ANACONDA-DEER LODGE COUNTY

AUDIT REPORT

JUNE 30, 2018

ANACONDA–DEER LODGE COUNTY, MONTANA
For the Year Ended June 30, 2018

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ORGANIZATION
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COUNCIL OF COUNTY COMMISSIONERS

Terry Vermeire	Chairman of Commission
Steve Gates	Commissioner
Kevin A. Hart	Commissioner
Paul Smith	Commissioner
Mike Huotte	Commissioner

COUNTY OFFICIALS

Ben Krakowka	Attorney
Bill Everett	Chief Executive
John Sholey	Clerk and Recorder
Susan Krueger	Clerk of District Court
Tim Barkell	Chief of Law Enforcement
R.J. Tocher	Fire Chief
Larry Pahut	Justice of the Peace
John Leo Sladich	Parks & Recreation Director
Charles Ariss	Planning Director
Chad Lanes	Sanitarian
Ann Morani	Superintendent of Schools
Eric Hoiland	Treasurer

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INDEPENDENT AUDITOR'S REPORT

Council of Commissioners
Anaconda-Deer Lodge County
Anaconda, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anaconda-Deer Lodge County, Anaconda, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Old Works Golf Course, Inc., which is 100% of the assets, liabilities, net position, revenues and expenses of the discretely presented component unit.

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 did not audit the financial statements of the Old Works Golf Course, Inc. which represents 100% of the assets, liabilities, net position, revenues and expenses of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Old Works Golf Course, Inc. is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Anaconda-Deer Lodge County, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of total OPEB liability and related ratios, the schedules of proportionate net pension liability and pension contributions, the schedules of contractual pension contributions and the budgetary comparison information as shown in the table of contents be presented to supplement the Anaconda Deer Lodge County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anaconda-Deer Lodge County's basic financial statements. The Estimated Revenue Available to Pay Debt Service, Debt Service Requirements and Coverage Schedule on pages 117-120 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 121 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The above-mentioned schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the estimated revenue available to pay debt service, debt service requirements and coverage schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019 on our consideration of Anaconda-Deer Lodge County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anaconda-Deer Lodge County's 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 Anaconda-Deer Lodge County, Montana's internal control over financial reporting and compliance.

Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
May 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Anaconda-Deer Lodge, Montana's (the City-County) annual financial report, Anaconda-Deer Lodge County's management is pleased to provide this narrative discussion and analysis of the financial activities of Anaconda-Deer Lodge County for the fiscal year ended June 30, 2018. We discuss and analyze Anaconda-Deer Lodge County's financial performance within the context of the accompanying financial statements and disclosures following this section. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the City-County's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the City-County's financial condition, the following financial statements, notes and required supplementary information should be review in their entirety.

Financial Highlights

- Anaconda-Deer Lodge County's assets exceeded its liabilities by $50,013,131 (net position) for the fiscal year reported. There is compared to $47,555,546 net position in fiscal year 2017.

- Total net position is comprised of the following:
    1) Capital assets, net of related debt, is $38,191,128 which includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of these capital assets.
    2) Total net position of $50,013,131 represent the portion available to maintain Anaconda-Deer Lodge County's continuing obligations to citizens and creditors. The Net Pension Liability was $7,244,846 and the Deferred Outflows was $1,837,402 and Deferred Inflows from pension was $586,175 on June 30, 2018.

- Anaconda-Deer Lodge County's governmental funds reported total ending fund balance of $12,859,588 this year. This compares to the prior year ending fund balance of $12,267,270 showing an increase of $592,318 during the current fiscal year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,801,901, which was a 42.58% increase the balance for fiscal year 2018. The unassigned general fund balance of $2,801,901 is 91.37% of total general fund expenditures in fiscal year 2018. The percentage at June 30, 2017 was 81.27%.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

The annual report consists of a series of financial statements and supplementary information. This Management Discussion and Analysis document introduces Anaconda-Deer Lodge County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. Anaconda-Deer Lodge County also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

Anaconda-Deer Lodge County's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City-County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City-County's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City-County as a whole is improving or deteriorating. Evaluation of the overall health of the City-County would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City-County infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City-County's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when we receive or pay out cash. An important purpose of the design of the statement of activities is to show the financial reliance of the City-County's distinct activities or functions on revenues provided by the City-County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City-County that are principally supported by property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, public health, social and economic services, housing and community development and culture and recreation. Business-type activities primarily include the water, sewer, and solid waste.

The government-wide financial statements include one discretely presented component unit, the Old Works Golf Course, Inc. Separately issued financial statements for the Golf Course may be obtained at Anaconda-Deer Lodge County's administrative offices.

The government-wide financial statements are presented on pages 14 & 15 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Anaconda-Deer Lodge County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City-County's most significant funds rather than the City-County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Anaconda-Deer Lodge County has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City-County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The budgetary comparison statement is included as "basic financial information" for the general fund and two special revenue funds – Public Safety/Law Enforcement and Mill Creek TIFID.

The basic governmental fund financial statements are presented on pages 16-19 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which Anaconda-Deer Lodge County charges customers a fee. The City-County proprietary funds are classified as enterprise funds and internal service funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City-County for a variety of services, primarily utility services. The basic enterprise fund financial statements are presented on pages 20-22 of this report.

Fiduciary funds are classified as Agency Funds and Investment Trust Funds. These funds account for cash and other resources received by the City-County acting as trustee without equity ownership and are reported on pages 23-24 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 25 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning Anaconda-Deer Lodge County's budget presentations. Budgetary comparison schedules for the General and Major special revenues funds can be found in the supplementary section of this report. These schedules demonstrate compliance with the City-County's adopted and final revised budget.

In addition, schedule of proportionate share of the net pension liability and schedule of contributions, schedules of union contractual contributions, and Schedules of OPEB Liability are presented in this section of this report beginning on page 93.

The only other information provided is the required single audit disclosures. These begin on page 121 of this report.

Financial Analysis of the City and County as a Whole

The City-County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 15.41 to 1 (as compared to 12.47 to 1 at June 30, 2017) and 13.08 to 1 (as compared to 5.08 to 1 at June 30, 2017) for business type activities. For the City- County overall, the current ratio is 14.44 to 1 (as compared to 8.28 to 1 at June 30, 2017). These ratios remain strong.

The City-County reported positive balances in total net position for both governmental and business-type activities. Net position for governmental activities increased $1,023,342 in this fiscal year as compared to a $1,313,140 increase in fiscal year 2017. Net position increased $1,434,243 in fiscal year 2018 as compared to an increase of $2,362,672 for business-type activities in fiscal year 2017. The City-County's overall financial position improved during fiscal year 2018 by $2,457,585.

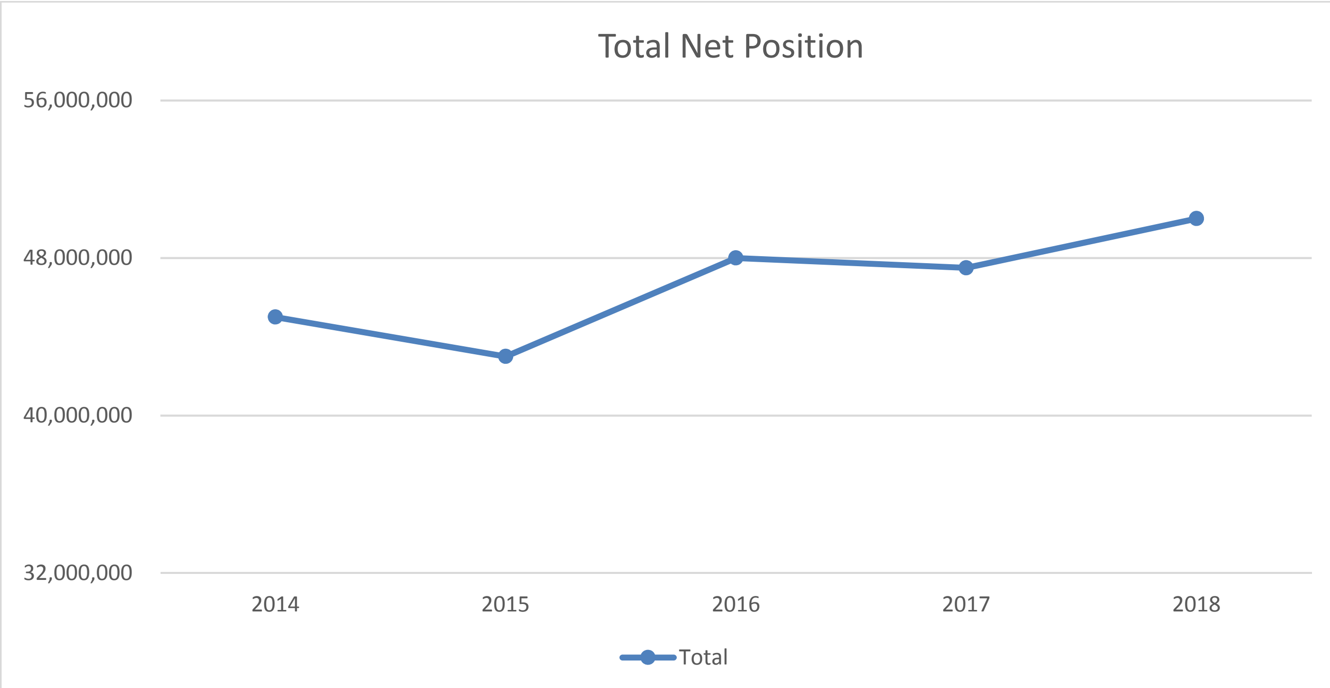
Note that approximately 53.35% of the governmental activities' total assets are tied up in capital as compared to 53.47% at June 30, 2017. The City-County uses these capital assets to provide services to its citizens. However, with business type activities, the City-County spent approximately 76.81% on capital assets. Capital assets in the business-type activities provide utility services to customers as they generate revenues for these proprietary funds.

Anaconda-Deer Lodge County's net position at fiscal year-end is $50,013,131. The following table provides a summary of the City-County's net position comparing June 30, 2018 with June 30, 2017:

Summary of Net Position as of June, 2018 and 2017

	Governmental Actities		Business-Type Activities		Total		% of Total	
Assets:	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current Assets	14,162,758	13,756,883	8,569,182	7,587,083	22,731,940	21,343,966	0.34	0.33
Non-Current Assets	16,195,588	15,827,953	28,384,671	28,189,657	44,580,259	44,017,610	0.68	0.67
Total Assets	30,358,346	29,584,836	36,953,853	35,776,740	67,312,199	65,361,576	1.00	1.00
Deferred Outflows of Resources	1,733,599	1,505,004	103,803	69,824	1,837,402	1,574,828	0.03	0.02
Liabilities:								
Current Liabilities	918,985	924,421	654,880	767,319	1,573,865	1,691,740	0.08	0.09
Long-term Liabilities	12,976,450	13,270,826	3,999,980	4,107,941	16,976,430	17,378,767	0.92	0.91
Total Liabilities	13,895,435	14,195,247	4,654,860	4,875,260	18,550,295	19,070,507	1.00	1.00
Deferred Inflows of Resources								
Deferred inflows of Resources - Pensions	577,647	299,072	8,528	11,279	586,175	310,351	0.03	0.02
Net Asstes								
Invested in capital assets, net of debt	13,000,457	12,279,951	25,190,671	24,842,657	38,191,128	37,122,608	0.76	0.78
Restricted	10,466,343	11,346,399	254,262	254,262	10,720,605	11,600,661	0.21	0.24
Unrestricted	(5,847,937)	(7,030,829)	6,949,335	5,863,106	1,101,398	(1,167,723)	0.02	(0.02)
Total Net Position	**17,618,863**	**16,595,521**	**32,394,268**	**30,960,025**	**50,013,131**	**47,555,546**	**1.00**	**1.00**

The following chart reports the total net position balances from fiscal year 2013 to 2018:



Over the last three years, total net position continues to increase, which is a positive financial indicator.

The following table presents the details of the changes in net position for fiscal years 2018 and 2017:

Summary of Changes in Net Postion
For Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	$2,279,020	$2,588,601	$3,316,339	$3,173,281	$5,595,359	$5,761,882
Operating Grants	2,761,671	2,521,937	0	0	2,761,671	2,521,937
Capital Grants	222,215	858,783	852,489	1,896,957	1,074,704	2,755,740
General:						
Taxes	10,164,454	9,279,556	0	0	10,164,454	9,279,556
Investment Earnings	45,754	13,626	33,736	4,335	79,490	17,961
Other	2,362,933	2,038,240	0	0	2,362,933	2,038,240
Total Revenues	17,836,047	17,300,743	4,202,564	5,074,573	22,038,611	22,375,316
Program Expenses:						
General Government	6,538,368	5,840,263	0	0	6,538,368	5,840,263
Public Safety	4,740,818	4,222,251	0	0	4,740,818	4,222,251
Public Works	2,399,397	2,888,768	0	0	2,399,397	2,888,768
Public Health	809,777	810,824	0	0	809,777	810,824
Social and Economic					0	
Services	1,296,337	1,179,803	0	0	1,296,337	1,179,803
Culture and Recreation	910,957	923,093	0	0	910,957	923,093
Housing and Community					0	
Development	5,299	15,757	0	0	5,299	15,757
Interest	111,752	106,844	0	0	111,752	106,844
Water	0	0	1,117,991	1,084,426	1,117,991	1,084,426
Sewer	0	0	836,362	841,183	836,362	841,183
Solid Waste	0	0	277,793	404,183	277,793	404,183
Ambulance	0	0	519,708	364,645	519,708	364,645
Commissary	0	0	16,467	17,485	16,467	17,485
Total Expenses:	16,812,705	15,987,603	2,768,321	2,711,922	19,581,026	18,699,525
Exess(Deficiency)	1,023,342	1,313,140	1,434,243	2,362,651	2,457,585	3,675,791
Transfer Net	0	0	0	0	0	0
Change in Position	1,023,342	1,313,140	1,434,243	2,362,676	2,457,585	3,675,816
Beginnging net Position	16,595,521	17,793,310	30,960,025	28,857,100	47,555,546	46,650,410
Prior Period Adjustment	0	(2,510,929)	0	(259,751)	0	(2,770,680)
Ending Net Position	**17,618,863**	**16,595,521**	**32,394,268**	**30,960,025**	**50,013,131**	**47,555,546**

GOVERNMENTAL FUNCTIONAL EXPENSES

The following table presents the cost of each of Anaconda-Deer Lodge County's functions, including the net costs, (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City-County's taxpayers by each of these functions.

Governmental Activities

	Fiscal Year 2017		Fiscal Year 2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	5,840,263	4,910,622	6,538,368	5,159,351
Public Safety	4,222,251	2,429,749	4,740,818	3,353,583
Public Works	2,888,768	1,325,389	2,399,397	1,503,569
Public Health	810,824	441,119	809,777	471,067
Social and Economic Services	1,179,803	159,969	1,296,377	310,910
Culture and Recreation	923,093	636,333	910,957	647,101
Housing and Community Development	15,757	8,257	5,299	(7,534)
Interest	106,844	106,844	111,752	111,752
Total	**15,987,603**	**10,018,282**	**16,812,745**	**11,549,799**

As indicated, we finance a large percentage of the City-County's costs through program revenues. Of the net costs to taxpayers, public safety makes up over 29.04% of the total amount as compared to 24.25% in fiscal year 2017.

BUSINESS-TYPE ACTIVITIES

In total, the enterprise funds reported a $1,434,243 increase in net position as compared to $2,362,676 in fiscal year 2017.

Financial Analysis of Anaconda-Deer Lodge County's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending funds balances of $12,859,588.

The total ending fund balances of governmental funds show an increase of $592,318 or 4.83% over the prior year. This increase is primarily a result of excess Mill Creek TIFID tax revenue funds that are distributed to fund balances.

Major Governmental Funds

The General Fund – The general fund is Anaconda-Deer Lodge County's primary operating fund and the largest source of day-to-day service delivery. The general funds' fund balance increase by $1,193,104. In fiscal year 2017, the fund balance decreased by $175,507.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Anaconda-Deer Lodge County maintains five such funds, with the major funds being the water and sewer.

Water Fund – The net position of this fund at June 30, 2018 is $24,267,116.

Sewer Fund – The net position of this fund is $6,848,365 in fiscal year 2018.

General Fund Budgetary Highlights

Total general fund revenues were $773,688 over the budgeted amounts, while expenditures were $43,446 under the projected amounts for fiscal year 2018. This continues to reflect maintaining spending within budget throughout the year and revenues, primarily tax PILT payments, remaining strong.

Capital Assets and Debt Administration

Capital Assets

Anaconda-Deer Lodge County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2018, was $16,195,588 and $28,384,671 respectively. See Note 11, page 37, for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset balances.

