improvements Other than Buildings	10 - 39 years
Machinery and Equipment	7 - 50 years
Infrastructure	15 - 70 years

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

1. c. 5. DEFERRED OUTFLOWS AND 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 increase to 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 Outflows and Inflows – 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.

Other Postemployment Benefits Liability – Deferred Outflows and Inflows – The Town recognizes a net pension liability for each OPEB liability plan participant. Changes in OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other OPEB related changes.

Property Taxes and Special Assessments – Deferred Inflows – The Town reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund Balance Sheet, they are reported as unavailable from property taxes and special assessments 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, 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. At June 30, 2020, the amount expected to be paid within one year related to governmental activities amounted to \$26,707 and is generally paid out of the General fund. At June 30, 2020, the amount expected to be paid within one year related to business-type activities amounted to \$9,550 and is paid out of the fund that 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 is comprised of 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 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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Governmental fund financial statements include the following fund balances:

- **Nonspendable** – 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.
- **Committed** – This balance includes amounts constrained to specific purposes by a government itself by action of its highest level of decision-making authority, the Mayor and City Council. To be reported as committed, amounts cannot be used for any other purpose unless the government’s highest-level of decision-making authority takes a similar action to remove or change the constraint. The government’s highest level of decision-making authority must approve all committed expenditures.
- **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.

At June 30, 2020, fund balance components other than unassigned fund balance were as follows:

Purpose	Nonspendable	Restricted	Committed	Assigned
General Government	\$ 4,611	\$ 99,875	\$ 0	\$ 0
Public Safety	0	172,872	0	0
Public Works	0	207,478	5,894	0
Culture and Recreation	0	75,000	0	0
Housing and Community Development	0	220,765	0	14,782
Total	\$ 4,611	\$ 775,990	\$ 5,894	\$ 14,782

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 committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed, then assigned and then unassigned funds as needed, unless the Mayor and Town 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 the Ravalli County (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 a fiduciary fund in the Town’s name and are periodically remitted to the Town by the County Treasurer. No service charges have been recorded by the Town or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2020, cash and cash equivalents for governmental activities, business-type activities, and fiduciary funds were as follows:

Account Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 1,197,062	\$ 1,837,754	\$ 4,547	\$ 3,039,363
Restricted Cash and Investments	0	562,291	0	562,291
Total	\$ 1,197,062	\$ 2,400,045	\$ 4,547	\$ 3,601,654

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

The carrying amounts of cash on hand, deposits, and investments at June 30, 2020 were as follows:

	<u>Amount</u>
Demand Accounts	\$ 2,288,183
Time Deposits	1,062,023
Money market	<u>251,448</u>
Total	<u>\$ 3,601,654</u>

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. On June 30, 2020, the Town’s bank balances were exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value June 30, 2020</u>
Covered by Depository Insurance	\$ 569,913
Collateral Held by the Pledging Bank’s Trust Department but not in the Town’s Name	2,969,921
Uninsured and Uncollateralized	<u>0</u>
Total Bank Balance	<u>\$ 3,539,834</u>

2. b. RESTRICTED ASSETS

Restricted cash was held by the Town Treasurer at June 30, 2020 as follows:

<u>Fund</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Restricted for Bond Repayment	\$ 91,008	\$ 302,283	\$ 393,291
Restricted for Replacement and Deprecation	<u>169,000</u>	<u>0</u>	<u>169,000</u>
Total	<u>\$ 260,008</u>	<u>\$ 302,283</u>	<u>\$ 562,291</u>

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, 2020, the sinking fund balance was sufficient to satisfy such bond ordinance requirements.

NOTE 3. TAXES AND ASSESSMENTS RECEIVABLE

The Town is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2019, upon which the levy for the 2020 fiscal year was based, amounted to \$3,013,780 for the Town. The tax rates assessed for the year ended June 30, 2020 to finance Town operations and applicable taxes receivable were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>	<u>Assessments Receivable</u>	<u>Total</u>
<u>Governmental Funds</u>				
General *	94.32	\$ 13,602	\$ 0	\$ 13,602
Capital Improvement	3.32	0	0	0
Tax Increment Finance District (TIFD)	0.00	(1,442)	0	(1,442)
Targeted Economic Development District (TEDD)	0.00	2,468	0	2,468
Twin Creeks lighting #5	<u>0.00</u>	<u>0</u>	<u>72</u>	<u>72</u>
Total	<u>97.64</u>	<u>\$ 14,628</u>	<u>\$ 72</u>	<u>\$ 14,700</u>

* Denotes Major Fund

Property taxes or special assessments assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax or assessment. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$0 of taxes paid under protest.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

NOTE 4. ACCOUNTS RECEIVABLE

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

Fund	Accounts Receivable	Unbilled but Paid in Advance	Net Accounts Receivable
Water *	\$ 63,490	\$ (6,927)	\$ 56,563
Sewer *	66,250	0	66,250
Total	<u>\$ 129,740</u>	<u>\$ (6,927)</u>	<u>\$ 122,813</u>

* Denotes Major Fund

NOTE 5. OTHER ASSETS

5. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the Town for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2020 were as follows:

Fund	Amount	Due From	Reason
General *	\$ 21,899	Ravalli County	Taxes receivable
TEDD	542	Ravalli County	Taxes receivable
Twin Creeks lighting #5	145	Ravalli County	Taxes receivable
General *	36,208	State of Montana	CARES Act reimbursable grant
Airport *	<u>330,303</u>	Federal Aviation Administration	Airport improvement grant receivable
Total	<u>\$ 389,097</u>		

* Denotes Major Fund

5. b. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables represent the loan of 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. Interfund amounts reported as of June 30, 2020 were as follows:

Interfund Receivable	Amount	Interfund Payable	Purpose
General *	\$ 9,770	Ambulance	Cover negative cash
General *	3,050	Airport Project	Cover negative cash
General *	<u>14,019</u>	Planning	Cover negative cash
Total	<u>\$ 26,839</u>		

* Denotes Major Fund

All interfund balances were expected to be paid within one year except those between the General and Ambulance funds. The Town intends to budget a permanent subsidy of the Ambulance fund in future fiscal years.