Capital Assets (Net of Depreciation)

Combined All Funds

	Governmental Activities		Business Like Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Non-depreciable assets:						
Land	$1,435,963	$1,435,963	$113,744	$113,744	$1,549,707	$1,549,707
Construction in Progress	252,101	0	$131,608	294,805	383,709	294,805
Total Non-depreciable	**1,688,064**	**1,435,963**	**245,352**	**408,549**	**1,933,416**	**1,844,512**
Depreciable assets:						
Buildings	6,301,788	6,301,788	4,359,439	4,359,439	10,661,227	10,661,227
Improvements other Bld	14,108,687	13,574,714	129,468	129,468	14,238,155	13,704,182
Machinery & Equipment	6,186,583	5,935,615	1,039,544	982,044	7,226,127	6,917,659
Pumping Plant			596,730	596,730	596,730	596,730
Treatment Plant			4,196,364	3,987,436	4,196,364	3,987,436
Transmission & Distribution			30,552,195	29,498,149	30,552,195	29,498,149
Infrastructure	1,127,759	757,175			1,127,759	757,175
Total Depreciable assets	**27,724,817**	**26,569,292**	**40,873,740**	**39,553,266**	**68,598,557**	**66,122,558**
Less Accumulated Depreciation	(13,217,293)	(12,177,302)	(12,734,421)	(11,772,156)	(25,951,714)	(23,949,458)
Book Value Depreciable Assets	14,507,524	14,391,990	28,139,319	27,781,110	42,646,843	42,173,100
Percentage Depreciated	48%	46%	31%	30%	38%	36%
Total Capital Assets Net	**16,195,588**	**15,827,953**	**28,384,671**	**28,189,659**	**44,580,259**	**44,017,612**

Long Term Debt

The long term outstanding debt balances at Jun30, 2018 and 2017 follow.

	Governmental Activities		Business Like Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	440,000	580,000	-	-	440,000	580,000
Special Assessment Bonds	29,792	43,591	-	-	29,792	43,591
Intercap Loans	1,255,339	1,374,411	3,194,000	3,347,000	4,449,339	4,721,411
Revenue Bonds	1,470,000	1,550,000	-	-	1,470,000	1,550,000
GASB 75 OPEB	2,510,929	2,510,929	259,752	427,622	2,770,681	2,938,551
Net Pension Liability	6,770,425	6,672,831	474,421	259,751	7,244,846	6,932,582
Compensated Absences	499,965	539,064	71,807	73,568	571,772	612,632
Total Debt	**12,976,450**	**13,270,826**	**3,999,980**	**4,107,941**	**16,976,430**	**17,378,767**

At June 30, 2018, the depreciable capital assets for governmental activities were 48% depreciated, consistent with the June 30, 2017 percentage. With Anaconda-Deer Lodge County's business type activities, 31% of the asset values were depreciated at June 30, 2018 and 30% at June 30, 2017. In both instances, the minimum change in the percentage depreciated is a positive indicator. This means that Anaconda-Deer Lodge County is replacing its capital assets at the same rate as the amount of depreciation expense.

See Note 12, Page 39 for additional information about Anaconda-Deer Lodge County's long-term debt.

Economic Conditions Affecting Anaconda-Deer Lodge County

Anaconda-Deer Lodge County, located in mountainous southwestern Montana, is one of two consolidated City-County governments in the state. Anaconda-Deer Lodge County covers approximately 741 square miles and is characterized by densely timbered forestlands, lakes and recreation grounds.

The economy of Anaconda-Deer Lodge County has been historically based on the smelting of copper ores extracted in nearby Butte, Montana. The grounds of the Anaconda smelter still boast the largest masonry smoke stack in the world. The smelter was Anaconda-Deer Lodge County's largest employer by far, and since it closed in 1980, the population has continued to decline.

However, as Anaconda-Deer Lodge County has continued diversifying into smaller, service-oriented business, it has begun to experience residential growth and development in our more rural areas. This has been primarily fueled by reasonable land and development prices, recreational opportunities, and beautiful scenic vistas.

Anaconda-Deer Lodge County is located near the intersection of two major interstate highways (I-90 and I-15), supports a comprehensive hospital offering a full range of medical service to the community and surrounding areas, and owns a general-purpose airport.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of Anaconda-Deer Lodge County's finances, comply with finance-related laws and regulations, and demonstrate Anaconda-Deer Lodge County's commitment to public accountability. If you have questions about this report or would like to request additional information, please contact Anaconda-Deer Lodge County's Chief Financial Officer/Clerk & Recorder at the Anaconda-Deer Lodge County Courthouse, located at 800 Main St, Anaconda, Montana or call (406) 563-4060.

FINANCIAL STATEMENTS

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Old Works Golf Course, Inc. 12/31/2017
ASSETS				
Cash and investments	$ 13,225,648	$ 7,967,483	$ 21,193,131	$ 61,892
Accounts receivable, net	293,692	154,651	448,343	16,752
Taxes/assessments receivable, net	501,038	231,359	732,397	-
Due from other governments	142,380	210,127	352,507	-
Prepaid expenses	-	5,562	5,562	-
Inventories	-	-	-	67,686
Other current assets	-	-	-	18,386
Capital assets - depreciable, net	14,507,524	28,139,319	42,646,843	687,657
Capital assets - non-depreciable	1,688,064	245,352	1,933,416	-
Total assets	30,358,346	36,953,853	67,312,199	852,373
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	1,733,599	103,803	1,837,402	-
LIABILITIES				
Accounts payable	684,815	654,880	1,339,695	296,900
Accrued expenses	116,853	-	116,853	-
Due to other governments	117,317	-	117,317	-
Noncurrent liabilities				
Due within one year				
Compensated absences	276,980	35,904	312,884	-
Capital liabilities	359,866	155,000	514,866	190,613
Due in more than one year				
Compensated absences	222,985	35,903	258,888	-
Capital liabilities	2,835,265	3,039,000	5,874,265	1,352,507
OPEB liability	2,510,929	259,752	2,770,681	-
Net pension liability	6,770,425	474,421	7,244,846	-
Total liabilities	13,895,435	4,654,860	18,550,295	1,840,020
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	577,647	8,528	586,175	-
NET ASSETS				
Net investment in capital assets	13,000,457	25,190,671	38,191,128	274,537
Restricted:				
General government	524,311	-	524,311	-
Public safety	1,606,634	-	1,606,634	-
Public works	2,599,399	-	2,599,399	-
Public health	110,567	-	110,567	-
Culture and recreation	411,492	-	411,492	-
Social and economic services	131,264	-	131,264	-
House and community	191,827	-	191,827	-
Debt service	371,239	254,262	625,501	-
Capital projects	4,396,610	-	4,396,610	-
Nonexpendable	123,000	-	123,000	-
Unrestricted (deficit)	(5,847,937)	6,949,335	1,101,398	(1,262,184)
Total net position	$ 17,618,863	$ 32,394,268	$ 50,013,131	$ (987,647)

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense)Revenue and Changes in Net Position			
						Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit Year Ended 12/31/2017
Functions/Programs								
Primary Government:								
Governmental activities:								
General government	$ 6,538,368	$ 754,837	$ 624,180	$ -	$ (5,159,351)	$ -	$ (5,159,351)	$ -
Public safety	4,740,818	706,162	681,073	-	(3,353,583)	-	(3,353,583)	-
Public works	2,399,397	729,320	166,508	-	(1,503,569)	-	(1,503,569)	-
Public health	809,777	49,058	289,652	-	(471,067)	-	(471,067)	-
Social and economic services	1,296,337	-	985,427	-	(310,910)	-	(310,910)	-
Culture and recreation	910,957	39,643	1,998	222,215	(647,101)	-	(647,101)	-
Housing and community development	5,299	-	12,833	-	7,534	-	7,534	-
Debt service expense - interest	111,752	-	-	-	(111,752)	-	(111,752)	-
Total governmental activities	16,812,705	2,279,020	2,761,671	222,215	(11,549,799)	-	(11,549,799)	-
Business-type activities:								
Water	1,117,991	1,131,968	-	816,188	-	830,165	830,165	-
Sewer	836,362	1,263,210	-	36,301	-	463,149	463,149	-
Solid waste	277,793	436,841	-	-	-	159,048	159,048	-
Ambulance	519,708	457,573	-	-	-	(62,135)	(62,135)	-
Commissary	16,467	26,747	-	-	-	10,280	10,280	-
Total business-type activities	2,768,321	3,316,339	-	852,489	-	1,400,507	1,400,507	-
Total primary government	$ 19,581,026	$ 5,595,359	$ 2,761,671	$ 1,074,704	$ (11,549,799)	$ 1,400,507	$ (10,149,292)	
Component Unit Old Works Golf Course, Inc.	$ 1,612,506	$ 1,000,550	$ 427,399	$ -				(184,557)
General revenues								
Property taxes					10,164,454	-	10,164,454	-
PILT					707,133	-	707,133	-
State entitlement					1,517,864	-	1,517,864	-
Investment earnings					45,754	33,736	79,490	-
Miscellaneous					137,936	-	137,936	-
Total general revenues and transfer					12,573,141	33,736	12,606,877	-
Change in net position					1,023,342	1,434,243	2,457,585	(184,557)
Net position - beginning					16,595,521	30,960,025	47,555,546	(803,090)
Net position - ending					$ 17,618,863	$ 32,394,268	$ 50,013,131	$ (987,647)

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Public Safety Fund	Mill Creek TIFID	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 2,906,001	$ 409,939	$ -	$ 9,909,708	$ 13,225,648
Taxes/assessments receivable, net	106,557	94,966	-	299,515	501,038
Due from other funds	31,760	-	-	-	31,760
Due from other governments	-	-	-	142,380	142,380
Other receivables	22,157	-	-	271,535	293,692
Total assets	$ 3,066,475	$ 504,905	$ -	$ 10,623,138	$ 14,194,518
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 158,017	$ 34,096	$ -	$ 492,702	$ 684,815
Due to other funds	-	-	-	31,760	31,760
Due to other governments	-	-	-	117,317	117,317
Total liabilities	158,017	34,096	-	641,779	833,892
Deferred Inflow of Resources					
Unavailable revenue - property taxes and special assessments	106,557	94,966	-	299,515	501,038
Total Deferred Inflow of Resources	106,557	94,966	-	299,515	501,038
Fund balances:					
Nonspendable	-	-	-	123,000	123,000
Restricted					
General Government	-	-	-	523,806	523,806
Public safety	-	375,843	-	1,001,630	1,377,473
Public works	-	-	-	2,464,661	2,464,661
Public health	-	-	-	110,567	110,567
Social and economic	-	-	-	125,395	125,395
Culture and recreation	-	-	-	395,085	395,085
Housing and community development	-	-	-	191,827	191,827
Debt service	-	-	-	361,748	361,748
Capital projects	-	-	-	4,391,073	4,391,073
Unassigned	2,801,901	-	-	(6,948)	2,794,953
Total fund balance	2,801,901	375,843	-	9,681,844	12,859,588
Total liabilities , deferred inflows of resources and fund balance	$ 3,066,475	$ 504,905	$ -	$ 10,623,138	$ 14,194,518

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds	$ 12,859,588
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	16,195,588
Property taxes receivable will be collected in the next fiscal year but are not available soon enough to pay for the current period's expenditures, and therefore are not recognized in the funds.	501,038
Deferred outflows of resources related to pension obligations are not reported in the governmental fund financial statements.	1,733,599
Long-term liabilities (current and long term portions) are not reported as liabilities in the fund financial statements.	(12,976,450)
Expenses on the accrual basis of accounting are not reported in the fund financial statements	(116,853)
Deferred inflows of resources related to pension obligations future activity are not reported in the governmental fund financial statements.	(577,647)
Total net position - governmental activities	$ 17,618,863

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Public Safety	Mill Creek TIFID	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	$ 1,256,008	$ 1,371,097	$ 4,700,960	$ 3,017,328	$ 10,345,393
Licenses and permits	136,840	-	-	10,850	147,690
Intergovernmental	1,265,208	819,154	-	2,688,019	4,772,381
Charges for services	512,976	33,750	-	1,293,551	1,840,277
Fines and forfeitures	144,334	10	-	36,976	181,320
Miscellaneous	35,616	2,755	-	624,397	662,768
Investment earnings	17,142	-	-	28,611	45,753
Total revenues	3,368,124	2,226,766	4,700,960	7,699,732	17,995,582
EXPENDITURES					
Current:					
General government	2,907,308	-	2,257,106	1,288,740	6,453,154
Public safety	103,303	2,106,054	-	2,193,294	4,402,651
Public works	27,911	-	-	1,878,426	1,906,337
Public health	490,403	-	-	1,445,759	1,936,162
Social and economic services	67,438	-	-	-	67,438
Culture and recreation	475,486	-	-	284,184	759,670
Housing and community development	5,604	-	-	-	5,604
Debt service expense-principal	-	-	-	352,871	352,871
Debt service expense-interest	-	-	-	111,752	111,752
Capital outlay	60,868	58,509	-	1,288,248	1,407,625
Total expenditures	4,138,321	2,164,563	2,257,106	8,843,274	17,403,264
Excess (deficiency) of revenues over expenditures	(770,197)	62,203	2,443,854	(1,143,542)	592,318
OTHER FINANCING SOURCES (USES)					
Transfers in	2,098,145	-	-	2,234,583	4,332,728
Transfers (out)	(134,844)	-	(2,443,854)	(1,754,030)	(4,332,728)
Total other financing sources (uses)	1,963,301	-	(2,443,854)	480,553	-
Net change in fund balance	1,193,104	62,203	-	(662,989)	592,318
Fund balance - beginning	1,608,797	313,640	-	10,344,833	12,267,270
Fund balance - ending	$ 2,801,901	$ 375,843	$ -	$ 9,681,844	$ 12,859,588

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	592,318
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. This is the amount by which capital outlays ($1,407,625) exceeds depreciation ($1,039,991) in the current period.		367,634
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues are the difference between 2017 and 2018 taxes receivable. ($682,047 and $501,116, respectively)		(180,931)
The increase in compensated absences is shown as an addition to payroll expense in the statement of activities.		39,159
Some pension expenses do not require the use of current finanicial resources and are not reported as expenditures in the governmental funds.		(147,709)
Repayment of long-term debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.		352,871
Change in net position - statement of activities	$	1,023,342

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other Business-Type	
ASSETS	Water	Sewer	Activities	Totals
Current assets				
Cash and investments	$ 4,710,398	$ 2,126,464	$ 1,130,621	$ 7,967,483
Accounts receivable, net	68,523	13,241	72,887	154,651
Taxes/assessments receivable, net	-	150,140	81,219	231,359
Due from other government	203,301	6,826	-	210,127
Prepaid expenses	-	-	5,562	5,562
Total current assets	4,982,222	2,296,671	1,290,289	8,569,182
Noncurrent assets				
Capital assets - depreciable, net	19,998,982	8,042,167	98,170	28,139,319
Capital assets - non-depreciable	190,694	26,242	28,416	245,352
Total noncurrent assets	20,189,676	8,068,409	126,586	28,384,671
Total assets	25,171,898	10,365,080	1,416,875	36,953,853
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	73,636	14,213	15,954	103,803
LIABILITIES				
Current liabilities				
Accounts payable	429,112	212,172	13,596	654,880
Compensated absences	16,771	454	18,679	35,904
Capital liabilities	-	155,000	-	155,000
Total current liabilities	445,883	367,626	32,275	845,784
Noncurrent liabilities				
Compensated absences	16,770	454	18,679	35,903
Capital liabilities	-	3,039,000	-	3,039,000
OPEB liability	173,168	57,723	28,861	259,752
Net pension liabilty	336,548	64,957	72,916	474,421
Total noncurrent liabilities	526,486	3,162,134	120,456	3,809,076
Total liabilities	972,369	3,529,760	152,731	4,654,860
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	6,049	1,168	1,311	8,528
NET POSITION				
Net investment in capital assets	20,189,676	4,874,409	126,586	25,190,671
Restricted for debt service	-	254,262	-	254,262
Unrestricted	4,077,440	1,719,694	1,152,201	6,949,335
Total net position	$ 24,267,116	$ 6,848,365	$ 1,278,787	$ 32,394,268

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other Business-Type	
	Water	Sewer	Activities	Totals
Operating revenues:				
Taxes and assessments	$ -	$ 1,246,944	$ 875,187	$ 2,122,131
Charges for services	1,118,904	-	-	1,118,904
Miscellaneous	13,064	16,266	36,810	66,140
Total operating revenues	1,131,968	1,263,210	911,997	3,307,175
Operating expenses:				
Personal services	332,825	102,455	454,062	889,342
Contractual services	51,386	125,186	207,785	384,357
Utilities	95,330	474	27,690	123,494
Repairs/maintenance	44,692	23,936	3,237	71,865
Other supplies and expenses	84,155	101,570	64,330	250,055
Depreciation	509,499	395,918	56,846	962,263
Total expenses	1,117,887	749,539	813,950	2,681,376
Operating income(loss)	14,081	513,671	98,047	625,799
Non-operating revenues (expenses)				
Investment income	20,109	9,501	4,125	33,735
Intergovernmental revenue	816,188	36,299	9,010	861,497
Debt service interest expense	-	(86,788)	-	(86,788)
Total non-operating revenues (expenses)	836,297	(40,988)	13,135	808,444
Income (loss)	850,378	472,683	111,182	1,434,243
Net position - beginning of year	23,416,738	6,375,682	1,167,605	30,960,025
Net position - end of year	$ 24,267,116	$ 6,848,365	$ 1,278,787	$ 32,394,268

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Major Funds		Other Business-Type	
	Water	Sewer	Activities	Totals
Cash flows from operating activities:				
Receipts from customers	$ 1,133,607	$ 1,253,780	$ 926,765	$ 3,314,152
Payments to suppliers	(298,346)	(219,284)	(426,341)	(943,971)
Payments to employees	(332,825)	(102,455)	(446,069)	(881,349)
Net cash provided by operating activities	502,436	932,041	54,355	1,488,832
Cash flows from capital and related financing activities:				
Proceeds on long term debt	-	-	-	-
Principal paid on long term debt	-	(153,000)	-	(153,000)
Interest paid on long term debt	-	(86,788)	-	(86,788)
Purchases of capital assets	(898,191)	(262,571)	-	(1,160,762)
Net cash used by capital and related financing activities	(898,191)	(502,359)	-	(1,400,550)
Cash flows from non-capital financing activities:				
Intergovernmental revenues	1,132,672	36,299	9,010	1,177,981
Net cash used from non-capital financing activities	1,132,672	36,299	9,010	1,177,981
Cash flows from investing activities:				
Interest income	20,109	9,501	4,125	33,735
Net cash provided by investing activities	20,109	9,501	4,125	33,735
Net increase in cash and cash equivalents	757,026	475,482	67,490	1,299,998
Cash and cash equivalents at July 1, 2017	3,953,372	1,650,982	1,063,131	6,667,485
Cash and cash equivalents at June 30, 2018	$ 4,710,398	$ 2,126,464	$ 1,130,621	$ 7,967,483
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 14,081	$ 513,671	$ 98,047	$ 625,799
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	509,499	395,918	56,846	962,263
Changes in assets and liabilities:				
Accounts/other receivable(increase)decrease	1,639	(9,430)	14,768	6,977
Accounts and other payables-increase(decrease)	(22,783)	31,882	(115,306)	(106,207)
Net cash provided (used) by operating activities	$ 502,436	$ 932,041	$ 54,355	$ 1,488,832

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 6,239,746	$ 1,098,915
Taxes receivable	-	377,182
Interest receivable	-	-
Investments, at fair value:	-	-
Short Term Investment Pool	192,750	-
Total assets	6,432,496	1,476,097
LIABILITIES		
Accounts payable	-	-
Due to other governments	-	1,476,097
Total liabilities	$ -	$ 1,476,097
NET POSITION		
Held in trust for:		
Individuals, organizations and other governments	6,432,496	
Total net position	$ 6,432,496	

See accompanying notes to the financial statements.