NOTE 6. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

6. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2020 follows:

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Governmental Activities:	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Non-depreciable Assets:				
Land	\$ 2,707	\$ 0	\$ 0	\$ 2,707
Total Non-depreciable Assets	2,707	0	0	2,707
Depreciable Assets:				
Buildings	434,986	0	0	434,986
Improvements Other than Buildings	301,470	0	0	301,470
Machinery and Equipment	1,010,053	145,754	(34,348)	1,121,459
Infrastructure	136,440	0	0	136,440
Total Depreciable Assets	1,882,949	145,754	(34,348)	1,994,355
Accumulated Depreciation:				
Buildings	(359,516)	(5,609)	0	(365,125)
Improvements Other than Buildings	(129,611)	(14,659)	0	(144,270)
Machinery and Equipment	(569,848)	(51,563)	26,348	(595,063)
Infrastructure	(31,561)	(9,096)	0	(40,657)
Total Accumulated Depreciation	(1,090,536)	(80,927)	26,348	(1,145,115)
Net Depreciable Assets	792,413	64,827	(8,000)	849,240
Net General Capital Assets	\$ 795,120	\$ 64,827	\$ (8,000)	\$ 851,947

Depreciation expense charged to governmental functions was as follows:

Function	Amount
General Government	\$ 5,504
Public Safety	41,733
Public Works	30,452
Culture and Recreation	3,238
Total Depreciation Expense	\$ 80,927

6. b. BUSINESS-TYPE CAPITAL ASSETS

The schedule of changes in business-type capital assets for the year ended June 30, 2020 follows:

Business-type Activities:	Balance July 1, 2019	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2020
Non-depreciable Assets:					
Land	\$ 663,198	\$ 0	\$ 0	\$ 0	\$ 663,198
Construction in Progress	183,878	444,784	0	0	628,662
Total Non-depreciable Assets	847,076	444,784	0	0	1,291,860
Depreciable Assets:					
Buildings	155,977	0	0	0	155,977
Improvements Other than Buildings	5,401,530	0	0	(42,199)	5,359,331
Machinery and Equipment	497,176	73,856	(30,000)	0	541,032
Source of Supply	3,584,682	12,669	0	0	3,597,351
Pumping Plant	18,900	95,440	0	42,199	156,539
Treatment Plant	10,276,790	0	0	0	10,276,790
Transmission and Distribution	2,214,425	0	0	0	2,214,425
Infrastructure	433,568	0	0	0	433,568
Total Depreciable Assets	22,583,048	181,965	(30,000)	0	22,735,013

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Business-type Activities:	Balance July 1, 2019	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2020
Accumulated Depreciation:					
Buildings	(114,301)	(2,698)	0	0	(116,999)
Improvements Other than Buildings	(2,116,003)	(114,826)	0	4,820	(2,226,009)
Machinery and Equipment	(364,466)	(31,637)	14,000	0	(382,103)
Source of Supply	(364,749)	(70,505)	0	0	(435,254)
Pumping Plant	(18,900)	(10,583)	0	(4,820)	(34,303)
Treatment Plant	(3,093,386)	(209,843)	0	0	(3,303,229)
Transmission and Distribution Infrastructure	(290,904)	(39,412)	0	0	(330,316)
	<u>(166,975)</u>	<u>(157,487)</u>	<u>0</u>	<u>128,582</u>	<u>(195,880)</u>
Total Accumulated Depreciation	<u>(6,529,684)</u>	<u>(636,991)</u>	<u>14,000</u>	<u>128,582</u>	<u>(7,024,093)</u>
 Net Depreciable Assets	<u>16,053,364</u>	<u>(455,026)</u>	<u>(16,000)</u>	<u>128,582</u>	<u>15,710,920</u>
 Net Business-type Capital Assets	<u>\$ 16,900,440</u>	<u>\$ (10,242)</u>	<u>\$ (16,000)</u>	<u>\$ 128,582</u>	<u>\$ 17,002,780</u>

NOTE 7. LONG-TERM DEBT

7. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2020	Due within One Year
Compensated Absences	33,230	20,184	0	53,414	26,707
Accrued Pension	332,845	13,414	0	346,259	0
Other Postemployment Benefits	<u>56,179</u>	<u>0</u>	<u>(28,898)</u>	<u>27,281</u>	<u>0</u>
Total Governmental Activities - Long-term Debt	<u>\$ 422,254</u>	<u>\$ 33,598</u>	<u>\$ (28,898)</u>	<u>\$ 426,954</u>	<u>\$ 26,707</u>

7. b. BUSINESS-TYPE LONG-TERM DEBT

The schedule of changes in business-type long-term debt for the year ended June 30, 2020 follows:

Business-type Activities:	Balance July 1, 2019	Principal Payments and Other Reductions	Balance June 30, 2020	Due within One Year
Bonds and Notes Payable:				
Revenue Bonds	\$ 5,412,439	\$ (90,378)	\$ 5,322,061	\$ 115,216
Notes Payable	<u>65,079</u>	<u>(8,756)</u>	<u>56,323</u>	<u>8,756</u>
Total Bonds and Notes Payable	<u>5,477,518</u>	<u>(99,134)</u>	<u>5,378,384</u>	<u>123,972</u>
Other Liabilities:				
Compensated Absences	30,890	(11,920)	18,970	9,550
Accrued Pension	259,224	(19,056)	240,168	0
Other Postemployment Benefits	<u>60,974</u>	<u>(42,048)</u>	<u>18,926</u>	<u>0</u>
Total Other Liabilities	<u>351,088</u>	<u>(73,024)</u>	<u>278,064</u>	<u>9,550</u>
Total Business-type Activities - Long-term Debt	<u>\$ 5,828,606</u>	<u>\$ (172,158)</u>	<u>\$ 5,656,448</u>	<u>\$ 133,522</u>

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

7. b. 1 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 as follows:

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2020
Water Bond No. 1	6/15/2010	2.750%	40 years	06/14/2050	\$2,173,000	\$ 1,979,009
Sewer Rus No. 1 (2000A)	3/26/1997	4.500%	40 years	03/25/2037	1,250,000	908,731
Sewer Rus No. 3 (2000B)	6/18/1999	4.500%	40 years	06/17/2039	814,000	589,478
Sewer Bond No. 2 (2011)	3/24/2010	3.000%	40 years	03/23/2050	780,000	686,396
Sewer Bond (2016A)	2/10/2016	1.875%	40 years	02/09/2056	800,000	742,246
Sewer Bond (2016B)	2/10/2016	1.875%	40 years	02/09/2056	450,000	416,201
					<u>\$6,267,000</u>	<u>\$ 5,322,061</u>

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

For the year ended June 30:	Principal	Interest	Total
2021	\$ 115,216	\$ 161,394	\$ 276,610
2022	123,112	157,424	280,536
2023	127,227	153,309	280,536
2024	131,492	149,044	280,536
2025	135,916	144,620	280,536
2026-2030	751,876	650,804	1,402,680
2031-2035	889,947	512,733	1,402,680
2036-2040	1,056,131	346,549	1,402,680
2041-2045	701,770	201,970	903,740
2046-2050	731,989	113,411	845,400
2051-2055	530,528	24,346	554,874
2056	26,857	126	26,983
Totals	<u>\$5,322,061</u>	<u>\$2,615,730</u>	<u>\$7,937,791</u>

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 and sewer rates be sufficient to provide net revenues of not less than 110%. 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.

7. b. 2 NOTES PAYABLE

The Town entered into loan agreements 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	Term	Maturity Date	Amount Issued	Outstanding June 30, 2020
Montana Aeronautics 2014GL	03/01/2014	1.625%	40 years	02/28/2024	\$ 16,557	\$ 6,623
Montana Aeronautics 2017GL	03/01/2017	1.750%	40 years	02/28/2027	71,000	49,700
					<u>\$ 87,557</u>	<u>\$ 56,323</u>

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Debt service requirements to maturity for principal and interest for these notes were as follows:

For the year ended June 30:	Principal	Interest	Total
2021	\$ 8,756	\$ 979	\$ 9,735
2022	8,756	827	9,583
2023	8,756	675	9,431
2024	8,755	524	9,279
2025	7,100	373	7,473
2026-2027	<u>14,200</u>	<u>373</u>	<u>14,573</u>
Totals	<u>\$ 56,323</u>	<u>\$ 3,751</u>	<u>\$ 60,074</u>

NOTE 8. DEFERRED INFLOWS OF RESOURCES

The Town reported deferred property taxes and assessments at June 30, 2020 as follows:

Fund	Amount	Reason
General *	\$ 13,602	Taxes Receivable
TIFD	(1,442)	Taxes Receivable
TEDD	2,468	Taxes Receivable
Twin Creeks Lighting #5	<u>72</u>	Assessments Receivable
Total	<u>\$ 14,700</u>	

* Denotes Major Fund

NOTE 9. DEFICIT FUND BALANCES

Deficit fund balances result from commitments that exceed the associated resources. The Town reported deficit fund balances at June 30, 2020 as follows:

Fund	Amount	Town's Plan to Correct
Ambulance	\$ (10,034)	Budget an Ambulance subsidy with General fund resources
Planning	<u>(8,854)</u>	Future planning fees charges
Total	<u>\$ (18,888)</u>	

* Denotes Major Fund

NOTE 10. PRIOR PERIOD ADJUSTMENTS

The Town recorded prior period adjustments at June 30, 2020 as follows:

Fund	Governmental Funds	Proprietary Funds	Total Primary Government	Reason
Water *		\$ 16,446	\$ 16,446	Change in estimated OPEB
Sewer *		16,539	16,539	Change in estimated OPEB
Airport *		<u>2,114</u>	<u>2,114</u>	Change in estimated OPEB
Total		<u>35,099</u>	<u>35,099</u>	
* Denotes Major Fund				
Governmental Activities	<u>18,749</u>		<u>18,749</u>	Change in estimated OPEB
Total	<u>\$ 18,749</u>	<u>\$ 35,099</u>	<u>\$ 53,848</u>	

NOTE 11. INTERFUND OPERATING TRANSFERS IN AND OUT

The Town recorded interfund transfers during the year ended June 30, 2020 as follows:

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Operating Fund - In	Amount	Operating Fund - Out	Purpose
Capital improvements	\$ 24,000	General *	Fund future capital assets
General *	1,349	Community Oriented Policing Services (COPS) Grant	Residual equity transfer
Airport *	9,884	TEDD	Budgeted transfer to loans
Total	\$ 35,233		

* Denotes Major Fund

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

12. a. PLAN DESCRIPTION

The Town maintains a single-employer defined benefit healthcare plan called the Town of Stevensville Employee Group Benefits Plan (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 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. BENEFITS PROVIDED

The Town provides healthcare benefits for retirees and their dependents. The Town provides the same health care plan to all of its members. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The Town covers \$594 of the premiums for active employees and 50% of dental and vision premiums for active employees.

12. d. EMPLOYEES COVERED BY BENEFIT TERMS

At as of June 30, 2020, the measurement date, the following employees were covered by the benefit terms:

Active employees	13
Inactive employees (may include spouses)	0

12. e. TOTAL OPEB LIABILITY

The Town's total OPEB liability amounted to \$46,207 at June 30, 2020. The liability was measured as of June 30, 2020 and was determined by an Alternative Measurement Method valuation as of that date.

12. f. ASSUMPTIONS AND OTHER INPUTS

The Town had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability.

Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan.

The total OPEB liability at June 30, 2020 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Average salary increases	4.00%
Discount rate	2.53%
Retiree's share of benefit related costs	100.00%
Health care inflation rate:	

<u>Year</u>	<u>% Increase</u>
2019 and after	8.08 to 3.80%

12. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance June 30, 2019	\$ 117,153
Prior period adjustment to correct beginning balance	<u>(53,848)</u>
Balance July 1, 2019	63,305
Changes for the Year:	
Service Cost (OPEB Expense)	24,902
Interest	1,362
Differences between expected and actual experience	(5,133)
Changes in Assumptions or Other Inputs	(2,356)
Benefit Payments	<u>(35,873)</u>
Net Changes	<u>(17,098)</u>
Balance June 30, 2020	<u>\$ 46,207</u>

Changes in benefit terms and assumptions and other inputs are composed of the following:

- Decrease of \$2,356 is due to change in discount rate as of June 30, 2020

12. h. SENSITIVITY ANALYSIS

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 49,052	\$ 46,207	\$ 42,859

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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 39,765	\$ 46,207	\$ 54,211

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$(35,873).