ANACONDA-DEER LODGE COUNTY, MONTANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Investment Trust Funds
ADDITIONS:	
Investment income:	
Interest	$ 17,222
Additions to investment trust fund	561,956
Total additions	579,178
DEDUCTIONS:	
Distributions/allocations from investment trust fund	(1,672,037)
Total deductions	(1,672,037)
Change in net position	(1,092,859)
Net position - beginning of year	7,525,355
Net position - end of year	$ 6,432,496

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Anaconda-Deer Lodge County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting.

Financial Reporting Entity
The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and 1) the County is able to significantly influence the programs or services performed or provided by the organizations; or 2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt.

Primary Government
The County is a political subdivision of the State of Montana governed by an elected, five-member Council of County Commissioners. The County is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

Blended Component Unit
Blended component units are separate legal entities that meet the component unit criteria described above and whose government body is the same or substantially the same as the Council of Commissioners or the component unit provides services entirely to the County. These component units' funds are blended into those of the County's by appropriate activity type to compose the primary government presentation. The County has the following Blended Component Units:

The Anaconda Head Start is considered a blended component unit of the County and is reported as a special revenue fund. The County is the grantee for the Anaconda Head Start Program, therefore the grant money flows to the County and is then passed through to Head Start.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Discretely Presented Component Unit
Component units are legally separate organizations for which the County is financially accountable.

The Old Works Golf Course, Inc. is a nonprofit corporation, created by the Old Works Golf Course Authority Board (the Authority) pursuant to Amended Ordinance No. 126 of Anaconda-Deer Lodge County. The County exercises oversight responsibility in relation to the entity, therefore, the Old Works Golf Course, Inc. is considered a discretely presented component unit of the County and is presented as a column included on the government-wide financial statements. It is reported separately to emphasize that it is legally separate from the County. The Old Works Golf Course, Inc. has a reporting period calendar year end of December 31st.

Separately issued financial statements for the Golf Course may be obtained at the County's administrative offices.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

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

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

Certain eliminations have been made as prescribed by GASB in regards to inter-fund activities, payables and receivables. All internal balances in the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Basis of Presentation

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

a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least *5* percent of the corresponding total for all governmental and enterprise funds combined.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

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

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

Receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds

The County reports the following major governmental funds:

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

Public Safety Fund - a special revenue fund that is used to account for law enforcement activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Major Funds – Continued

Mill Creek TIFID - a special revenue fund that is used to account for tax revenue and authorized expenditures in the Tax Incremental Financing District.

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Funds:

The County reports the following major proprietary funds:

Water Fund - an enterprise fund that accounts for the activities of the County's water distribution operations.

Sewer Fund - an enterprise fund that accounts for the activities of the County's sewer collection and treatment operations and includes the storm sewer system.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets. The County's fiduciary funds include a variety of agency funds and an investment trust fund.

Agency Funds - The agency funds consist of property tax funds and other miscellaneous revenues that have been collected and not yet distributed to other government agencies and districts.

External Investment Trust Fund - This fund accounts for resources held in investments on behalf of local school districts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balances:
Fund balances are reported in a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. There are five fund balance classifications – non-spendable, restricted, committed, assigned, and unassigned. At fiscal year-end, there were only non-spendable, restricted and unassigned fund balances.

- Non-spendable fund balance is a resource that are not in spendable form, such as inventory or prepaid items, or those legally required to be maintained intact, such as the principal portion of permanent trust funds. Non-spendable fund balance at year end is composed only of the principal portion of a permanent trust fund and prepaid items.

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

NOTE 2. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In fiscal year 2018, Anaconda-Deer Lodge County implemented the following GASB statement:

GASB Statement No. 85, Omnibus 2017: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). This statement took effect for reporting periods beginning after June 15, 2017. Implementation of this standard had no impact on the financial statements for this fiscal year.

NOTE 3. RECEIVABLES AND PAYABLES

Accounts payable and other receivable balances are due to/from suppliers, vendors, and others in the normal course of County operations.

NOTE 4. USE OF RESTRICTED/UNRESTRICTED RESOURCES

When both restricted and unrestricted net position is available, Anaconda-Deer Lodge County's policy is to apply restricted position first when an expense is incurred. When both restricted and unrestricted fund balances are available, Anaconda-Deer Lodge County's policy is to apply restricted fund balances first when an expenditure is incurred.

NOTE 5. USE OF ESTIMATES

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

NOTE 6. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions. The State of Montana's pension contribution on behalf of pension participants is recorded as intergovernmental revenue with an offsetting expenditure in the related funds.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments may include cash and cash equivalent items; demand, time, savings, and fiscal agent deposits: investments in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the County; U.S. government treasury bills, notes, bonds, and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the fund meets certain conditions, all as authorized by Montana statutes.

Anaconda-Deer Lodge County restricts investments authorized by Montana statute and has adopted a formal investment policy addressing exposure to credit risk, custodial credit risk, concentration of credit risk or interest rate risk. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be 50% collateralized as outlined in Montana Code Annotated, 17-6-103. As of June 30, 2018, all deposits were fully insured and collateralized in accordance with Montana statute. The carrying amount of the

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Cash and Investments - Continued

County's deposits at year end were $28,724,542 and the related bank balances were $29,067,574. Of those bank balances, $796,126 is covered by Federal Depository Insurance, and $28,271,448 is collateralized by securities held by the pledging institution.

Composition of cash, deposits, and MT State Investment Pool at on June 30, 2018 are as follows:

Cash on Hand and Deposits	Primary Government	Component Unit
Petty Cash	$ 775	$ 1,500
Cash in Banks:		
Demand Deposits	26,290,587	60,392
Time Deposits	440,248	-
State Short-Term Investment Pool (STIP)	1,992,932	-
Total	$ 28,724,542	$ 61,892

The checking, savings, and certificates of deposit balances for the component unit at December 31, 2017 total $60,392. From time to time, the component unit may exceed FDIC insured limits. Deposits in excess of FDIC insured amounts are secured by financial institution deposit guaranty bonds when necessary. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

In compliance with the City and County's Investment Policy, the City and County minimized the interest rate risk, related to the decline in the market value of securities due to rising interest rates in the portfolio, by limiting the duration of the investment of security types with the expectation of securities purchases related to reserve fund, structuring the investment portfolio so that the securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market. The City and County has invested operating funds primarily in certificate of deposit or the State of Montana investment pool

As of June 30, 2018, the government had $1,992,932 invested in the Montana Investment Pool (STIP).

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Cash and Investments - Continued

The County voluntarily participates in the State of Montana Short Term Investment Pool (STIP) administered by the Montana Board of Investments (MBOI). A local government's STIP ownership is represented by shares, the prices of which are fixed at $1.00 per share, and participants may buy or sell shares with one business days' notice. Shareholders have the option to automatically reinvest their distribution income in additional shares. STIP administrative expenses are charged daily against the STIP income, which is distributed on the first calendar day of the month. STIP is not registered with the Securities and Exchange Commission. STIP is not FDIC-insured or otherwise insured or guaranteed by the federal government, the State of Montana, the MBOI or any other entity against investment losses, and there is no guaranteed rate of return on funds invested in STIP. The MBOI maintains a reserve fund to offset possible losses and limit fluctuations in STIP's valuation.

The STIP investment portfolio consists of securities with maximum maturity of 2 years. The pool may include asset-backed securities, commercial paper, U.S. Government direct obligations, U.S. Government agency securities, repurchase agreements, institutional government money market fund, certificates of deposit, and variable-rate (floating rate) instruments. Investments must have a maximum maturity of 397 days or less unless they are a variable rate security. For the period ended June 30, 2018, STIP is valued at fair value. The STIP unit value is fixed at $1.00 for both participants buy and sell and is managed to closely align fair value with amortized cost. The pool net asset value must include the fair value of the investment portfolio and any liabilities payable by the Pool and receivables due the Pool on the net asset value calculation date. Investments are managed in accordance with the statutorily mandated "Prudent Expert Principle" and are managed to preserve principal while providing 24 hour liquidity for participants. As of June 30, 2018, all STIP securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank in accordance with STIP Investments Policy. The State of Montana Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2018 (in thousands):

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Cash and Investments - Continued

Security Investment Type	Amortized Cost	Credit Quality Rating*	WAM in Days
Treasuries	$ 19,900	A1+	97
Corporate Commercial Paper	288,944	A1	71
Corporate Notes	225,121	A1+	67
Certificates of Depsit	546,591	A1	42
Total Investments	$ 1,080,556		

*Credit Quality Rating is weighted

Amounts invested by the County in STIP may be redeemed at any date at the carrying value on that date. Additional information on the State of Montana Short-Term Investment Pool may be obtained by writing to Montana Board of Investments, Department of Commerce, 2401 Colonial Drive, 3rd Floor, Helena, Montana, 59620-0126 or by calling (406) 444-0001.

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with Montana law. The investment pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds.

There are two types of investment trust funds reported by the Entity, pooled and individually directed investment trust funds.

The Entity has one pooled investment trust fund and it is invested in STIP, repurchase agreements, and certificates of deposit. These funds are carried at fair value.

The Entity invests funds for three external entities. These investments are reported in an individually directed investment trust fund. The investments are non-negotiable certificates of deposit and carried at cost which approximates fair value.

Non-pooled investments are also carried at fair value. The fair value of non- pooled investments is determined annually and is based on current market prices.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2018 to support the value of the shares in the pool.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents with original maturities of three months or less from the date of acquisition.

NOTE 8. RECEIVABLES/ALLOWANCES

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

The Ambulance Enterprise Fund has $99,767 of Accounts Receivables at June 30, 2018. These receivables are reduced by an allowance for doubtful accounts of $26,880.

NOTE 9. INVENTORIES AND PREPAIDS

The cost of inventories is recorded as expenditures when purchased. Inventories are considered immaterial.

NOTE 10. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a financial statement element representing a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until that time. Anaconda-Deer Lodge County has reported deferred outflows of resources on the government statement of net position related to the pension contributions.

NOTE 10. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES - CONTINUED

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. The government-wide statement of net position and governmental fund balance sheet report a separate section for deferred inflows of resources.

In the government statement of net position, deferred inflows of resources are reported for pension activity. In the fund financial statements, deferred inflows of resources in the levied funds represent outstanding general property taxes and special assessments at June 30, 2018. These amounts are reported as revenue in the Government Wide Financial Statements in the period in which they are levied.

NOTE 11. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at $5,000. Gifts or contributions of capital assets are recorded at acquisition market value when received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40 – 50 years
Improvements	20 – 50 years
Equipment	5 – 20 years
Infrastructure	15 – 50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets follows:

NOTE 11. CAPITAL ASSETS – CONTINUED

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,435,963	$ -	$ -	$ 1,435,963
Construction in Progress	-	252,101	-	252,101
Total capital assets not being depreciated	$ 1,435,963	$ 252,101	$ -	$ 1,688,064
Other capital assets:				
Buildings	$ 6,301,788	$ -	$ -	$ 6,301,788
Improvements other than buildings	13,574,714	533,973	-	14,108,687
Machinery and equipment	5,935,615	250,968	-	6,186,583
Infrastructure	757,175	370,584	-	1,127,759
Total other capital assets at historical cost	$ 26,569,292	$ 1,155,525	$ -	$ 27,724,817
Less accumulated depreciation for:				
Buildings	$ (3,230,257)	$ (151,707)	$ -	$ (3,381,964)
Improvements other than buildings	(4,065,213)	(456,009)	-	(4,521,222)
Machinery and equipment	(4,770,250)	(395,398)	-	(5,165,648)
Infrastructure	(111,582)	(36,877)	-	(148,459)
Total accumulated depreciation	(12,177,302)	(1,039,991)	-	(13,217,293)
Total capital assets being depreciated	14,391,990	115,534	-	14,507,524
Total govenmental capital assets	$ 15,827,953	$ 367,635	$ -	$ 16,195,588

Governmental capital assets depreciation expense was charged to functions as follows:

General government	$ 133,801
Public safety	166,122
Public works	484,981
Public health	36,175
Social and economic services	66,964
Culture and recreation	151,948
Total governmental activities depreciation expense	$ 1,039,991

NOTE 11. CAPITAL ASSETS – CONTINUED

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 113,744	$ -	$ -	$ 113,744
Construction in progress	294,805	131,608	(294,805)	131,608
Total capital assets not being depreciated	$ 408,549	$ 131,608	$ (294,805)	$ 245,352
Other capital assets:				
Buildings	$ 4,359,439	$ -	$ -	$ 4,359,439
Improvements other than buildings	129,468	-	-	129,468
Machinery and equipment	982,044	57,500	-	1,039,544
Pumping plant	596,730	-	-	596,730
Treatment plant	3,987,436	208,928	-	4,196,364
Transmission and distribution	29,498,149	1,054,046	-	30,552,195
Total other capital assets at historical cost	$ 39,553,266	$ 1,320,474	$ -	$ 40,873,740
Less accumulated depreciation for				
Buildings	$ (3,302,473)	$ (108,816)	$ -	$ (3,411,289)
Improvements other than buildings	(53,058)	(2,729)	-	(55,787)
Machinery and equipment	(880,454)	(77,445)	-	(957,899)
Pumping plant	(596,730)	-	-	(596,730)
Treatment plant	(2,121,424)	(92,350)	-	(2,213,774)
Transmission and distribution	(4,818,017)	(680,925)	-	(5,498,942)
Total accumulated depreciation	(11,772,156)	(962,265)	-	(12,734,421)
Total capital assets being depreciated	27,781,110	358,209	-	28,139,319
Total business activities capital assets	$ 28,189,659	$ 489,817	$ (294,805)	$ 28,384,671

A summary of changes in component unit's capital assets follows:

	Balance 31-Dec-16	Additions	Deletions	Balance 31-Dec-17
Machinery and equipment	$ 1,873,220	$ 186,361	$ (26,654)	$ 2,032,927
Furniture and fixtures	137,376	-	-	137,376
Office Equipment	17,398	-	-	17,398
Leasehold improvements	180,161	8,240	-	188,401
Vehicles	47,915	-	-	47,915
Liquor license	15,000	-	-	15,000
Total other capital assets at historical cost	$ 2,271,070	$ 194,601	$ (26,654)	$ 2,439,017
Total accumulated depreciation	(1,618,466)	(159,548)	26,654	(1,751,360)
Total component unit activities capital assets	$ 652,604	$ 35,053	$ -	$ 687,657

NOTE 12. LONG-TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Changes in Long-Term Debt Liabilities – during the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General obligation bonds	$ 580,000	$ -	$ (140,000)	$ 440,000	$ 145,000
Special assessment loans	43,591	-	(13,799)	29,792	14,782
Compensated absences	539,064	-	(39,099)	499,965	276,980
Intercap loans	1,374,411	-	(119,072)	1,255,339	120,084
Tax increment bonds	1,550,000	-	(80,000)	1,470,000	80,000
GASB 75 OPEB liability	2,510,929	-	-	2,510,929	-
Net pension liability	6,672,831	97,594	-	6,770,425	-
Total	$ 13,270,826	$ 97,594	$ (391,970)	$ 12,976,450	$ 636,846

Business Type Activities:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
State revolving fund	$ 3,347,000	$ -	$ (153,000)	$ 3,194,000	$ 155,000
Compensated absences	73,568	-	(1,761)	71,807	35,904
GASB 75 OPEB liability	259,752	-	-	259,752	-
Net pension liability	427,622	46,799	-	474,421	-
Total	$ 4,107,942	$ 46,799	$ (154,761)	$ 3,999,980	$ 190,904

General Obligation Bonds – the County issues obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

General obligation bonds outstanding as of June 30, 2018 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance 6/30/18
Jail Construction (1)(a)	Mar-01	2.5%-3.75%	20 yrs.	Mar-21	$ 2,500,000	Varies	$ 440,000
					$ 2,500,000		$ 440,000

(1) Reported in the governmental activities
(a) Payment made from the Jail Construction Debt Service Fund

For Fiscal Year Ended	Principal	Interest
2019	$ 145,000	$ 10,469
2020	145,000	7,569
2021	150,000	4,125
	$ 440,000	$ 22,163

Interest rate terms and conditions
The Tax Increment Bond had an original interest rate at issuance of 2.0%. This interest rate varies over the life of the bond to a final rate prior to maturity of 4.375%. The rate for the final year of the bond is 4.375%.