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ (5,133)
Changes of Assumptions	0	(2,356)
Total	<u>\$ 0</u>	<u>\$ (7,489)</u>

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

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 0	\$ (7,489)

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, e.g., errors and omissions
- Environmental damage
- Workers' compensation
- 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 cost-sharing multiple employer defined benefit retirement plan which covers all Town employees. The plan is established under Montana law and are administered by the State. The Town participates in the following Montana administered retirement plans:

- The Public Employee Retirement System (PERS) covers employees

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:

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

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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

The Montana Public Employee Retirement Administration (MPERA) prepare 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.

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 State Legislature.

14. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

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

Early Retirement:
(actuarially reduced)

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

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

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - 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:
 - A recalculated retirement benefit based on provision in effect after the initial retirement; and
 - 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:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Vesting: 5 years of membership service

- Member's Highest Average Compensation (HAC):
- Hired prior to July 1, 2011:
 - HAC during any consecutive 36 months.
 - Hired on or after July 1, 2011:
 - HAC during any consecutive 60 months.

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

- Monthly Benefit Formula:
- Hired prior to July 1, 2011:
 - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
 - 25 years of membership service or more - 2% of HAC per year of service credit.
 - Hired on or after July 1, 2011:
 - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
 - 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.

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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 - The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.
 - 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.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$33,615,000.

14. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2019 was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. 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 0.00% 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 2122. 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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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, 2011 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, 2019 are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
	(a)	(b)
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

14. b. 6. DEFINED CONTRIBUTION PLAN

The Town contributed to the State of Montana Public Employee Retirement System Defined Contribution Retirement Plan (Defined Contribution plan) for employees that have elected the Defined Contribution plan. The Defined Contribution plan is administered by the Montana Public Employees Retirement Board (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 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 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 Defined Contribution plan.

At the plan level for the measurement period ended June 30, 2019, the Defined Contribution plan employer did not recognize any net pension liability or pension expense for the Defined Contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$714,024.

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, respectively, 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.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
Net Pension Liability	\$ 3,003,181,095	\$ 2,090,310,698	\$ 1,323,158,712
Town's Net Pension Liability	842,529	586,427	371,206

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.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

As of measurement date	NPL		Percent of Collective NPL as of 6/30/19	Percent of Collective NPL as of 6/30/18*	Change in Percent of Collective NPL
	as of 6/30/19	as of 6/30/18			
Town Proportionate Share	\$ 586,427	\$ 592,070	0.028055%	0.028368%	(0.000313)%
State of Montana Proportionate Share associated with Employer	190,377	198,349	0.009108%	0.009503%	(0.000395)%
Total	\$ 776,804	\$ 790,419	0.037163%	0.037871%	(0.000708)%

*To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage.

At June 30, 2020, the employer recorded a liability for its proportionate share of the NPL of \$592,070. At June 30, 2019, the employer's proportion was 0.028055 percent.

The NPL was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and applying standard roll forward procedures. 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.

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

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

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

14. e. PENSION EXPENSE

(As of measurement date)	Pension Expense as of 6/30/19	Pension Expense as of 6/30/18
Town's Proportionate Share	\$ 82,563	\$ 73,286
Employer Grant Revenue – State of Montana Proportionate Share for employer	447	13,238
Employer Grant Revenue – State of Montana State Appropriation for employer	<u>12,477</u>	<u>0</u>
Total	<u>\$ 95,488</u>	<u>\$ 86,524</u>

At June 30, 2019, the employer recognized a pension expense of \$95,488 for its proportionate share of Pension Expense. The employer also recognized grant revenue of \$12,924 for the support provided by Montana for its proportionate share of the Pension Expense.

14. f. DEFERRED INFLOWS AND OUTFLOWS

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

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 27,807	\$ 27,594
Changes in actuarial assumptions	24,896	0
Difference between projected and actual investment earnings	7,110	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	45,166
Contributions paid subsequent to the measurement date – FY 2020 Contributions *	<u>45,206</u>	<u>0</u>
Total	<u>\$ 105,019</u>	<u>\$ 72,760</u>

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	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense
2020	\$ 13,379
2021	(35,353)
2022	2,645
2023	6,381
Thereafter	0

14. g

EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	Employer's Proportionate Share
Total Pension Liability	\$ 2,242,551
Fiduciary Net Position	<u>1,656,124</u>
Net Pension Liability	586,427
Deferred Outflows of Resources	105,019
Deferred Inflows of Resources	72,760
Pension Expense	95,488

TOWN OF STEVENSVILLE

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

NOTE 15. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND

Town volunteer firefighters are covered by the FDRA Disability and Pension Fund (the Association), which is established by Montana 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 Town's contribution to the plan for the fiscal year ended June 30, 2020 was \$0. The State 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 \$4,544. The plan's benefits are established by the Association's Board of Trustees.

No actuarial valuation or report of unfunded past service costs had been prepared for the Association.

NOTE 16. SUBSEQUENT REPORTABLE EVENTS

Due to the COVID19 pandemic, the Town may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

TOWN OF STEVENSVILLE

SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2020

**OTHER POSTEMPLOYMENT BENEFITS
CHANGE IN LIABILITY**

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in 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)=(h)
6/30/18	\$ 26,734	\$ 0	\$ 0	\$ 3,151	\$ (10,228)	\$ 19,657	\$ 91,116	\$ 110,773
6/30/19	22,057	5,141	0	(17,101)	(3,717)	6,380	110,773	117,153
6/30/20	24,902	1,362	0	(61,337)	(35,873)	(70,946)	117,153	46,207

**OTHER POSTEMPLOYMENT BENEFITS
PAYROLL RATIO**

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	\$ 302,204	36.66%
6/30/19	314,292	37.28%
6/30/20	504,666	9.16%

These schedules are 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, 2020

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 Per- centage of the Total Pension Liability
2014	0.029285%	\$ 364,891	\$ 4,456	\$ 369,347	\$ 337,990	111.22%	79.87%
2015	0.030434%	425,435	5,226	430,661	355,176	119.78%	78.40%
2016	0.032857%	559,672	6,839	566,511	393,572	142.20%	74.71%
2017	0.033863%	659,522	8,890	668,412	416,297	158.43%	73.75%
2018	0.028368%	592,070	198,349	790,419	466,519	126.91%	73.47%
2019	0.028055%	586,427	190,377	776,804	462,897	126.69%	73.85%

This 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, 2020

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	39,514	0	39,514	0	466,519	8.47%
2019	39,812	0	39,812	0	462,897	8.60%
2020	41,049	0	41,049	0	473,459	8.67%

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

TOWN OF STEVENSVILLE

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, 2020

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

CHANGES OF BENEFIT TERMS

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

2017:

Working Retiree Limitations – for PERS

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

Refunds

- 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.

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
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

TOWN OF STEVENSVILLE

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(As of Measurement Date)
For the year ended June 30, 2020

Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
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.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	General		
	Original Budget	Final Budget	Actual
REVENUES:			
Taxes and Assessments	\$ 348,559	\$ 348,559	\$ 360,275
Licenses and Permits	29,345	29,345	21,954
Intergovernmental Revenues	219,435	219,435	286,101
Charges for Services	39,724	39,724	58,797
Fines and Forfeitures	17,750	17,750	8,848
Miscellaneous	6,000	6,000	82,837
Investment and Royalty Earnings	19	19	14
Total Revenues	<u>660,832</u>	<u>660,832</u>	<u>818,826</u>
EXPENDITURES:			
Current:			
General Government			194,937
Public Safety			319,988
Public Works			90,701
Culture and Recreation			47,099
Capital Outlay			<u>70,200</u>
Total Expenditures	<u>732,998</u>	<u>732,998</u>	<u>722,925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(72,166)</u>	<u>(72,166)</u>	<u>95,901</u>
OTHER FINANCING SOURCES (USES):			
Fund Transfers In			1,349
Fund Transfers (Out)			<u>(24,000)</u>
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(22,651)</u>
Net Change in Fund Balance	<u>(72,166)</u>	<u>(72,166)</u>	<u>73,250</u>
FUND BALANCE:			
Beginning of the Year			<u>351,867</u>
End of the Year			<u>\$ 425,117</u>

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

TOWN OF STEVENSVILLE

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2020

NOTE 1. BUDGETS

Budgets are adopted in accordance with 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. GENERAL BUDGET POLICIES

Budgeted funds are those for which a legal budget must be adopted to have expenditures as noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual has been prepared on the modified accrual basis of accounting and contains financial information for only the major and special revenue budgeted funds.

1. b. BUDGET OPERATIONS

The Town operates within the budget requirements for incorporated towns as specified by Montana 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 expenditure, or incur an obligation, in excess of the total budgeted 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 or town are legally limited to the amount of appropriations and to the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities, except where appropriations have been 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
 - 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 until the tax levy is authorized and approved.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the Town.

TOWN OF STEVENSVILLE

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (continued)
 For the year ended June 30, 2020

NOTE 2. BUDGET AMENDMENTS

The Town approved budget amendments due to over-expending the original budgetary authority.

Fund	Amount
<u>Governmental Activities</u>	
Ambulance	\$ 4,280
Planning	10,288
Creekside Lighting #1	3,655
Economic Development	34,982
<u>Business-type Activities</u>	
Airport *	76,269
Airport Project *	398,000
<u>Custodial</u>	
FDRA	4,544

* Denotes major fund

NOTE 3. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Amount	Reason
COPS Grant	\$ 1,349	Fund not on original budget document



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 Town 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 the Town of Stevensville as of and for the year ended June 30, 2020, 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 October 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stevensville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stevensville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control which we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Stevensville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies, as described in the accompanying Schedule of Findings and Responses as items 2020-003, 2020-004, 2020-012, 2020-013, and 2020-014, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, as described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, 2020-005, 2020-006, 2020-007, 2020-008, 2020-009, 2020-010, 2020-011, and 2020-015, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 of Stevensville's response to the findings identified in our audit is included in the accompanying Corrective Action Plan. The Town of Stevensville'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
October 11, 2021

TOWN OF STEVENSVILLE
 SCHEDULE OF FINDINGS AND RESPONSES
 For the year ended June 30, 2020

Prior year findings/status

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2020.

2019-001 – Major Fund Reporting	Implemented
2019-002 – Unallowable Interfund Transfer	Implemented
2019-003 – Fire Department Relief Association Liability	Repeated as 2020-002 below
2019-004 – Support for Building Code Permit Fee	Implemented
2019-005 – Annual Financial Report and Accounting Records	Repeated as 2020-005 below
2019-006 – Timely Filing of Annual Financial Report	Repeated as 2020-004 below
2019-007 – Budgetary Compliance	Implemented

Current year findings

2020-001	Building Code Enforcement Fund Balance
Criteria:	Montana Code Annotated (MCA) 50-60-106(2)(g)(ii) specifies that Building Code enforcement reserves are limited to the amount needed to enforce building codes for 12 months and the amount of fees or charges should be reduced if accumulated above this amount.
Condition:	The Town held excess reserves in the Building Code fund at June 30, 2020.
Effect:	The Town is not in compliance with MCA 50-60-106.
Context:	The Town held \$156,253 in reserves in the Building Code fund at June 30, 2020 and budgeted only \$136,818 to fund the program in fiscal year 2021, resulting in excess reserves of \$19,435 at June 30, 2020.
Cause:	The Town had significantly less expenditures than anticipated in prior years with Building Code Enforcement and did not adjust fees to bring reserves down to allowable amounts.
Recommendation:	We recommend the Town review the Building Code fee structure to ensure compliance with 12 months of fund balance reserves.
2020-002	Fire Department Relief Association Liability
	Repeat of prior year finding 2019-003
Criteria:	Governmental Accounting Standards Board Statement 73 (GASB-73) requires a pension trust fund to report an actuarially determined pension liability.
Condition:	The Town did not report an accrued liability for the Fire Department Relief Association (FDRA) pension trust fund in its Annual Financial Report (AFR) as of June 30, 2020.
Effect:	The Town was not in compliance with GASB-73 in its AFR as of June 30, 2020.
Context:	The Town reported no liability associated with future FDRA benefit payments while its records indicate active or retired FDRA members.
Cause:	The Town believed it has complied with MCA 19-18-503 <i>Fund to be Soundly Funded</i> and believed it was in compliance with the requirements of GASB-73. Also, the Town believed the cost of hiring an actuary was not feasible.
Recommendation:	We recommend that the Town comply with the requirements of GASB-73.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