2013 - 2016	2.00%	2023 - 2025	3.75%
2017 - 2019	3.00%	2026 - 2029	4.13%
2020 - 2022	4.00%	2030 - 2032	4.38%

Annual requirement to amortize tax increment bonds:

For Fiscal Year Ended	Principal	Interest
2019	$ 80,000	$ 59,300
2020	85,000	56,900
2021	85,000	53,500
2022	90,000	50,100
2023	95,000	46,500
2024-2028	525,000	175,988
2029-2032	510,000	56,575
	$ 1,470,000	$ 498,863

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Interest rate terms and conditions - Continued

Special Assessment Debt – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The County is obligated to levy and collect a general property tax on all taxable property in the County to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least *5%* of the principal amount of bonds outstanding.

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance 6/30/18
Teresa Ann SID (1)(A)	Aug-00	Variable	20 yrs.	July 2020	$ 176,100	Varies	$ 29,792
					$ 176,100		$ 29,792

(1) Governmental activities.

(A) Payment made by the Teresa Ann SID Debt Service Fund

The Board of Investment Loan for Street Lighting has a variable interest rate. The rate is equal to the interest rate on the Board's bonds plus up to 1.5% per year as is necessary to pay the County's share of program expenses as determined by the Board. The interest rate on the loan shall not exceed 15%. The rate in effect at June 30, 2018 was 1.55%.

The Teresa Ann SID loan is with a local bank with a variable interest rate.

For Fiscal Year Ended	Principal	Interest
2019	$ 14,782	$ 1,889
2020	15,010	836
Total	$ 29,792	$ 2,725

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Interest rate terms and conditions – Continued

Loans/Contracted Debt

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2018
Courthouse Preservation(1)(A)	Jun-11	Varies	15 yrs	Aug-26	$ 800,000	$ 480,260
Rehab Historic Lighting (1)(C)	Sep-14	Varies	15 yrs	Aug-29	1,000,000	775,079
State Revolving Loan(2)(B)						
Phase I	Oct-13	3.00%	20 yrs	Jan-34	969,678	783,000
Phase II	Jul-16	2.50%	20 yrs	Jul-35	2,637,469	2,411,000
Total					$ 5,407,147	$ 4,449,339

(1) Governmental Activity
(2) Business Activity
(A) Payment made by Mill Creek Debt Service Fund
(B) Payment made by the Wastewater/Sewer Fund
(C)Payment made by the Street Lighting 150 Debt Service Fund

The Board of Investment loans have a variable interest rate. The rate is equal to the interest rate on the Board's bonds plus up to 1.0% per year as is necessary to pay the County's share of program expenses as determined by the Board. The interest rate on the loan shall not exceed 15%. The rate in effect at June 30, 2018 was 2.5%.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2019	$ 52,664	$ 14,711
2020	53,696	10,690
2021	54,747	9,348
2022	55,820	7,979
2023	56,914	6,583
2024-2026	206,419	11,823
Total	$ 480,260	$ 61,134

A second intercap loan was issued to the County for rehabilitation of the Historic Lighting District. This loan was issued for $1 million to be paid over 15 years with a maturity date of August 15, 2029. This loan has a variable interest rate which is equal to the interest rate on the Board's bonds plus up to 1.0% per year as is

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Interest rate terms and conditions – Continued

necessary to pay the County's share of program expenses as determined by the Board. The interest rate on the loan shall not exceed 15%. The rate in effect at June 30, 2018 was 2.5%.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2019	$ 67,420	$ 23,880
2020	67,420	17,691
2021	67,420	16,011
2022	67,420	14,420
2023	67,420	12,634
2024-2028	337,100	37,906
2029-2030	100,879	3,058
Total	$ 775,079	$ 125,600

Total interest expense for the year ended June 30, 2018, was $111,451 for governmental activities and $87,750 for business-type activities.

The State Revolving loan originated in September of 2013 to pay on the Sewer System Revenue Bond of $1,652,000. This initial loan had a 3% annual interest rate. The rate includes a 2% per annum interest rate; a .75% per annum administrative expense surcharge; and a .25% per annum loan loss reserve surcharge. In the original resolution the County was allowed to amend the document to secure more debt upon consent of the DNRC. This resolution was amended on February 10, 2015 allowing for an additional $1,146,000.

The State Revolving loans were restructured during the fiscal year due to the additional debt. The original loan is reflected as "Phase I" in the annual requirement to amortize debt section below.

The additional debt acquired during the year is reflected as "Phase II" of the "annual requirement to amortize debt" section. This loan has a 2.5% annual interest rate and is to be paid over a 20 year period.

Annual requirement to amortize debt:

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Interest rate terms and conditions – Continued

PHASE I

For Fiscal Year Ended	Principal	Interest
2019	$ 40,000	$ 23,190
2020	42,000	21,975
2021	43,000	20,715
2022	44,000	19,410
2023	46,000	18,075
2024-2028	249,000	68,865
2029-2033	288,000	28,890
2034	31,000	465
Total	$ 783,000	$ 201,585

PHASE II

For Fiscal Year Ended	Principal	Interest
2019	$ 115,000	$ 59,562
2020	119,000	56,663
2021	121,000	53,675
2022	125,000	50,625
2023	127,000	47,488
2024-2028	688,000	187,700
2029-2033	777,000	115,812
2034-2035	339,000	10,675
Total	$ 2,411,000	$ 582,200

Component Unit Activities

	Balance 31-Dec-16	Additions	Deletions	Balance 31-Dec-17	Due Within One Year
Capital Leases/Loans	$ 1,451,960	$ 307,046	$ (215,886)	$ 1,543,120	$ 190,613
Total	$ 1,451,960	$ 307,046	$ (215,886)	$ 1,543,120	$ 190,613

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Component Unit Activities - Continued

Capital leases and loan payables and related current maturities consisted of the following at December 31, 2017:

Capital leasees payable monthly payments range from $138 to $7,967 through 2022, fixed interest rates ranging from 5% to 6.25%, secured by equipment and machinery	$ 376,088
Note payable to First Montana Bank, payable monthly payments of $3,272 through 2019, fixed interest rate 5.25%, secured by equipment and machinery:	37,032
Note payable to ARCO, original terms of financing stated, due in annual installments of $78,621 beginning December 31, 2017 through 2036; interest rate at prime plus 1% as published by the Wall Street Journal on the first business day of calendar year (4.5% at December 31, 2017); unsecured. The Authority is currently operating under a memorandum of understanding (MOU) with ARCO subseqent to December 31, 2017. No repayments have occurred. The MOU and addendums state the loan proceeds together with all interest accrued thereon, wilwl be amortized over twenty years. The MOU and addendums outline repayment after the earlieer of the Global Agreement settlement or the extended date of December 31, 2019.	1,130,000
Total	1,543,120
Less current maturities	(190,613)
Total	$ 1,352,507

The present value of the net minimum payment on capitalized leases as of December 31, 2017 is as follows:

NOTE 12. LONG-TERM DEBT OBLIGATIONS – CONTINUED

Component Unit Activities – Continued

Total minimum lease payments	$ 412,374
Less amount representing interest	(36,286)
Present value of net minimum lease payments	376,088
Less current portion	(96,874)
Capitalized lease obligation, less current portion	$ 279,214

Annual principal and interest repayment obligations under the capital lease and loans payable are as follows:

Year ending	Principal	Interest	Total
2018	$ 190,613	$ 68,878	$ 259,491
2019	163,798	61,275	225,073
2020	152,063	53,496	205,559
2021	113,816	46,611	160,427
2022	54,053	43,217	97,270
2023-2026	278,447	182,352	460,799
2027-2031	342,864	117,935	460,799
2032-2037	247,466	178,260	425,726
Total principal and interest	$ 1,543,120	$ 752,024	$ 2,295,144

The component unit is subject to covenants associated with the note payable to ARCO. The component unit was in compliance with the covenants associated with the line of credit as of December 2017.

Compensated Absences

It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave.

The liability associated with governmental fund-type employees is reported as a governmental activity while the liability associated with proprietary fund-type employees is recorded as a business-type activity on the Statement of Net Assets and the proprietary Balance Sheet.

NOTE 13. INTERFUND TRANSACTIONS

Transfers are used to move receipts restricted for debt service from the funds collecting the receipts to the debt service funds, to move unrestricted revenues to finance various expenditures, to remove negative cash balances and to pay for various administrative functions.

At June 30, 2018, $31,760 was due to the General Fund by the non-major Other Governmental Funds.

Anaconda-Deer Lodge County had the following intergovernmental transfers as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

Transfers To:		
General Fund	$	2,098,145
Nonmajor Governmental		2,234,583
Total Transfer to:	$	4,332,728
Transfers From:		
General Fund	$	134,844
Mill Creek TIFID		2,443,854
Non-major Governmental		1,754,030
Total Transfer From:	$	4,332,728

NOTE 14. RETIREMENT PLANS

Primary Government

All Anaconda-Deer Lodge full-time employees participate in one of four state-wide cost-sharing multiple-employer retirement benefit plans. The plans include the Public Employees' Retirement System (PERS), the Firefighters' Unified Retirement System (FURS), the Municipal Police Officers' Retirement System (MPORS) and the Sheriffs' Retirement System (SRS). Plans are administered by the Montana Public Employee Retirement Agency (MPERA) depending on the specific plan. Contributions to the four plans are as required by state statute. Total City-County payroll for employees covered by a retirement plan for fiscal year ended June 30, 2018 was $5,629,849.

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity (when applicable) are required to recognize and report certain amounts associated with participation in PERS, FURS, MPORS and SRS. Employers are required

NOTE 14. RETIREMENT PLANS – CONTINUED

Primary Government – Continued
to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

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

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

Pension Amount Totals
Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Important Dates

Measurement Date:	June 30, 2017
Reporting Date:	June 30, 2018

Net Pension Liability
The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2017, was determined by taking the results of the June 30, 2016 actuarial valuation and applying standard

NOTE 14. RETIREMENT PLANS – CONTINUED

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

Public Employees' Retirement System (PERS) – Defined Benefit

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 counties; cities & towns; school districts & high schools; and other governmental agencies.

Not Special Funding
Per Montana law, state agencies and universities paid their own additional contributions. These employers paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017, and 2016, 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 a particular employer to the total state contributions paid. The employer recorded a liability of $5,412,933 and the employer's proportionate share was 0.2779 percent.

As of Measurement date	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Anaconda-Deer Lodge Proportionate Share	$ 5,412,933	$ 4,722,595	0.2779%	0.2773%	0.0007%
State of Montana Proportionate Share associated with Anaconda-Deer Lodge	64,837	57,705	0.3304%	0.3543%	-0.0239%
Total	$ 5,477,770	$ 4,780,300	0.6084%	0.6316%	-0.0232%

NOTE 14. RETIREMENT PLANS – CONTINUED

Changes in actuarial assumptions and methods:
Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, makes set back 1 year.
- Increased rates of withdraw.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%

Changes in benefit terms*:*
Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in proportionate share*:* Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

NOTE 14. RETIREMENT PLANS – CONTINUED

Pension Expense

As of Measurement Date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Anaconda-Deer Lodge Proportionate Share	$ 549,253	$ 280,529
Anaconda-Deer Lodge Grant Revenue - State of Montana Proportionate Share for Anaconda-Deer Lodge	3,457	4,836
Anaconda-Deer Lodge Grant Revenue - State of Montana Coal Tax for Anaconda-Deer Lodge	77,433	82,741
Total	$ 630,143	$ 368,106

At June 30, 2017, the employer recognized $549,253 for its proportionate share of the Plan's pension expense and recognized grant revenue of $3,457 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $77,433 from the Coal Severance Tax fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTE 14. RETIREMENT PLANS – CONTINUED

Recognition of Deferred Inflows and Outflows – Continued

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 133,304	$ 7,835
Projected Investment Earnings vs. Actual Investment Earnings	-	36,354
Changes in Assumptions	739,891	-
Changes in Proportion and Differences Between Anaconda - Deer Lodge Contributions and Proportionate Share of Contributions	-	53,107
Anaconda - Deer Lodge Contributions Subsequent to the Measurement Date	311,147	-
Total	$ 1,184,342	$ 97,296

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future Years as an Increase or (Decrease) to Pension Expense
2018	$ 191,739
2019	$ 423,268
2020	$ 329,211
2021	$ (115,212)
2022	$ -
Thereafter	$ -

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA).

NOTE 14. RETIREMENT PLANS – CONTINUED

Plan Description – Continued
This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they choose to remain in the PERS-DBRP or join the PERS-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

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

Summary of Benefits

Eligibility for Benefit
Service retirement
Hired prior to July 1, 2011:
Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011:
Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early Retirement (actuarially reduced):
Hired prior to July 1, 2011:
Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011:
Age 55, 5 years of membership service.

Second Retirement
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 the member's contributions plus return interest (currently 0.77% effective July 1, 2017)

NOTE 14. RETIREMENT PLANS – CONTINUED

Second Retirement – Continued

- No service credit for second employment
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABAA) starts again this January immediately following the second retirement

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

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

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

- The same retirement as prior to the return to service
- 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 January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

Hired prior to July 1, 2011:

Highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011:

Highest average compensation during any consecutive 60 months

Compensation Cap

Hired on or after July 1, 2013:

110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly Benefit Formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;

NOTE 14. RETIREMENT PLANS – CONTINUED

Monthly Benefit Formula – Continued

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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 Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

	Member		State and Universities	Local Government		School Districts	
Fiscal Year	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2018	7.9%	7.9%	8.57%	8.47%	0.1%	8.2%	0.37%
2017	7.9%	7.9%	8.47%	8.37%	0.1%	8.1%	0.37%
2016	7.9%	7.9%	8.37%	8.27%	10.0%	8.0%	37.00%
2015	7.9%	7.9%	8.27%	8.17%	0.1%	7.9%	0.37%
2014	7.9%	7.9%	8.17%	8.07%	0.1%	7.8%	0.37%
2012-2013	6.9%	7.9%	7.17%	7.07%	0.1%	6.8%	0.37%
2010-2011	6.9%		7.17%	7.07%	0.1%	6.8%	0.37%
2008-2009	6.9%		7.035%	6.935%	0.1%	6.8%	0.235%
2000-2007	6.9%		6.9%	6.8%	0.1%	6.8%	0.1%

NOTE 14. RETIREMENT PLANS – CONTINUED

Overview of Contributions – Continued

- 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.

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

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

Actuarial Assumptions

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

• Investment return (net of admin expense)	7.65%
• Admin Expense as % of Payroll	0.26%
• General Wage Growth	3.50%
*includes Inflation at	2.75%
• Merit increases	0% to 6.3%

NOTE 14. RETIREMENT PLANS – CONTINUED

Actuarial Assumptions – Continued

- Postretirement benefit increases:
  - **Guaranteed Annual Benefit Adjustment (GABA)**
    After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, **inclusive** of other all adjustments to the member's benefit.
    - 3.0% for members hired **prior to** July 1, 2007
    - 1.5% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
      - 1.5% for each year PERS is funded at or above 90%;
      - 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
      - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvements were assumed.

Discount Rate

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

NOTE 14. RETIREMENT PLANS – CONTINUED

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected 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 allocation as of June 30, 2017, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%	27.65%	4.37%
Inflation			2.75%
Portfolio Return Expectations			7.12%

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

NOTE 14. RETIREMENT PLANS – CONTINUED

Sensitivity Analysis – Continued

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's Net Pension Liability	$ 7,883,474	$ 5,412,933	$ 3,339,100

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

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

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

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

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

NOTE 14. RETIREMENT PLANS – CONTINUED

Firefighters' Unified Retirement System (FURS)

Special Funding

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer.

The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2017, and 2016, 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 a particular employer to the total state contributions paid. The employer recorded a liability of $436,785 and the employer's proportionate share was 0.3864 percent.