2020-003	Airport Fund Capital Assets
Criteria:	Administrative Rules of Montana (ARM) 2.4.411 and MCA 7-6-609 require governmental accounting systems to be maintained in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that a governmental entity accurately report its capital assets and related costs in its financial statements.
Condition:	Infrastructure capital assets in the airport fund were over depreciated in fiscal year 2020.
Effect:	The Town was not in compliance with GAAP at and for the year ended June 30, 2020.
Context:	Capital assets reported in the AFR at June 30, 2020 did not agree to the Town's subsidiary capital assets schedule in the Airport fund. Infrastructure capital assets were understated by \$128,582. The differences were in depreciation expense and accumulated depreciation for the Airport fund's infrastructure capital assets. This was corrected for financial reporting.
Cause:	When making the closing adjustment for the Airport fund's depreciable capital assets, the Town recorded the total depreciation expense for all depreciable assets in the Airport fund as the depreciation expense to be recognized for infrastructure assets.
Recommendation:	We recommend the Town review closing adjustments for capital assets and ensure that capital assets reported in the AFR agree to the subsidiary schedule.

2020-004	Late Filing of Reports
	Repeat of prior year findings 2019-005 and 2019-006
Criteria:	"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." MCA 7-6-4003(1) "The governing body or managing or executive officer of a local government entity ... shall ensure that a financial report is made every year. The financial report must cover the preceding fiscal year, be in a form prescribed by the department, and be completed and submitted to the department for review within 6 months of the end of the reporting period." MCA 2-7-503(1)(a) "The governing body or managing or executive officer of each local government entity receiving revenue or financial assistance in the period covered by the financial report that is in excess of \$500,000 and that is also in excess of the threshold dollar amount established by the director of the office of management and budget pursuant to 31 U.S.C. 7502(a)(3), regardless of the source of revenue or financial assistance, shall cause an audit to be made at least every 2 years. The audit must cover the entity's preceding 2 fiscal years. The audit must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be completed and submitted to the department for review within 1 year from the close of the last fiscal year covered by the audit." MCA 2-7-503(3)(a) Internal Revenue Service (IRS) Publication 15 generally requires 100% of tax liability to be deposited on or before the due date.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

Condition:	The Town did not: <ul style="list-style-type: none">• File its fiscal year 2020 budget by October 1, 2019.• File its AFR as of June 30, 2020 within 6 months of the end of the fiscal year.• Submit its audited June 30, 2020 financial statements to the Department of Administration for review within 1 year from the close of the last fiscal year covered by an audit.• Deposit 100% of its payroll liabilities for each of the four quarters of 2020 on or before the due date.
Effect:	For the year ended June 30, 2020, the Town not in compliance with MCA 7-6-4003(1). As of and for the year ended June 30, 2020, the Town not in compliance with MCA 2-7-503(1)(a), MCA 2-7-503(3)(a) and IRS regulations.
Context:	The Town filed its fiscal year 2020 budget on May 1, 2020 or 7 months past the deadline. The Town filed its AFR June 18 th , 2021 almost 6 months past the deadline. The Town completed and filed their audit September 8, 2021. For each quarter in fiscal year 2020, the Town filed its Form 941 and the related tax deposits late and was assessed penalties which are currently unpaid.
Cause:	The Town's management and council has not prioritized complying with state and federal financial reporting requirements.
Recommendation:	We recommend the Town plan and prepare accordingly to ensure that they meet reporting deadlines.

2020-005 Reporting Based on Accounting Records

Repeat of prior year finding 2019-005

Criteria:	ARM 2.4.411 and MCA 7-6-609 require governmental accounting systems to be maintained in accordance with GAAP. GAAP requires financial reports to be based on the entity's underlying accounting records.
Condition:	The Town's AFR for fiscal year 2020 reported amounts that differed from the underlying accounting records.
Effect:	The Town's AFR for fiscal year 2020 was not in compliance with ARM 2.4.411
Context:	The Town included \$70,200 in intergovernmental revenue and \$70,200 in capital outlay expenditures which were not recorded in the underlying accounting records. This omission has been corrected for financial reporting.
Cause:	The Town received a Self-Contained Breathing Apparatus (SCBA) grant and related SCBA equipment but did not record the transactions in the accounting records.
Recommendation:	We recommend the Town post all receipts in accounting records.

2020-006 Bank Account Reconciliation

Criteria:	ARM 2.4.411 and MCA 7-6-609 require governmental accounting systems to be maintained in accordance with GAAP. Best practice under GAAP includes monthly reconciliation of cash balance between an entity's accounting records and the bank account statements.
Condition:	The Town did not perform monthly bank account reconciliations during the fiscal year ended June 30, 2020.
Effect:	The Town was not in compliance with GAAP.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

Context: The Town did not perform monthly bank account reconciliations during the fiscal year ended June 30, 2020.

Cause: There was high turnover at the finance officer position during the past several years.

Recommendation: The Town needs to ensure bank account reconciliations are performed monthly.

2020-007 Consistent Transaction Coding and Proper Usage of the Budget, Accounting, and Reporting System

Criteria: ARM 2.4.411 and MCA 7-6-609 require governmental accounting systems to be maintained in accordance with GAAP. GAAP requires adherence to the consistency principle, which includes proper and consistent classification of transactions.

Montana requires municipalities to use the Budget, Accounting, and Reporting System (BARS) chart of accounts for accounting and reporting.

Condition: The Town recorded certain transactions inconsistently and did not adhere to proper usage of the BARS chart of accounts during fiscal year 2020.

Effect: The Town was not in compliance with GAAP and did not properly use the BARS chart of accounts.

Context: We encountered the following account coding errors in the Town’s accounts:

Item	Amount
State entitlement revenue coded as tax revenue	\$ 27,710
Transfer In recorded as special assessments revenue in the Sewer fund *	58,161
Transfer In recorded as special assessments revenue in the Water fund *	32,218

* Reported correctly on AFR

Cause: The Town has had significant turnover in the finance department during the year.

Recommendation: We recommend all transactions be posted to the accounting system timely using correct BARS chart of accounts coding.

2020-008 Building Code Enforcement – Agreed Upon Procedures

Criteria: “A city, county, or town with a certified building code enforcement program that had a building code program reserve fund balance in the preceding fiscal year in excess of \$10,000 and had building permit revenues in the previous fiscal year of more than \$10,000 shall require its independent auditor, in conjunction with the audit required by 2-7-503, MCA, to perform agreed-upon procedures to determine whether the city, county, or town has complied with the financial related statutes and administrative rules relating to city, county, or town building code enforcement programs. The department may require cities, counties, and towns with certified building code enforcement programs which do not meet the above criteria to provide such an audit on a case-by-case basis so the department can ensure program functions are being properly performed as required by 50-60-302, MCA. The agreed-upon procedures engagement must be performed and reported in accordance with standards prescribed by the American Institute of Certified Public Accountants. The engagement must include but is not limited to procedures necessary to provide the information necessary to fully and accurately satisfy the reporting format adopted by reference in (1), as provided for in 50-60-106, MCA, and ARM 24.301.203. Use of this reporting format will become mandatory beginning on July 1, 2007, and will apply to any independent agreed-upon procedures audit performed after that date.” ARM 24.301.208 (3)

Condition: The Town did not complete the required agreed upon procedures engagement for the building code enforcement fund for fiscal year 2020 building code fund activity.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

Effect: The Town is not in compliance with ARM 24.301.208 and MCA 2-7-503.

Context: In testing building code enforcement fund activity we identified that an Agreed Upon Procedures engagement was required for fiscal year 2020 but had not performed.

Cause: The Town did not arrange for the required agreed upon procedures for fiscal year 2020.

Recommendation: We recommend the Town arrange for the required agreed upon procedures in accordance with ARM and MCA.

2020-009 Negative Taxes Receivable

Criteria: Taxes receivable represents amounts owed by taxpayers for unpaid property taxes. Negative balances in taxes receivable suggests that taxpayers' had overpaid property taxes. As such, negative balances would not be appropriately coded to taxes receivable under GAAP.

Condition: The Town reported various negative taxes receivable as of June 30, 2020.

Effect: The Town was not in compliance with GAAP.

Context: The Town reported negative taxes receivable amounting to \$2,364 in the Tax Increment Finance District (TIFD) fund. This caused taxes receivable and deferred taxes receivable to be understated in the TIFD fund as of June 30, 2020.

Cause: The Town records taxes receivable based on information provided by the County treasurer and relies on the County to provide accurate amounts. The Town did not follow up with the County to resolve the erroneous County provided information.

Recommendation: We recommend the Town work with the County to correct the taxes receivable balances in the TIFD fund.

2020-010 Change in Accounting Principle

Criteria: The Town changed accounting principle from estimated upon receipt revenue recognition to 30 day revenue recognition. With this change, the Town did not properly record a restatement of prior year balances and did not properly report ending taxes receivable.

Condition: The change in accounting principle should have resulted in a restatement of revenues which should have been recorded as prior year revenues under the new principle. In addition, taxes receivable under 30 day revenue recognition should not differ from upon receipt revenue recognition.

Effect: Taxes receivable are understated and due from other governments are overstated by the amount of taxes receivable received from the County by the Town in July of 2020; a total of \$16,436. Revenues are overstated and prior period adjustments are understated by the revenues received from the County by the Town in July of 2019; a total of \$11,046.

Context: The Town changed accounting policies from upon receipt revenue recognition to 30 day revenue recognition during fiscal year 2020.

Cause: The Town has not properly reported taxes receivable at June 30, 2020 as shown on County records given to the Town as of that date. The Town did not properly record restatements for change in accounting principle.

Recommendation: We recommend that going forward the Town record taxes receivable as shown on the County records received at June 30 each fiscal year and record remaining amounts due from the County as due from other governments per the 30 day revenue recognition policy.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

2020-011 Short Term Interfund Borrowing

Criteria: Short term interfund receivables and payables established to cover negative cash should be removed from accounting records and reports when the cash is available to relieve the liability.

Condition: The Town reported interfund receivables and payables while cash was available to relieve the balances.

Effect: The Town’s receivables and payables were overstated at June 30, 2020.

Context: At June 30, 2020, the Town reported the following interfund balances:

Fund	Interfund Receivable	Interfund Payable	Available Cash	Overstatement
General *	\$ 3,050			\$ 3,050
Airport Project *		\$ 3,050	\$ 3,050	3,050
General *	14,019			11,221
Planning		14,019	11,221	11,221

* Denotes major fund

Cause: Interfund borrowings were set up in the prior fiscal year to cover cash shortages. These interfund borrowings were not properly relieved during fiscal year 2020.

Recommendation: We recommend the Town relieve interfund borrowings when cash comes available at least annually.

2020-012 Improperly Restricted Cash

Criteria: Restricted cash are funds held for specific purposes, usually to meet third party requirements.

Condition: The Town reported unrestricted cash as restricted cash is reported as restricted in its AFR as of June 30, 2020.

Effect: The Town’s AFR reported inaccurate amounts.

Context: The Town reported cash as restricted for various reasons in the accounting records, financial reports, or both that does not meet the definition of restricted cash. At June 30, 2020, understated unrestricted cash and overstated restricted cash was as follows:

Fund	Amount
General *	\$ 6,751
Gas Tax	116,067
Special Gas Tax	40,762
Heyer Foundation Grant	235
Jean Thomas Park Beautification	75,000
Capital Improvements	99,875
Sidewalk Improvement	52,603
Fire Engine Capital Improvement	2,586
Water *	366,337
Sewer *	1,952
Airport *	17,264
Total	<u>\$ 779,432</u>

* Denotes major fund

This was corrected for financial reporting purposes.

Cause: The Town has had significant turnover in the finance department during the year.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

Recommendation: We recommend the restricted cash account code be used in the accounting records only for cash which meets the definition of restricted cash. We further recommend that financial reporting be derived from accounting records for purposes of reporting restricted cash.