As of Measurement date	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Anaconda-Deer Lodge Proportionate Share	$ 436,785	$ 449,295	0.3864%	0.3934%	-0.0070%
State of Montana Proportionate Share associated with Anaconda-Deer Lodge	991,895	1,017,961	0.8775%	0.8913%	-0.0138%
Total	$ 1,428,680	$ 1,467,256	1.2639%	1.2847%	-0.0208%

Changes in actuarial assumptions and methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%
- Lowered the inflation rate from 3.00% to 2.75%
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, makes set back 1 year.
- Increased rates of withdraw
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%
- Increased the administrative expense load from 0.19% to 0.23%

NOTE 14. RETIREMENT PLANS – CONTINUED

Changes in actuarial assumptions and methods – Continued
Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%

Changes in benefit terms:
Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in proportionate share*:* Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

Pension Expense

As of Measurement Date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Anaconda-Deer Lodge Proportionate Share	$ 67,043	$ 60,894
Anaconda-Deer Lodge Grant Revenue - State of Montana Proportionate Share for Anaconda-Deer Lodge	188,378	131,970
Total	$ 255,421	$ 192,864

NOTE 14. RETIREMENT PLANS – CONTINUED

Pension Expense – Continued

At June 30, 2017, the employer recognized $67,043 for its proportionate share of the Plan's pension expense and recognized grant revenue of $188,378 for the state of Montana proportionate share of the pension expense associated with the employer.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 2,878	$ 3,303
Projected Investment Earnings vs. Actual Investment Earnings	360	-
Changes in Assumptions	54,470	-
Changes in Proportion and Differences Between Anaconda - Deer Lodge Contributions and Proportionate Share of Contributions	43	-
Anaconda - Deer Lodge Contributions Subsequent to the Measurement Date	90,211	-
Total	$ 147,962	$ 3,303

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future Years as an Increase or (Decrease) to Pension Expense
2018	$ 4,413
2019	$ 23,143
2020	$ 15,068
2021	$ 311
Thereafter	$ 11,470

NOTE 14. RETIREMENT PLANS – CONTINUED

Plan Description

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provide retirement, disability, and death benefits to plan members and their beneficiaries.

Summary of Benefits

Eligibility for Benefit

Service retirement

Hired on or after July 1, 2081, or has elected to be covered by GABA:

20 years of membership service

2.5% of HAC x years of service credit

Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:

If membership service is less than 20 years:

- 2% of the highest monthly compensation (HMC) x years of service credit and

If membership services is greater or equal to 20 years:

- 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early Retirement:

Age 50, 5 years of membership service

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

Hired prior to July 1, 1981 and not electing GABA:

Highest monthly compensation (HMC);

Hired after June 30, 1981 and those electing GABA:

Highest average compensation (HAC) during any consecutive 36 months (or shorter period of total service).

NOTE 14. RETIREMENT PLANS – CONTINUED

Member's compensation period used in benefit calculation – Continued

Part-time firefighter:

15% of regular compensation of a newly confirmed full-time firefighter.

Compensation Cap

Hired on or after July 1, 2013:

110% annual cap on compensation considered as part of a member's highest average compensation.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months – the member's benefit increases by 3.0% each January.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA – the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.

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 Montana Legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

	Member			
Fiscal Year	Non-GABA	GABA	Employer	State
1998-2018	9.5%	10.7%	14.36%	32.61%
1997	7.8%		14.36%	32.61%

Actuarial Assumptions

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

NOTE 14. RETIREMENT PLANS – CONTINUED

Actuarial Assumptions – Continued

• Investment return (net of admin expense)	7.65%
• Admin Expense as % of Payroll	0.23%
• General Wage Growth	3.50%
*includes Inflation at	2.75%
• Merit increases	0% to 6.3%

- Postretirement benefit increases:
  - **Guaranteed Annual Benefit Adjustment (GABA)**
    Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, the member's benefit increases by 3.0% each January.
  - **Minimum Benefit Adjustment (non-GABA)**
    If hired before July 1, 1997 and member did not elect GABA – the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Employee Mortality Tables.

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 the Montana Code Annotated. The state contributed 32.61% of the salaries paid by employers. 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 2124. 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.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by

NOTE 14. RETIREMENT PLANS – CONTINUED

Target Allocations – Continued

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 allocation as of June 30, 2017, are summarized below**.**

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%	27.65%	4.37%
Inflation			2.75%
Portfolio Return Expectations			7.12%

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

NOTE 14. RETIREMENT PLANS – CONTINUED

Sensitivity Analysis - Continued

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's Net Pension Liability	$ 725,826	$ 436,785	$ 203,254

Municipal Police Officers' Retirement System (MPORS)

Special Funding
The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017, and 2016, 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 a particular employer to the total state contributions paid. The employer recorded a liability of $1,093,040 and the employer's proportionate share was 0.6144 percent.

As of Measurement date	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Anaconda-Deer Lodge Proportionate Share	$ 1,093,040	$ 1,163,561	0.6144%	0.6464%	-0.0320%
State of Montana Proportionate Share associated with Anaconda-Deer Lodge	2,227,790	2,309,719	1.2522%	1.2831%	-0.0309%
Total	$ 3,320,830	$ 3,473,280	1.8666%	1.9295%	-0.0629%

Changes in actuarial assumptions and methods:
Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.

NOTE 14. RETIREMENT PLANS – CONTINUED

***Changes in actuarial assumptions and methods* - Continued**

- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, makes set back 1 year.
- Increased rates of withdraw.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.20% to 0.24%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in benefit terms*:*
Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in proportionate share*:* Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

NOTE 14. RETIREMENT PLANS – CONTINUED

Pension Expense

As of Measurement Date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Anaconda-Deer Lodge Proportionate Share	$ 99,234	$ 108,090
Anaconda-Deer Lodge Grant Revenue - State of Montana Proportionate Share for Anaconda-Deer Lodge	269,833	247,497
Total	$ 369,067	$ 355,587

At June 30, 2017, the employer recognized $99,234 for its proportionate share of the Plan's pension expense and recognized grant revenue of $269,833 for the state of Montana proportionate share of the pension expense associated with the employer.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ -	$ 37,295
Projected Investment Earnings vs. Actual Investment Earnings	950	-
Changes in Assumptions	73,778	-
Changes in Proportion and Differences Between Anaconda - Deer Lodge Contributions and Proportionate Share of Contributions	-	57,510
Anaconda - Deer Lodge Contributions Subsequent to the Measurement Date	153,304	-
Total	$ 228,032	$ 94,805

NOTE 14. RETIREMENT PLANS – CONTINUED

Recognition of Deferred Inflows and Outflows - Continued

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future Years as an Increase or (Decrease) to Pension Expense	
2018	$	(1,556)
2019	$	31,169
2020	$	23,939
2021	$	(16,120)
2022	$	-
Thereafter	$	-

Plan Description

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the Internal Revenue Service. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

NOTE 14. RETIREMENT PLANS – CONTINUED

Summary of Benefits

Eligibility for Benefit

Service retirement

20 years of membership service, regardless of age.
Age 50 with 5 years of membership service.
2.5% of FAC x years of service credit.

Second Retirement

If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

- Is not awarded service credit for the period of reemployment;
- Is refunded the accumulated contributions associated with the period of reemployment;
- Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
- Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:

- Is awarded service credit for the period of reemployment;
- Started the first month following termination of service, receives:
    - The same retirement benefit previously paid to the member, and
    - A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member’s rehire date; and
- Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - On the initial retirement benefit in January immediately following second retirement, and
    - On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

NOTE 14. RETIREMENT PLANS – CONTINUED

Member's final average compensation (FAC)

Hired prior to July 1, 1977

Average monthly compensation of final year of service;

Hired on or after July 1, 1977

Final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

Hired on or after July 1, 2013:

110% annual cap on compensation considered as part of a member's FAC.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.

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 Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

	Member					
Fiscal Year	Hired <07/01/75	Hired >06/30/75	Hired >6/30/79	Hired >6/30/97 GABA	Employer	State
2000-2018	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

NOTE 14. RETIREMENT PLANS – CONTINUED

Actuarial Assumptions

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

- Investment return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.24%
- General Wage Growth 3.50%
  *includes Inflation at 2.75%
- Merit increases 0% to 6.6%
- Postretirement benefit increases:
  - **Guaranteed Annual Benefit Adjustment (GABA)**
    Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.
  - **Minimum Benefit Adjustment (non-GABA)**
    If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

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 the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. 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 2117. 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.

NOTE 14. RETIREMENT PLANS – CONTINUED

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected 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 allocation as of June 30, 2017, are summarized below**.**

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%	27.65%	4.37%
Inflation			2.75%
Portfolio Return Expectations			7.12%

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

NOTE 14. RETIREMENT PLANS – CONTINUED

Sensitivity Analysis – Continued

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's Net Pension Liability	$ 1,591,509	$ 1,093,040	$ 693,374

Sheriffs' Retirement System (SRS)

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017, and 2016, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The employer recorded a liability of $302,088 and the employer's proportionate share was 0.3970 percent.

As of Measurement date	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Anaconda-Deer Lodge Proportionate Share	$ 302,088	$ 768,538	0.3970%	0.4375%	-0.0405%
Total	$ 302,088	$ 768,538	0.3970%	0.4375%	-0.0405%

Changes in actuarial assumptions and methods:
Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, makes set back 1 year.
- Increased rates of withdraw.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.17% to 0.21%.

Effective July 1, 2017, the following method changes were used:

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

NOTE 14. RETIREMENT PLANS – CONTINUED

Changes in actuarial assumptions and methods – Continued:

- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Effective July 1, 2017, the contribution changes were:

- Effective July 1, 2017, SRS employee contributions increase from 9.245% to 10.495% of the member's compensation.
- SRS employer additional contributions increase from 0.58% to 3.58%, for a total employer contribution rate of 13.115%
- SRS employee contributions will return to 9.245% and SRS employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

Changes in benefit terms:
Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL.

Pension Expense

As of Measurement Date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Anaconda-Deer Lodge Proportionate Share	$ 17,676	$ 108,973
Total	$ 17,676	$ 108,973

At June 30, 2017, the employer recognized its proportionate share of the Plan's pension expense.

NOTE 14. RETIREMENT PLANS – CONTINUED

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 1,983	$ 929
Projected Investment Earnings vs. Actual Investment Earnings	-	3,708
Changes in Assumptions	235,757	385,615
Changes in Proportion and Differences Between Anaconda - Deer Lodge Contributions and Proportionate Share of Contributions	-	519
Anaconda - Deer Lodge Contributions Subsequent to the Measurement Date	39,326	-
Total	$ 277,066	$ 390,771

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future Years as an Increase or (Decrease) to Pension Expense
2018	$ (44,839)
2019	$ (26,636)
2020	$ (33,736)
2021	$ (47,301)
2022	$ -
Thereafter	$ -

Plan Description

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title

NOTE 14. RETIREMENT PLANS – CONTINUED

Plan Description – Continued
19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries.

Summary of Benefits

Eligibility for Benefit

Service retirement

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

Early Retirement

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

Vesting

5 years of membership service

Member's highest average compensation (HAC)

Hired prior to July 1, 2011

HAC is average of the highest 36 consecutive months of compensation paid to member.

Hired on or after July 1, 2011

HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

Hired on or after July 1, 2013:

110% annual cap on compensation considered as part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

NOTE 14. RETIREMENT PLANS – CONTINUED

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 Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member	Employer
2010-2018	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

Actuarial Assumptions

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

- Investment return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.21%
- General Wage Growth 3.50%
  *includes Inflation at 2.75%
- Merit increases 0% to 6.3%
- Postretirement benefit increases:
  - **Guaranteed Annual Benefit Adjustment (GABA)**
    After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:
    - 3.0% for members hired **prior to** July 1, 2007
    - 1.5% for members hired on or after July 1, 2007
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

NOTE 14. RETIREMENT PLANS – CONTINUED

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 and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. 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.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected 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 allocation as of June 30, 2017, are summarized below**.**

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%	27.65%	4.37%
Inflation			2.75%
Portfolio Return Expectations			7.12%

NOTE 14. RETIREMENT PLANS – CONTINUED

Target Allocations – Continued

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's Net Pension Liability	$ 533,415	$ 302,088	$ 112,835

Pension Amounts Total for Employer – Employer's Proportion of Amounts Combined

GASB Statement 68, Paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with FURS	The employer's proportionate share associated with MPORS	The employer's proportionate share associated with SRS	The employer's total pension amounts
Net Pension	$ 5,412,933	$ 436,785	$ 1,093,040	$ 302,088	$ 7,244,846
Deferred Outflows	$ 1,184,342	$ 147,962	$ 228,032	$ 277,066	$ 1,837,402
Deferred Inflows	$ 97,296	$ 3,303	$ 94,805	$ 390,771	$ 586,175
Pension Expenses	$ 630,143	$ 255,421	$ 369,067	$ 17,676	$ 1,272,307
On Behalf Payments	$ 80,890	$ 188,378	$ 269,833	$ -	$ 539,101

Union Pension Plans*:*

The County is also contractually obligated to provide retirement plan contributions under various union agreements:

NOTE 14. RETIREMENT PLANS – CONTINUED

Central Pension Fund of the International Union of Operating Engineers

The County's engineers participate in the Western Conference of Teamsters Pension Plan. The trust is a multi-employer defined benefit pension plan that is not a state or local government pension plan, provides defined pensions to both employees of state and local governments and to employees of employers that are not state and local governments, and has no predominant state of local government employer. The plan is administered by the Western Conference of Teamster Employees' Trust. The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establishing funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. The County may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the County's position are not available with respect to the multi-employer plan.

The plan was established in 1955 under a collective bargaining agreement between union members and employers. Expiration of the current bargaining agreement occurs June 30, 2019. The plan provides for retirement, disability, and surviving spouse benefits. An annual financial report can be requested from the Western Conference of Teamsters Pension Plan, 2323 Eastlake Avenue East, Seattle, WA 98102.

Contribution rates, as established by the bargaining unit on December 16, 2015 were $2.16/hour with limits on the number of eligible hours worked per month. Contributions to the multi-employer plan for the fiscal year ended June 30, 2018 were $6,572 for 2 employees participating.

International Association of Machinists and Aerospace Workers

The County machinists participate in the International Association of Machinists and Aerospace Workers The plan is a multi-employer defined benefit pension plan that is not a state or local government pension plan, provides defined pensions to both employees of state and local governments and to employees of employers that are not state and local governments, and has no predominant state of local government employer. The plan is administered by the I.A.M. National Pension Fund. The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establishing funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. The County may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the County's position are not available with respect to the multi-employer plan.

The plan was established in 1955 under a collective bargaining agreement between union members and employers. Expiration of the current bargaining

NOTE 14. RETIREMENT PLANS – CONTINUED

International Association of Machinists and Aerospace Workers – Continued

agreement occurs June 30, 2018. The plan provides for pension and death benefits for the employee, spouse or designated beneficiary. An annual financial report can be requested from the I.A.M. National Pension Fund, 1300 Connecticut Ave, NW, Suite 300, Washington, DC 20036-1711.

Contribution rates, as established by the bargaining unit on December 16, 2015 for contract year July 1, 2018 – June 30, 2019, were $3.60/hour with no limits on the number of eligible hours worked per month. Contributions to the multi-employer plan for the fiscal year ended June 30, 2018 were $14,560 for 2 employees participating.

International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America

The County's clerical teamsters participate in the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. The trust is a multi-employer defined benefit pension plan that is not a state or local government pension plan, provides defined pensions to both employees of state and local governments and to employees of employers that are not state and local governments, and has no predominant state of local government employer. The plan is administered by the International Brotherhood of Teamsters. The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establishing funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. The County may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the County's position are not available with respect to the multi-employer plan.

The plan was established in 1903 by a merger of several local and regional teamsters that had established the plan under a collective bargaining agreement between union members and employers. Expiration of the current bargaining agreement occurs June 30, 2019. The plan provides for retirement, disability, and surviving spouse benefits. An annual financial report can be requested from the International Brotherhood of Teamsters, 25 Louisiana Ave, NW, Washington, DC, 20001.

Contribution rates, as established by the bargaining unit on December 1, 2015 were $1.09/hour with limits on the number of eligible hours worked per month.

Contributions to the multi-employer plan for the fiscal year ended June 30, 2018 were $31,818 for 20 employees participating.

NOTE 14. RETIREMENT PLANS – CONTINUED

International Brotherhood of Teamsters

The County's road department teamsters participate in the International Brotherhood of Teamsters. The trust is a multi-employer defined benefit pension plan that is not a state or local government pension plan, provides defined pensions to both employees of state and local governments and to employees of employers that are not state and local governments, and has no predominant state of local government employer. The plan is administered by the International Brotherhood of Teamsters. The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establishing funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. The County may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the County's position are not available with respect to the multi-employer plan.

The plan was established in 1903 by a merger of several local and regional teamsters that had established the plan under a collective bargaining agreement between union members and employers. Expiration of the current bargaining agreement occurs June 30, 2018. The plan provides for retirement, disability, and surviving spouse benefits. An annual financial report can be requested from the International Brotherhood of Teamsters, 25 Louisiana Ave, NW, Washington, DC, 20001.

Contribution rates, as established by the bargaining unit on December 1, 2015 for contract year July 1, 2018 – June 30, 2019, were $3.80/hour with no limits on the number of eligible hours worked per month. Contributions to the multi-employer plan for the fiscal year ended June 30, 2018 were $90,946 for 14 employees participating.

NOTE 15. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all County employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 16. POST-EMPLOYMENT BENEFITS

Post-Employment Health Care Plan Description

Montana Law (MCA 2-18-704) allows retirees meeting certain requirements to continue to participate in the local government's health insurance to the extent that the retirees are allowed to purchase health insurance through the employer.

Per GASB Statement No. 75 this gives rise to an implicit rate subsidy and an accrued liability although, under current law, the County will not be required to fund the liability or otherwise incur a cash cost. The County did not have OPEB valuations performed under GASB Statement No. 45 but did early implement GASB Statement No. 75 for the fiscal year ended June 30, 2017. Valuations must be performed at least every two years for future fiscal years. Discount rates for estimates for the fiscal year 2018 remain reasonable. A roll forward valuation was not performed for year ending June 30, 2018. No significant changes in the participant pool or applicable rates would indicate a material change in the valuation performed for the year ended June 30, 2017. The GASB No. 75 valuation will be updated in the next fiscal year.

Funding Policy

No trust funds have been established to finance the cost of the OPEB liability. Any required contribution is based on pay-as-you-go financing requirements.

Summary of Key Valuation Results for the fiscal year ending June 30, 2017

Actuarially Determined Contribution (ADC)	$381,007
Total OPEB Liability	$2,770,680
Covered Employee Payroll	$3,884,322
TOL as a percentage of payroll	71.3%
Participants	96

Effects of Alternative Rates

The following tables illustrate the effects of alternative health care cost trend rates and discount rates as required by GASB Statement No. 75. The tables will be updated as provided by the next actuarial valuation in fiscal year 2019.

Health Care Cost Trend Rate Sensitivity	Total OPEB Liability	Actuarially Determinded Contribution
Health Care Cost Trend Rates Minus 1.0%	$ 2,221,515	$ 301,570
Health Care Cost Trend Rates	$ 2,770,680	$ 381,007
Health Care Cost Trend Rates Plus 1.0%	$ 3,503,929	$ 489,733

NOTE 16. POST-EMPLOYMENT BENEFITS - CONTINUED

Effects of Alternative Rates - Continued

- Trend rate sensitivity applies to all projected years.
- A reduction in trend rate will result in a reduction in the Total OPEB Liability and Actuarially Determined Contribution.

Discount Rate Sensitivity	Total OPEB Liability	Actuarially Determinded Contribution
Discount Rate Minus 1.0% (2.67%)	$ 3,363,199	$ 487,234
Discount Rate (3.67%)	$ 2,770,680	$ 381,007
Discount Rate Plus 1.0% (4.67%)	$ 2,306,494	$ 301,732

- A reduction in discount rate will result in an increase in the Total OPEB Liability and Actuarially Determined Contribution.

Actuarial Methods

Financial Data

No assets of the sponsor meet the definition of plan assets under GASB 74 or 75.

Accounting Policies

The unfunded actuarial accrued liability is amortized over a 20-year period on an open basis beginning July 1, 2016.

Funding Policy

Anaconda Deer Lodge County funds the benefits on a pay-as-you-go basis from the general assets.

Actuarial Cost Method

The actuarial funding method used to determine the cost of the Anaconda Deer Lodge County Employee Group Benefits Plan is the entry age normal funding method. The key definition under this method is that the accrued liability is the present value of future benefits less the present value of future normal costs, where the entry age normal cost is the amount of level contribution such that the present value of future normal costs at entry age is exactly equal to the present value of future benefits at entry age. That is, the accrued liability is defined as the present value of prior normal cost deposits. For liability that is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

NOTE 16. POST-EMPLOYMENT BENEFITS – CONTINUED

Actuarial Cost Method – Continued
A detailed description of the calculation follows:

- An individual's present value of future benefit at entry age is calculated as the monthly benefit due at the point of separation.
- The normal cost at entry age is the present value of future benefit divided by the working lifetime, accounting for interest and inflation assumptions.
- An individual's **accrued** liability is the present value of the future benefit for valuation purposes at the beginning of the plan year, and an individual's normal cost is the present value of the benefit from the prior year trended forward an increment. If multiple decrements are used, the accrued liability and the normal cost for an individual are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.
- The plan's service cost is the sum of the individual normal costs, and the plan's **accrued** liability is the sum of the accrued liabilities for all participants under the plan.

Benefits Not Included in the Valuation
Anaconda Deer Lodge County does not fund any portion of dental, vision, retiree life insurance or long term care premiums; nor is the premium rate paid for active employees and retirees the same. Thus, there is no liability for life insurance or long term care, dental, or vision calculated in this valuation.

Asset Valuation Method
Not applicable since no assets meet the definition of plan assets under GASB No. 75.

Changed Since Prior Valuation
Not applicable.

The schedule of funding progress, presented as RSI following the notes to the financial statements, will present multiyear trend information as available about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Assumptions

Valuation Date
June 30, 2017

NOTE 16. POST-EMPLOYMENT BENEFITS – CONTINUED

Interest/Discount Rate
3.67%

Projected Payroll Increases
4.00%

Participation
- 45.0% of future retirees are assumed to elect medical coverage.
- 70.0% of the future retirees who elect medical coverage and are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

Lapse Rates
For participants age 65 and older, we applied a variable participation rate in addition to those listed above. These Lapse Rates account for potential migration into a less- costly Medicare plan once retirees become eligible for Medicare as their primary coverage.

Age	Lapse Rate	Age	Lapse Rate	Age	Lapse Rate
65	45.0%	67	20.0%	69	5.0%
66	30.0%	68	5.0%	70+	5.0%

In addition to the above Lapse Rates, it is assumed that there is an 45% chance of lapse when a participant retires over the age of 65.

Marital Status – at Retirement
- Actual spouse information is used for current retirees.
- Future retired members who elect to participate in the plan are assumed to be married at a rate of 60.0%.
- Males are assumed to be 3 years older than females.

Mortality – Healthy
- For FURS, MPORS, PERS and SRS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2015 using Scale AA with no collar adjustment for males and females.

Mortality – Disabled
- For FURS, MPORS, PERS and SRS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females

NOTE 16. POST-EMPLOYMENT BENEFITS – CONTINUED

Withdrawal Rates

	FURS		MPORS		PERS		SRS	
Years of	Age Attained							
Service	<50	50+	<50	50+	<50	50+	<50	50+
0	4.0%	4.0%	15.0%	15.0%	25.0%	25.0%	20.0%	20.0%
1	4.0%	4.0%	10.0%	10.0%	20.0%	20.0%	15.0%	15.0%
2	2.0%	2.0%	10.0%	10.0%	15.0%	15.0%	12.0%	12.0%
3	2.0%	2.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
4	2.0%	2.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
5-9	2.0%	*	5.0%	*	5.0%	*	5.0%	*
10-14	2.0%	*	2.0%	*	5.0%	*	3.0%	*
15+	1.0%	*	1.0%	*	2.0%	*	1.0%	*

*No other terminations of employment are assumed after attainment of age 50 with 5 years of service.

Other Post-Employment Benefits Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits
Deferred inflows and outflows will be reported as developed. Since the June 30, 2017 valuation was the first year of implementation of GASB 75 with regard to the Other Post-Employment benefits, there were no deferred outflows and deferred inflows of resources. In subsequent years, the District will report information on deferred outflows and deferred inflows of resources at year end as well as a schedule of amounts of those deferred outflows of resources and deferred inflows of resources that will be recognized in other post-employment benefit expense for the following 5 years. The next valuation date will be June 30, 2019.

NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS

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

NOTE 18. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. Given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Anaconda-Deer Lodge County has joined with other Montana counties to form a self- insurance pool to manage their municipal risks. This pool, named the Montana Municipal Interlocal Authority offers four coverage programs of municipal liability, workers compensation, property and employee benefit coverage. The County participates in all four areas of coverage with MMIA.

Coverage under MMIA for general liability and errors and omissions includes liability limits of $750,000 per person and $1,500,000 per occurrence and $12.5 million per occurrence for any claim subject to the limitations on governmental liability, as described in MT MCA 2-9-108, or any successor statute with $1,500 deductible per occurrence. Coverage for employment practices, employee benefits liability, and land use practices have liability limits of $500,000 per occurrence. Coverage for defense of nonmonetary claims for open meeting and public document claims is limited to $100,000 per occurrence with an aggregate annual limit of $200,000. Worker's compensation is subject to statutory limits with employer's liability limited to $100,000 per claim.

The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

The County provides medical insurance coverage through MMIA also. The County contributes up to $600 toward the employee's premium costs. The County's contribution is based on the number of hours worked during the month for each employee.

NOTE 19. PENDING LITIGATION

Anaconda-Deer Lodge County presently has cases pending against the government. Any damages awarded would be covered by the government's insurance. Management does not consider the outcome of these contingencies will have a material effect on the financial position of Anaconda-Deer Lodge County.

NOTE 20. EXTERNAL INVESTMENT POOL

Anaconda-Deer Lodge maintained an external investment pool for entities outside of the reporting entity for fiscal year ending June 30, 2018.

The pool consists of investments in time deposits, repurchase agreement and in the State of Montana Investment Pool. These investments are at fair value. On June 30, 2018 the external pooled investment's fair value was $6,432,496. In the State of Montana there is no regulatory oversight for this pool of investments.

A separately issued report exists for the external investment pool maintained by Anaconda-Deer Lodge. This report can be obtained by writing to Anaconda-Deer Lodge County, Clerk & Recorder, Anaconda, Montana, or by calling (406) 563-4060.

NOTE 21. DEFICIT FUND BALANCES

At June 30, 2018, the following funds had a deficit fund balance resulting from expenditures/expenses in excess of revenues during 2018 and prior years:

Fund	Deficit
W.I.C. Program	$ 268
Airport FAA Grant	2,712
MT Asthma	3,968
Total deficit fund balances	$ 6,948

The deficit fund balances will be eliminated by the next fiscal year's revenue and grants.

NOTE 22. COMMITMENTS AND CONTINGENCIES

The County is committed to an improvement project for the West Valley Sewer System with a total expected cost for the project of $6,222,437. $5,800,038 has been completed as of fiscal year end leaving approximately $422,399 still remaining to complete the project. This project is being financed with a STAG Grant, State Revolving Loan, TSEP Planning Grant and City Sewer User Fees. Anaconda-Deer Lodge County is contingently responsible for $3,323,286 through the State Revolving Loan and $1,056,962 from City Sewer User Fees to complete the project.

NOTE 22. COMMITMENTS AND CONTINGENCIES – CONTINUED

Component Unit:

Fiscal Dependency and Going Concern

Operating losses have created negative working capital and net position. The component unit anticipates a global agreement between ARCO and the County will provide funding for future operations. The estimated settlement date of the global agreement is unknown.

Management has initiated a budget plan for the reduction of expenses in 2018 and continues to evaluate and adjust its day to day operations to effectively manage liquidity. ARCO, Deer Lodge County and the Authority have entered into the fifth addendum to the 1994 conveyance agreement. The firth addendum is entered into for the purposes of providing for the loan of additional funds by ARCO to the Authority. The Authority must meet certain requirements to continue operating within the compliance of this addendum.

During 2017, ARCO, Anaconda-Deer Lodge County, and the Authority have entered into a memorandum of understanding (MOU) to help fund flood repairs and provide additional assistance to fund operational shortfalls in the form of contributions. Total contributions recognized by the Authority in 2017 were approximately $427,000. The first addendum to the MOU extended the dates of debt repayment and committed additional contributions through June 30, 2018.

The ability of the component unit to continue as a going concern and meet its obligations is dependent upon continued funding with ARCO. The financial statements as of December 31, 2017 do not include any adjustments if the Authority is unable to continue as a going concern.

NOTE 23. SUBSEQUENT EVENT

Component Unit:

Under a MOU entered into in 2017, addendums #2 and #3 were executed in 2018 and extended the dates of debt repayment and committed additional contributions to help fund operational shortfalls through December 31, 2019. In 2018 and 2019, the component unit has received contributions from ARCO amounting to $470,000 and $176,000, respectively.

REQUIRED SUPPLEMENTAL INFORMATION

ANACONDA-DEER LODGE COUNTY, MONTANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL OPEB LIABILTY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS GASB 75
JUNE 30, 2018

Summary of Key Valuation Results for the fiscal year ending June 30, 2017

- Year of implementation

Changes for the year:

(1) Service Cost	$	-
(2) Interest Cost		-
(3) Benefit payments		-
(4) Differences between expected and actual experience		-
(5) Changes in benefit terms		-
(6) Changes in assumptions		-
(7) Net Changes		-
(8) Total OPEB as of 7/1/17		2,770,680
(9) Total OPEB Liability as of 6/30/18	$	2,770,680
(10) Annual covered employee payroll	$	3,884,322
(11) Total OPEB Liability as a percent of annual covered employee payroll		71.3%

A roll forward valuation was not completed for June 30, 2018 as management believes any change would be immaterial. There have been no significant changes in demographics or rates.

Valuation will be updated fiscal year ending June 30, 2019.

N*o assets are accumulated in a trust that meets the criteria of GASB No. 75. Trend information will be reported as available.*

ANACONDA-DEER LODGE COUNTY, MONTANA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

MPERS:

As of measurement date	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (percentage)	0.2779%	0.2773%	0.2812%	0.2872%
Employer's Net Pension Liability (amount)	$ 5,412,933	$ 4,722,595	$ 3,930,295	$ 3,578,079
State's Net Pension Liability (amount)	$ 64,837	$ 57,705	$ 48,277	$ 43,694
Total	$ 5,477,770	$ 4,780,300	$ 3,978,572	$ 3,621,773
Employer's Covered Payroll	$ 3,447,721	$ 3,321,017	$ 3,281,226	$ 3,251,086
Employer's Proportionate Share as a percent of Covered Payroll	157.00%	142.20%	119.78%	111.22%
Plan Fiduciary Net Position as a percent of Total Pension Liability	73.75%	74.71%	78.40%	79.87%

FURS:

As of measurement date	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (percentage)	0.3864%	0.3934%	0.4006%	0.3817%
Employer's Net Pension Liability (amount)	$ 436,785	$ 449,295	$ 409,773	$ 372,557
State's Net Pension Liability (amount)	$ 991,895	$ 1,017,961	$ 912,673	$ 840,470
Total	$ 1,428,680	$ 1,467,256	$ 1,322,446	$ 1,213,027
Employer's Covered Payroll	$ 577,670	$ 553,953	$ 538,414	$ 495,756
Employer's Proportionate Share as a percent of Covered Payroll	75.61%	81.11%	76.11%	75.15%
Plan Fiduciary Net Position as a percent of Total Pension Liability	77.77%	75.48%	76.90%	76.71%

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CONTINUED

MPORS:

As of measurement date	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (percentage)	0.6144%	0.6464%	0.6418%	0.6876%
Employer's Net Pension Liability (amount)	$ 1,093,040	$ 1,163,561	$ 1,061,636	$ 1,080,472
State's Net Pension Liability (amount)	$ 2,227,790	$ 2,309,719	$ 2,150,976	$ 2,182,682
Total	$ 3,320,830	$ 3,473,280	$ 3,212,612	$ 3,263,154
Employer's Covered Payroll	$ 918,736	$ 912,467	$ 888,235	$ 922,583
Employer's Proportionate Share as a percent of Covered Payroll	118.97%	127.52%	119.52%	117.11%
Plan Fiduciary Net Position as a percent of Total Pension Liability	68.34%	65.62%	66.90%	67.01%

SRS

As of measurement date	2017	2016	2015	2014
Employer's proportion of the Net Pension Liability (percentage)	0.3970%	0.4375%	0.4011%	0.3762%
Employer's Net Pension Liability (amount)	$ 302,088	$ 768,538	$ 386,663	$ 156,548
Total	$ 302,088	$ 768,538	$ 386,663	$ 156,548
Employer's Covered Payroll	$ 297,018	$ 308,825	$ 272,935	$ 243,275
Employer's Proportionate Share as a percent of Covered Payroll	101.71%	248.86%	141.67%	64.35%
Plan Fiduciary Net Position as a percent of Total Pension Liability	81.30%	63.00%	75.40%	87.24%

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

SCHEDULE OF CONTRIBUTIONS

MPERS:

As of reporting date	2018	2017	2016	2015
Contractually Required DB Contributions	$ 311,147	$ 288,575	$ 277,589	$ 270,386
Plan Choice Rate Required Contributions	$ -	$ -	$ 463	$ 322
Contributions in Relation to the Contractually Required Contributions	$ 311,147	$ 288,575	$ 278,052	$ 270,708
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer's Covered Payroll	$ 3,621,283	$ 3,447,721	$ 3,321,017	$ 3,281,226
Contributions as a percent of Covered Payroll	8.59%	8.37%	8.37%	8.25%

FURS:

As of reporting date	2018	2017	2016	2015
Contractually Required Contributions	$ 90,211	$ 82,953	$ 79,200	$ 78,821
Contributions in Relation to the Contractually Required Contributions	$ 90,211	$ 82,953	$ 79,200	$ 78,821
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer's Covered Payroll	$ 628,206	$ 577,670	$ 553,953	$ 538,414
Contributions as a percent of Covered Payroll	14.36%	14.36%	14.30%	14.64%

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

SCHEDULE OF CONTRIBUTIONS – CONTINUED

MPORS:

As of reporting date	2018	2017	2016	2015
Contractually Required Contributions	$ 153,304	$ 132,391	$ 133,665	$ 128,759
Contributions in Relation to the Contractually Required Contributions	$ 153,304	$ 132,391	$ 133,665	$ 128,759
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer's Covered Payroll	$ 1,077,638	$ 918,736	$ 912,467	$ 888,235
Contributions as a percent of Covered Payroll	14.23%	14.41%	14.65%	14.50%

SRS:

As of reporting date	2018	2017	2016	2015
Contractually Required Contributions	$ 39,325	$ 30,043	$ 32,008	$ 27,686
Contributions in Relation to the Contractually Required Contributions	$ 39,325	$ 30,043	$ 32,008	$ 27,686
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer's Covered Payroll	$ 302,722	$ 297,018	$ 308,825	$ 272,935
Contributions as a percent of Covered Payroll	12.99%	10.11%	10.36%	10.14%

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes:

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

Second Retirement Benefit - for PERS

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) – CONTINUED

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

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

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

2017 Legislative Changes:

General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations - for PERS

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

Terminating Employers - Recovery of actuary costs - for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

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

Family Law Orders

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

Disabled PERS Defined Contribution (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.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) – CONTINUED

PERS Statutory Appropriation - House Bill 648, effective July 1, 2017
Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - $31.386 million
2. FY2019 - $31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
   a. FY2020 - $32.277 million
   b. FY2021 - $32.6 million
   c. FY2022 - $32.926 million
   d. FY2023 - $32.255 million
   e. FY2024 - $33.588 million
   f. FY2025 - $33.924 million

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions
The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.26%

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

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016
If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

2017 Legislative Changes:

General Revisions - House Bill 101, effective July 1, 2017
Working Retiree Limitations - for FURS

- Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they entered.
- Members who return for less than 480 hours in a calendar year:
  - May not become an active member in the system; and
  - Are subject to a $1 reduction in their retirement benefit for each $3 earned in excess of $5,000 in the calendar year.
- Members who return for 480 or more hours in a calendar year:
  - Must become an active member of the system;
  - Will stop receiving a retirement benefit from the system; and
  - Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions, if any, apply as follows:
  - Employer contributions and state contributions (if any) must be paid on all working retirees;
  - Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit - for FURS

- Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - Is not awarded service credit for the period of reemployment;
  - Is refunded the accumulated contributions associated with the period of reemployment;
  - Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS) – CONTINUED

Second Retirement Benefit – Continued

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

Terminating Employers - Recovery of actuary costs - for FURS

Employers who terminate participation in FURS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

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

Family Law Orders

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

Eligibility to Participate – for FURS Part-Paid Firefighters

Part-paid firefighters become eligible to participate in FURS once they have earned $300 in a fiscal year. Previously, statute was unclear on whether the limit applied to a calendar year or a fiscal year.