2020-013 Backdated Deposits in Transit

Criteria: Deposits in transit on a cash reconciliation are receipts received by the Town prior to year end which have not yet been deposited in the bank account at year end. Receivables are amounts which are owed to the Town at year end which have not yet been received.

Condition: Deposits in transit on the Town's June 30, 2020 bank reconciliation included \$89,494.44 of revenues which were owed to the Town but which were not received until after year end and thus should have been reported as receivables. In addition, the Town reported \$22,585 of receivables for some of this same revenue, thus overstating revenue.

Effect: Due from other governments (receivables) are understated at June 30, 2020 by \$66,909. Tax revenues at June 30, 2020 are overstated by \$22,585. Cash is overstated at June 30, 2020 by \$89,494.

Context: The process at the Town for recording revenues received after year end is to date the deposit to the period for which the revenue is received.

Cause: Deposits were backdated to June of 2020 for revenues received after year end which were owed to the Town at June 30, 2020.

Recommendation: We recommend rather than backdating deposits, a receivable and revenue should be recorded for all revenues owed to the Town at year end which are not yet received.

2020-014 Due From Other Governments

Criteria: GAAP requires receivables to be properly reported.

Condition: Due from other governments (DFOG) were not correctly recorded.

Effect: The Town's DFOG receivable and revenue is understated in the General fund by \$36,207 and in Airport fund by \$39,431.

Context: DFOG and revenue were under reported in fiscal year 2020 in the General fund \$36,207 and Airport Fund 39,431.

Cause: This was caused by the Town not putting in reimbursement requests timely to ensure that all reimbursable expenses related to the Cares Act and Federal Aeronautics Aviation grant were recognized in the proper period.

Recommendation: We recommend reimbursement requests be submitted timely to ensure that all revenues received are matched to the allowable expenditures in the proper period and year end accruals are recorded as appropriate.

2020-015 Other Post Employment Benefit Restatements

Criteria: Changes in estimates, assumptions and benefits for Other post employment benefit (OPEB) liability calculations should be recorded as activity in the current period and documented in footnote disclosure.

TOWN OF STEVENSVILLE

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2020

Condition:	Some of the changes in estimates and assumptions for changes in OPEB liability were recorded as a restatement to beginning OPEB liability rather than changes in the current period.
Effect:	Restatements for Water fund are overstated \$16,446, Sewer fund \$16,539, Airport fund \$2,114 and Governmental activities \$18,749. Current year activity for OPEB is understated by the same amounts.
Context:	OPEB liability changes each year based on the alternative measurement method rollforward procedures for changes in assumptions, changes in estimates, and changes in benefit terms. These amounts are shown as OPEB expense on the financials and documented in footnote disclosures.
Cause:	Rather than showing the changes in current year activity and footnote disclosure, changes were adjusted to beginning year OPEB liability through restatements.
Recommendation:	We recommend changes in OPEB assumptions, estimates and benefit terms be reported as current year activity and detailed in footnotes rather than shown as restatements.

Hon. Brandon E. Dewey
Mayor of Stevensville

Wendi Planty
Director of Finance & HR



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

September 21, 2021

JohnPaul Poelman, CPA
Strom & Associates P.C.
2728 Colonial Drive, Suite 203
Helena, MT 59602

RE: FY2020 Town of Stevensville Audit

Dear Mr. Poelman,

The Town of Stevensville appreciates the opportunity to review and discuss the findings you have put forward in the audit covering the fiscal year ending on June 30, 2020.

Finding 2020-001: Management does not dispute this finding. The Town's budget will be structured in future years to spend down balances in the Building Code Enforcement Fund.

Finding 2020-002: Management has determined that it is not cost effective to actuarially determine the pension liability for the Fire Department Relief Association.

Finding 2020-003: Management does not dispute this finding and acknowledges an error when preparing the financials for the AFR.

Finding 2020-004: Management does not dispute this finding and will implement corrective action to prevent the late filing of reports.

Finding 2020-005: Management respectfully requests that this finding be withdrawn as the period 13/20 adjustments have corrected this issue.

Finding 2020-006: Management does not dispute this finding and we plan to balance previous months and then provide the council with a monthly financial report.

Finding 2020-007: Management respectfully requests that this finding be removed from the audit and placed in a management letter. The listing of the \$70,200 Self Contained Breathing Apparatus (SCBA) grant should be taken out of the finding altogether until after the audit of the Corvallis Rural Fire District is complete and management knows if the \$70,200 should be classified as a grant, a donation, or simply the donated value of the assets.

Finding 2020-008: Town had contracted with Doyle and Associates for an AUP for Building Codes, we will provide engagement letter.

Finding 2020-009: Management disputes this finding. Taxes receivable are recorded in the Town's accounting system exactly as Ravalli County lists the receivables. The County shows negative tax receivables for several years. Management maintains that as long as the total taxes receivable on the AFR are not negative and the Town's balances match the County, this finding should not exist.

Finding 2020-010: Management respectfully requests this finding be withdrawn. The 30-day consideration to be "available" was applied to FY19 as well as FY20 so there was no change in application of accounting principal in the FY20 AFR. The cash balances in "due from county" exactly match the amount of cash reported at the county at the end of period 6/20 so there is no discrepancy and revenue would have been accurate if the previous finance officer had not made TV 317 in period 6/20. This occurred due to a lack of communication between the previous finance officer and the Town's AFR preparer. The Town will have to do a prior period adjustment in FY21.

Finding 2020-011: Management does not dispute this finding.

Finding 2020-012: Management respectfully requests this finding be withdrawn and that a management letter be issued to recommend review of the restricted cash accounts used by the Town. The Town's intent in most of these instances is to **commit** funds, rather than *restrict* them as discussed in GASB54.

Finding 2020-013: Management does not dispute this finding.

Finding 2020-014: Management does not dispute this finding.

Finding 2020-015: Management does not dispute this finding.

Sincerely,

A handwritten signature in blue ink that reads "Brandon E. Dewey". The signature is written in a cursive style with a long horizontal stroke at the end.

Brandon E. Dewey, Mayor
Town of Stevensville