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS) – CONTINUED

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions
The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

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.

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes:

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

MPORS DROP Survivor Benefits - for MPORS

Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-19-2016(1), MCA.

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations - for MPORS

- Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Members who return for less than 480 hours in a calendar year:
  - May not become an active member in the system; and
  - Are subject to a $1 reduction in their retirement benefit for each $3 earned in excess of $5,000 in the calendar year.
- Members who return for 480 or more hours in a calendar year:
  - Must become an active member of the system;
  - Will stop receiving a retirement benefit from the system; and
  - Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions, if any, apply as follows:
  - Employer contributions and state contributions (if any) must be paid on all working retirees;
  - Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit - for MPORS

- Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - Is not awarded service credit for the period of reemployment;
  - Is refunded the accumulated contributions associated with the period of reemployment;
  - Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS) – CONTINUED

Second Retirement Benefit – Continued

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

Terminating Employers - Recovery of actuary costs - for MPORS

Employers who terminate participation in MPORS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

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

Family Law Orders

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

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS) – CONTINUED

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions
The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.60%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.24%

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.

SHERIFFS' RETIREMENT SYSTEM (SRS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes: none

2017 Legislative Changes:
General Revisions – House Bill 101, effective July 1, 2017
Second Retirement Benefit - for SRS

- Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - Is not awarded service credit for the period of reemployment;
  - Is refunded the accumulated contributions associated with the period of reemployment;
  - Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - Is awarded service credit for the period of reemployment;
  - Starting the first month following termination of services, receives:
    - The same retirement benefit previously paid to the member, and
    - A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehired date; and
  - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives GABA:
    - On the initial retirement benefit in January immediately following second retirement, and
    - On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds

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.

SHERIFFS' RETIREMENT SYSTEM (SRS) – CONTINUED

Family Law Orders

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

SRS Funding – House Bill 383, effective July 1, 2017
Increase in SRS Employee and Employer Contribution

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions
The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.21%

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.

ANACONDA-DEER LODGE COUNTY, MONTANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRACTUAL PENSION CONTRIBUTIONS
JUNE 30, 2018

Trend information as available is presented in the following tables:

International Union of Operating Engineers
Schedule of Contributions for the Last Ten Fiscal Years*

Year	Contractually Required Contributions
2018	$ 6,572
2017	8,636
2016	8,221
2015	7,806
2014	8,131
2013	7,783
2012	7,245
2011	6,726
2010	6,651
2009	4,594

As of Most Recent FYE (reporting date)	2018
Contractually Required Contributions	$ 6,572
Contributions in the Relation to the Covered Payroll	$ 6,572
Contribution Deficiency (Excess)	$ -
Employer's Covered Payroll	$ 67,291
Contributions as a percent of Covered Payroll	9.77%

**The amounts presented above for each fiscal year were determined as of June 30th, the employer’s most recent fiscal year end. Schedule is intended to show information for 10 years. Trend information will be reported as available. No factors have significantly impacted the benefit terms or size or composition of the covered population for the years presented.*

International Association of Machinists and Aerospace Workers

Schedule of Contributions for the Last Ten Fiscal Years

Year	Contractually Required Contributions
2018	$ 14,560
2017	13,312
2016	12,896
2015	12,480
2014	12,288
2013	12,597
2012	11,593
2011	12,485
2010	11,475
2009	8,999

As of Most Recent FYE (reporting date)	2018
Contractually Required Contributions	$ 14,560
Contributions in the Relation to the Covered Payroll	$ 14,560
Contribution Deficiency (Excess)	$ -
Employer's Covered Payroll	$ 86,700
Contributions as a percent of Covered Payroll	16.79%

**The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Trend information will be reported as available. No factors have significantly impacted the benefit terms or size or composition of the covered population for the years presented.*

International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America

Schedule of Contributions for the Last Ten Fiscal Years

Year	Contractually Required Contributions
2018	$ 31,818
2017	29,520
2016	17,921
2015	14,710
2014	141,494
2013	13,574
2012	6,718
2011	-
2010	2,506
2009	-

As of Most Recent FYE (reporting date)	2018
Contractually Required Contributions	$ 31,818
Contributions in the Relation to the Covered Payroll	$ 31,818
Contribution Deficiency (Excess)	$ -
Employer's Covered Payroll	$ 507,241
Contributions as a percent of Covered Payroll	6.27%

**The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Trend information will be reported as available. No factors have significantly impacted the benefit terms or size or composition of the covered population for the years presented.*

International Brotherhood of Teamsters

Schedule of Contributions for the Last Ten Fiscal Years

Year	Contractually Required Contributions
2018	$ 90,946
2017	94,667
2016	69,855
2015	66,397
2014	73,333
2013	70,533
2012	67,775
2011	63,957
2010	58,088
2009	56,175

As of Most Recent FYE (reporting date)	2018
Contractually Required Contributions	$ 90,946
Contributions in the Relation to the Covered Payroll	$ 90,946
Contribution Deficiency (Excess)	$ -
Employer's Covered Payroll	$ 527,766
Contributions as a percent of Covered Payroll	17.23%

**The amounts presented above for each fiscal year were determined as of June 30th, the employer's most recent fiscal year end. Schedule is intended to show information for 10 years. Trend information will be reported as available. No factors have significantly impacted the benefit terms or size or composition of the covered population for the years presented.*

ANACONDA-DEER LODGE COUNTY, MONTANA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Resources (inflows):				
Taxes and assessments	$ 1,227,467	$ 1,227,467	$ 1,256,008	$ 28,541
Licenses and permits	77,200	77,200	136,840	59,640
Intergovernmental	579,431	579,431	1,173,010	593,579
Charges for services	475,740	475,740	512,976	37,236
Fines and forfeitures	130,500	130,500	144,334	13,834
Miscellaneous	11,900	11,900	35,616	23,716
Investment earnings	-	-	17,142	17,142
Amounts available for appropriation	2,502,238	2,502,238	3,275,926	773,688
Charges to appropriations (outflows):				
Current:				
General government	2,498,394	2,498,394	2,815,110	(316,716)
Public safety	99,559	99,559	103,303	(3,744)
Public works	28,986	28,986	27,911	1,075
Public health	478,900	478,900	490,403	(11,503)
Social and economic services	92,354	92,354	67,438	24,916
Culture and recreation	881,376	881,376	475,486	405,890
Housing and community development	10,000	10,000	5,604	4,396
Capital outlay	-	-	60,868	(60,868)
Total charges to appropriations	4,089,569	4,089,569	4,046,123	43,446
Excess(deficiency) of revenues over expenditures	(1,587,331)	(1,587,331)	(770,197)	817,134
Other Financing Sources (uses)				
Transfers in	1,100,667	1,100,667	2,098,145	997,478
Transfers out	(64,625)	(64,625)	(134,844)	(70,219)
Total other financing sources(uses)	1,036,042	1,036,042	1,963,301	927,259
Net change in fund balance			1,193,104	
Fund balance July 1, 2017			1,608,797	
Fund balance June 30, 2018			$ 2,801,901	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Public Safety			
	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final
	Original	Final	Basis)	Budget
Resources (inflows):				
Taxes and assessments	$ 1,350,577	$ 1,350,577	$ 1,371,097	$ 20,520
Intergovernmental	537,339	537,339	532,241	(5,098)
Charges for services	25,000	25,000	33,750	8,750
Fines and forfeitures	1,000	1,000	10	(990)
Miscellaneous	-	-	2,764	2,764
Amounts available for appropriation	1,913,916	1,913,916	1,939,862	25,946
Charges to appropriations (outflows):				
Current:				
Public safety	1,694,692	1,694,692	1,819,150	(124,458)
Capital outlay	60,000	60,000	58,509	1,491
Total charges to appropriations	1,754,692	1,754,692	1,877,659	(122,967)
Excess(deficiency) of revenues over expenditures	159,224	159,224	62,203	(97,021)
Other Financing Sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources(uses)	-	-	-	-
Net change in fund balance			62,203	
Fund balance July 1, 2017			313,640	
Fund balance June 30, 2018			$ 375,843	

See accompanying notes to the budgetary comparison schedules.

ANACONDA-DEER LODGE COUNTY, MONTANA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Mill Creek TIFID			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Taxes and assessments	$ 5,064,746	$ 5,064,746	$ 4,700,960	$ (363,786)
Amounts available for appropriation	5,064,746	5,064,746	4,700,960	(363,786)
Charges to appropriations (outflows):				
Current:				
General government	2,434,248	2,434,248	2,257,106	177,142
Total charges to appropriations	2,434,248	2,434,248	2,257,106	177,142
Excess of revenues over expenditures	2,630,498	2,630,498	2,443,854	(186,644)
Other Financing Sources (uses)				
Transfers in	-	-	-	-
Transfers out	(2,630,498)	(2,630,498)	(2,443,854)	186,644
Total other financing sources	(2,630,498)	(2,630,498)	(2,443,854)	186,644
Net change in fund balance			-	
Beginning fund balance July 1, 2017			-	
Ending fund balance June 30, 2018			$ -	

See accompanying notes to the budgetary comparison schedules.

NOTE 1. BASIS OF ACCOUNTING

Budgeted inflows and outflows and actual revenues and expenditures are determined in accordance with U.S. generally accepted accounting principles.

NOTE 2. RECONCILIATION OF BUDGETARY BASIS TO GAAP

Adjustments necessary to reconcile the fund financial statements to the budgetary comparison schedule for the General Fund and the Major Special Revenue Funds are as follows:

General Fund:

Modified Accrual Basis Revenues	$ 3,368,124
State of Montana On-Behalf Payments	(92,198)
Budgetary basis revenues	$ 3,275,926
Modified Accrual Basis Expenditures	$ 4,138,321
Non General Fund Expenditures	-
State of Montana On-Behalf Payments	(92,198)
Budgetary basis expenditures	$ 4,046,123

*In accordance with GASB 54, special revenue funds without a restricted revenue source are reported in the General Fund on the modified accrual basis.

Public Safety:

Modified Accrual Basis Revenues	$ 2,226,766
State of Montana On-Behalf Payments	(286,904)
Budgetary basis revenues	$ 1,939,862
Modified Accrual Basis Expenditures	$ 2,164,563
State of Montana On-Behalf Payments	(286,904)
Budgetary basis expenditures	$ 1,877,659

NOTE 3. BUDGET OVER SPENT

The Public Safety Fund's actual expenditures exceeded the budget by $122,967.

SUPPLEMENTARY INFORMATION

Revenue Available and Debt Service Coverage

The District was created pursuant to Ordinance No. 212-B adopted by the Board of County Commissioners on June 16, 2009, and as may be supplemented or amended (the "Ordinance"), which includes the Industrial Infrastructure Plan (the "Plan") for the District. The County approved the Mill Creek Project pursuant to the Ordinance, which also contains a tax increment financing provision in accordance with the Act. In accordance with the Ordinance and the Act, the 2012 Bonds will be authorized pursuant to a bond resolution to be adopted by the Board of County Commissioners on or about June 19, 2012 (the "Bond Resolution").

The District's base year is the tax year beginning January 1, 2008. The base taxable value of the District is $909,339. The availability of Tax Increment to pay principal of and interest on the 2012 Bonds is estimated and is based on the estimated total tax year 2012 (fiscal year 2012/13) collections of approximately $4,700,960 of which $4,700,960 had been collected as of June 30, 2018. (See "TAX INCREMENT FINANCING INDUSTRIAL DISTRICT NO.2 – Uses in the District" herein.)

Based on the estimated debt service table on the following page, maximum annual debt service is expected to be $142,065. Estimated coverage of maximum annual debt service is 33.09 times. This assumed coverage does not include investment earnings or assumed growth rate for property valuation in the District.

Debt Service Requirements

The amount of principal and the estimated interest (giving effect to mandatory sinking fund redemption) payable on the Bonds (interest payable on January 1 and July 1), are shown below and estimated to be as follows.

Based on the total estimated tax increment for tax year 2018 (fiscal year 2017/18) of $4,700,960, debt service coverage is estimated to exceed 33.09 times for the Bonds. This assumed coverage does not include investment earnings or change in property valuation in the District.

Debt Service Requirements – Continued

	2012 Bonds		
Fiscal Year (Ending June 30)	Principal	Interest	Aggregate Debt Service
2019	80,000	59,300	139,300
2020	85,000	56,900	141,900
2021	85,000	53,500	138,500
2022	90,000	50,100	140,100
2023	95,000	46,500	141,500
2024	95,000	42,938	137,938
2025	100,000	39,375	139,375
2026	105,000	35,625	140,625
2027	110,000	31,294	141,294
2028	115,000	26,756	141,756
2029	120,000	22,012	142,012
2030	125,000	17,063	142,063
2031	130,000	11,594	141,594
2032	135,000	5,906	140,906
Total	$ 1,470,000	$ 498,863	$ 1,968863

Value of Property in the District and Collection of Tax Increment

The certified base valuation of the District is $909,339 and the certified taxable value for fiscal year 2017/18 is $8,012,523. The Incremental Value for fiscal year 2017/18 is $7,103,184.

Fiscal Year	Total Taxable Value	Incremental Value	Tax Increment Property Tax Collections
Base Value 2008/09	$ 909,339	$ -	$ -
2009/10	1,157,884	248,547	161,338
2010/11	3,854,429	2,945,090	1,516,117
2011/12	6,757,891	5,848,552	3,918,586*
2012/13	7,004,061	6,094,722	3,377,468
2013/14	6,455,411	5,546,072	3,505,500
2014/15	6,748,991	5,389,652	3,928,787
2015/16	7,480,165	6,570,826	4,387,001
2016/17	8,748,597	7,839,258	4,989,172
2017/18	8,012,523	7,103,184	4,700,960

Property Tax Levies in the District

The property taxes levied, expressed in mills, by the Taxing Bodies levying property taxes within the District for each of the five fiscal years ended June 30, 2014 through June 30, 2018 were as described in the following table.

Property Tax Levies in the District, Continued

Taxing Entity	2013/14	2014/15	2015/16	2016/17	2017/18
Statewide School Equalization	40.00	40.00	40.00	40	40
Anaconda Deer Lodge County	293.97	312.50	313.39	306.56	320.6
Cemetery District	35.17	36.34	24.24	24.3	17
Countywide School Levy	82.31	85.36	93.48	84.54	91.84
Anaconda Elementary District	139.17	127.52	121.22	105.7	129.25
Anaconda High School District	71.94	66.51	60.87	60.55	63.37
Total	662.56	668.23	653.20	621.65	662.06
University Millage*	6.00	6.00	6.00	6.00	6.00

*Exempt from tax increment.

Mill Creek Industrial Tax Increment Financial Summary

The following table is a summary of the statements of revenues collected, expenditures paid, and changes in the fund balance for the Mill Creek Industrial Tax Increment District Fund for the fiscal year ended June 30, 2018.

	Audited 2017/18
Revenues:	
Taxes & Assessments	$ 4,700,960
Intergovernmental	-
Total Revenue	$ 4,700,960
Expenditures:	
General government	$ 8,450
Debt service	142,200
Capital outlay	371,233
Total Expenditures	$ 521,883
Excess of Revenues over (under) Expenditures	$ 4,179,077
Other Financing Sources (Uses)	(4,179,077)
Fund balance, July 1	-
Fund balance, June 30	$ -

Mill Creek Industrial Tax Increment Financial Summary, Continued

The Tax Increment district's Top 10 Largest Taxpayers and Taxable Value of Property for each

Owner	# of Parcels	Type of Property/Business	2017/18 Taxable Market Value	2017/18 Taxable Value	Percent of District Taxable Value
Northwestern Energy	3	Utility	$ 137,475,111	$ 9,975,455	50.26%
ARCO Environmental	1	Remediation	$ 12,204,092	$ 338,331	1.70%
BNSF Railway	1	Railroad	$ 10,192,191	$ 312,900	1.58%
Pacificorp	1	Utility	$ 2,337,480	$ 280,497	1.41%
Idaho Power	1	Utility	$ 2,192,491	$ 263,099	1.33%
Qwest and or Century	1	Telecommunication	$ 1,973,996	$ 118,442	0.60%
Charter	1	Telecommunication	$ 1,818,409	$ 109,106	0.55%
Rarus Railway	0	Railroad	$ 3,044,243	$ 93,455	0.47%
Verizon Wireless	1	Telecommunication	$ 1,501,839	$ 90,110	0.45%
Jordan Contracting	1	Construction	$ 4,488,268	$ 67,324	0.34%

SINGLE AUDIT SECTION

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 2017	Federal Revenue	Match/ Other Revenue	Federal Expenditures	Match/ Other Expenditure	Ending Balance June 30, 2018
U.S. Department of Agriculture									
Passed through the Montana Department of Public Health									
Child and Adult Care Food Program	10.558		10,350	-	10,350	-	10,350	-	-
Special Supplement Food Program for Women, Infants and Children (WIC)	10.557	17-07-5-21-006-0	97,836	-	19,825	-	19,825	-	-
	10.557	18-07-5-21-006-0	62,087	-	54,668	-	54,668	-	-
Passed through the Montana State Auditor:									
Forest Reserve	10.665			-	81,552	-	81,552	-	-
Taylor Grazing Act	15.227			-	97	-	97	-	-
Total U.S. Department of Agriculture				-	166,492	-	166,492	-	-
U.S. Department of Justice									
Passed through the Montana Board of Crime Control:									
Victim/Witness	16.575	17-V01-92048	43,821	-	25,350	13,321	25,350	13,321	-
Total U.S. Department of Justice				-	25,350	13,321	25,350	13,321	-
U.S. Department of Education									
Passed through the Montana Office of Public Instruction:									
Montana Preschool Grant	84.419A	*S419A150015-16*	234,792	-	234,792	-	234,792	-	-
Total U.S. Department of Education				-	234,792	-	234,792	-	-
U.S. Department of Public Health and Human Services									
Direct:									
Head Start	93.600	08CH9977/3	665,101	-	417,782	-	417,782	-	-
Head Start	93.600	08CH9977/4	682,042	-	281,000	-	281,000	-	-
Passed through the Montana Department of Health and									
Immunization	93.268	17-07-4-31-112-0	9,073	-	6,049	-	6,049	-	-
Maternal & Child Health Services	93.994	18-07-5-01-012-0	7,882	-	7,882	-	7,882	-	-
Domestic Preparedness	93.074	18-07-6-11-016-0	30,264	-	30,264	-	30,264	-	-
Montana Asthma Control Programs (MAP)	93.070	~~17-07-3-01-130-0~~	30,000	-	32,000	-	32,000	-	-
Montana Personal Responsibility Education Program (PREP)	93.092	18-07-5-11-020-0	9,000	-	9,000	-	9,000	-	-
Healthy Montana Families	.505/93.8	17-07-5-41-160-0	133,395	-	89,619	-	89,619	-	-
Total U.S. Department of Public Health and Human Services				-	873,596	-	873,596	-	-
Total Federal Assistance				**$ -**	**$ 1,300,230**	**$ 13,321**	**$ 1,300,230**	**$ 13,321**	**$ -**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Anaconda-Deer Lodge County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 of U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance). Therefore, some amounts presented in this schedule may differ

The County has not elected to use the de minimis ten percent indirect cost rate.

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

Council of County Commissioners
Anaconda-Deer Lodge County
Anaconda, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anaconda-Deer Lodge County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Anaconda-Deer Lodge County's basic financial statements and have issued our report thereon dated May 24, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on Anaconda-Deer Lodge County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses. See Findings 2018-001, 2018-002 and 2018-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See Findings 2018-004, 2018-005, 2018-006 and 2018-007.

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

Anaconda-Deer Lodge County's Response to Findings
Anaconda-Deer Lodge County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Anaconda-Deer Lodge County'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.

Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
May 24, 2019

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

Board of County Commissioners
Anaconda-Deer Lodge County
Anaconda, Montana

Report on Compliance for Each Major Federal Program

We have audited Anaconda-Deer Lodge County, Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Anaconda-Deer Lodge County's major federal programs for the year ended June 30, 2018. Anaconda-Deer Lodge County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaconda-Deer Lodge County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anaconda-Deer Lodge County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Anaconda-Deer Lodge County's compliance.

Opinion on Each of the Major Federal Programs
In our opinion, Anaconda-Deer Lodge County, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance
Management of Anaconda-Deer Lodge County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Anaconda-Deer Lodge County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anaconda-Deer Lodge County's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-001 and 2018-002 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-004 and 2018-006 to be significant deficiencies.

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

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

Newland and Company

NEWLAND AND COMPANY
A Professional Corporation

Butte, Montana
May 24, 2019

ANACONDA-DEER LODGE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Findings are discussed in the schedule as 2018-001, 2018-002 and 2018-003	
Significant deficiencies identified, not considered to be material weaknesses?	Yes
Findings are discussed in the schedule as 2018-004, 2018-005, 2018-006 and 2018-007	
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Findings are discussed in the schedule as 2018-001 and 2018-002	
Significant deficiencies identified, not considered to be material weaknesses?	Yes
Findings are discussed in the schedule as Finding 2018-004 and 2018-006	
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
93.600	Head Start

Dollar threshold used to distinguish between Type A And Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Material Weakness
Financial Statement and Federal Awards Finding

Finding 2018-001:
The required annual financial reports and forms for the fiscal year ended June 30, 2018 were not completed and filed in a timely manner to the State of Montana and federal agencies.

Condition:
The Annual Financial Report for the County was filed after the statutory due date of December 31, 2018. The annual reporting package under the MT Standard Audit Contract was filed after the contractual due date of March 31, 2019. The required report, form and schedules were not filed with the Federal Audit Clearinghouse by the statutory due date of March 31, 2019.

Criteria:
Sound financial reporting practices require that timely reports be filed by the due dates established by state and federal statute, regulation or contract.

Effect:
Anaconda-Deer Lodge County was not in compliance with mandatory filing requirements for the fiscal year ended June 30, 2018.

Cause:
The Annual Financial Report was not completed and accepted by the State until April 2, 2019. The annual audit report package was not completed by the March 31, 2019 due to difficulties in reconciling the June 30, 2018 cash balances. The required reporting to the Federal Clearinghouse could not be completed until after the completion of the June 30, 2018 audit report.

Recommendation:
We recommend that the County institute and adhere to internal control policies and procedures that require the timely filing of state and federal financial reports.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Questioned Federal Costs:
None

Repeat Finding #2017-001

<u>Material Weakness</u>
Financial Statement and Federal Awards Finding Major Programs

Finding 2018-002:
Reconciliation discrepancies were detected between the monthly reconciliation of cash in bank accounts as compared to the general ledger accounts and those discrepancies were not resolved in a timely manner.

Condition:
Discrepancies exist between the monthly cash reconciliations and the general ledger cash accounts of the County. The June 2018 cash reconciliations were not completed in a timely or accurate manner until significantly subsequent to year end.

Criteria:
A basic internal control procedure is reconciling cash and transactions of the entity with the outside cash accounts to ensure accurate reporting. That procedure is only effective if it is done in a timely manner.

Effect:
Although the County was able to resolve the reconciliation discrepancies below a material level, the reconciliation of cash is an integral function of an internal control system and should be done in a timely and accurate manner.

Cause:
The monthly reconciliation of cash accounts had discrepancies that have not been resolved throughout the year in a timely manner. County transactions recorded in a Trust & Agency Fund and the override of internal control procedures to pay payroll liabilities resulted in a double recording of revenue and payments not in agreement to the payroll liabilities generated by the accounting software.

Recommendation:
We recommend that the County resolve the current discrepancies in the cash reconciliation process and ensure that future periods reconcile accurately. Those reconciliations should be done within a reasonable time after the period end to be effective. The use of a Trust & Agency Fund to record County transactions should be discontinued. Procedures should be instituted that the payment of payroll liabilities within in the accounting software be agreed to actual cash payments of those liabilities. This process should be completed by separate individuals.

Questioned Federal Costs:
None

Views of Responsible Officials and Planned Corrective Action:
See Management’s Responses on Page 137.

Repeat Finding 2017-002

Material Weakness
Financial Statement Finding

Finding 2018-003:
Balances and accounts in the Trust and Agency Funds in the computerized financial reporting package are not accurate and the County was unable to provide financial statements produced by the accounting software.

Condition:
There are numerous instances of inaccurate accounts and balances in the Trust and Agency Funds within the computerized financial reporting software.

Criteria:
Generally accepted auditing standards require that financial statements be a product of a financial reporting system that offers reasonable assurance that the management is able to produce financial statements that are in accordance with generally accepted accounting principles and in a timely manner.

Effect:
The computerized financial reporting system is not able to generate an accurate Statement of Fiduciary Net Position or the Statement of Changes in Fiduciary Net Position.

Cause:
There has been activity recorded in accounts that are not applicable to trust and agency funds or entries made that have not been corrected.

Recommendation:
While management was able to produce auditable statements for the Trust and Agency Funds, we recommend that the County improve their financial reporting process and procedures by correcting inaccurate accounts and balances within the financial reporting software.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Repeat Finding 2017-003

<u>Significant Deficiency</u>
Financial Statement and Federal Awards Finding Major Programs

Finding 2017-004:
Draft financial statements, notes and schedules prepared by Auditor.

Condition:
While the auditor maintained independence under the Professional Standards regarding the Performance of Non-Attest Services, the auditor assisted in the preparation of draft financial statements, notes and supplementary schedules.

Criteria:
Generally accepted auditing standards require that financial statements be a product of a financial reporting system that offers reasonable assurance that the management is able to produce financial statements that are in accordance with generally accepted accounting principles.

Effect:
A significant internal control deficiency exists that results in a more than remote likelihood that a material misstatement of the financial statements will not be detected or prevented by the Anaconda- Deer Lodge County's internal control system.

Cause:
Auditor assistance in the preparation of financial statements, notes and supplementary schedules is a matter of necessity rather than of convenience.

Questioned Federal Costs:
None

Recommendation:
We recommend that the county correct the material weakness in the internal control system over financial reporting by hiring a qualified consultant or providing in house training for staff to be qualified to evaluate the presentation in accordance with GAAP for the financial statements, notes and supplementary schedules.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Repeat Finding 2017-004

Significant Deficiency
Financial Statement Finding

Finding 2018-005
Segregation of Duties

Condition:
Cash receipting duties are not segregated in the following departments:

JP Court
Law Enforcement
Parks and Recreation
Clerk of Court
Water Department

Criteria:
An adequate system of internal controls provides for a proper segregation of the accounting functions. The duties of receiving cash, recording them into the accounting records, and reconciling the records should be segregated.

Effect:
Risk of misappropriation of County assets and inaccurate financial records as a result of errors or fraud.

Cause:
Limited personnel in the departments.

Recommendation:
Management should review the current assignment of accounting functions in all of the departments and segregate to the extent possible the duties of receiving cash, recording them into the accounting records, and reconciling the records.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Repeat Finding 2017-005

Significant Deficiency
Financial Statement and Federal Awards Finding Major Programs

Finding 2018-006
Physical Inventory - Fixed Assets

Condition:
Anaconda-Deer Lodge County has performed a physical inventory of fixed assets but has not compared the physical inventory to existing detailed records of fixed assets.

Criteria:
Detailed fixed asset records must be verified to actual assets to be reliable.

Effect:
Detailed fixed asset records have not been verified with physical inventories.

Cause:
Inadequate control over fixed assets.

Questioned Costs:
None

Recommendation:
Anaconda-Deer Lodge County has performed a physical inventory of all fixed assets but has yet to compare the physical inventory to detailed asset records. We recommend that the next step in the process by completed by comparing the physical inventory to fixed asset records.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Repeat Finding 2017-006

Significant Deficiency
Financial Statement Finding

Finding 2018-007
Instances of expenditures in excess of appropriations

Condition:
We noted instances of expenditures in excess of appropriations in budgeted funds.

Criteria:
Montana law requires that expenditures from budgeted funds be limited to appropriations.

Effect:
A significant deficiency in internal control exists in that expenditures exceeded appropriations in some budgeted funds.

Cause:
Expenditures exceeded appropriations due to miscalculations in setting the fiscal year budgets or not adhering to the budgets that were adopted.

Questioned Costs:
None

Recommendation:
We recommend that the County restrict expenditures to appropriations per the adopted budgets and Montana law.

Views of Responsible Officials and Planned Corrective Action:
See Management's Responses on Page 137.

Repeat Finding
No

ANACONDA-DEER LODGE COUNTY, MONTANA
PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2017

	Implemented	Partially Implemented	Not Implemented
2017-001 Required financial reports Not completed and filed in timely manner			
Annual Financial Report to State of Montana			X
2017-002 Reconciliation discrepancies exist in cash and bank reconciliations			X
2017-003 Balances and accounts in Trust and agency funds not accurate in financial reporting package			X
2017-004 Draft financial statement, notes and schedules prepared by the auditor			X
2017-005 Lack of segregation of duties			X
2017-006 Physical inventory of assets		X	

MANAGEMENT’S RESPONSES

ANACONDA-DEER LODGE COUNTY
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Anaconda, Montana 59711
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Anaconda-Deer Lodge County Response to Fiscal Year 2017-2018 Auditor's Comments

Prepared – May 2019

2018-001 **The required annual financial report for the fiscal year ended June 30, 2018 was not completed and filed in a timely manner to the State of Montana**

ADLC's Annual Financial Report was filed by December 31, 2018. However, ADLC filed the AFR report for the first time using Black Mountain generated reports. These reports were not accepted by the State of Montana. ADLC, once the original reports were rejected, wounded up filing the AFR using the State's preferred worksheets after Dec. 30th, 2019. Also due to some outstanding cash reconciliation issues, ADLC missed it audit filing deadline of March 31, 2019 with the state. ADLC was able to resolve its outstanding cash balance after the deadline and did submit audited financial statements to the state after the deadline. For FY 2019, ADLC will use the spreadsheets provided by the State of Montana to submit its Annual Financial Report and with new monthly cash recon procedures will file its audited financial statements by March 31.

2018-002 **Reconciliation discrepancies were detected between the monthly reconciliation of cash in bank accounts as compared to the general ledger accounts and those discrepancies were not resolved in a timely manner**

ADLC, with the help of an outside consultant, has worked through the outstanding issues surrounding the ADLC's cash recon concerns. The Treasurer's Suspend Fund, in an effort to clean up cash balances, had a revenue check recorded twice. Also, ADLC had some outstanding payroll issues stemming from a PERS audit for FY 2002-2012 and 2016-2017 when payroll liabilities did not match payments made to PERS. These issues are now resolved. In FY 2019, ADLC has started the procedure to reconcile cash monthly. As of April 2019, the cash reconcilement has been brought up to date with no outstanding issues.

2018-003 **Balances and accounts in the Trust and Agency Funds in the computerized financial reporting package are not accurate and the County was unable to provide accurate information in a timely manner**

ADLC has started a review of these funds in the fiscal year 2019. Correcting entries have been made to ensure that correct accounts and balances are maintained within our Black Mountain software. Trial Balance reviews will be conducted at June 30, 2019. The goal will be to produce an accurate trial balance of Fiduciary Net Position.

2018-004 **Draft financial statements, notes and schedules prepared by Auditor**

ADLC has implemented monthly closing dates, monthly journal vouchers, year-end journal entries and strict ledger close dates. All expenditures are now approved by Department Heads, journal entries and payroll are reviewed by the CFO and monthly financial statements are being issued. Financial statements and data prepared by Anaconda-Deer Lodge County Staff are made under improved internal control requirements.

2018-005 **Segregation of Duties – Cash Receipting**

ADLC agrees with this finding, however, implementing segregation of duties in a small organization with limited staff has proven difficult. Anaconda-Deer Lodge County reviews duties and is committed to improving this finding. ADLC is reviewing the option of introducing Cash Receipting into the mentioned departments. This would introduce through training and implementation of procedures to better control receiving, recording, and reconciliation of cash. This would require Management support of this process.

2018-006 **Physical inventory – Fixed Assets**

Anaconda-Deer Lodge County has performed an annual physical fixed asset inventory. ADLC has set as a goal to put the physical assets and their details into the Fixed Assets module of our Black Mountain software. ADLC performed for the first-time calculations of depreciation schedules of physical assets for all funds in FY 2018. Once ADLC can get its manual records set up in Black Mountain, proper depreciation schedules, additions and deletions can be made with better tracking documentation.

2018-007 **Instances of Expenditures in Excess of Appropriations**

Anaconda-Deer Lodge County is committed to following Montana Code and requires all Department Heads to keep expenditures within appropriated funds. ADLC will continue to monitor all its funds to make sure fund expenditure deficits are a rare occurrence. Budget amendments will be brought to the commission for approval for any fund that goes over its budgeted expenditure.

Respectfully submitted,

Bill Everett, ADLC CEO Bill Everett

John Sholey, ADLC CFO John S. Sholey