TOWN OF
WEST YELLOWSTONE, MONTANA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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ORGANIZATION OF ENTITY
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TOWN COUNCIL

Brad Schmier, Mayor

Greg Forsythe

Chris Burke

Jerry Johnson

Pierre Martineau

TOWN OFFICIALS

Daniel Sabolsky, Town Manager

Scott Newell, Chief of Police

Elizabeth Roos, Clerk

Lanie Gospodarek, Finance Director

Kathleen Brandis (through 12/31/2018), Judge

Richard Gibson (from 01/01/2019), Judge

Lisa Cowie-Johnson, Utility Billing/Collection Clerk

PART 2

FINANCIAL SECTION

anderson ZURMUEHLEN

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of West Yellowstone, 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 for the Town of West Yellowstone, Montana (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Yellowstone, Montana as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the Town adopted new accounting guidance, *GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – General Fund and Special Revenue Major Funds, Schedule of Changes in Total OPEB Liability, Related Ratios, and Notes, and Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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 the Town of West Yellowstone, Montana's basic financial statements. The introductory section is presented for purposes of additional analysis and is not required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Anderson ZurMuehlen + Co, P.C.

Bozeman, Montana
June 2, 2020

A. Management's Discussion and Analysis

As the management team for the Town of West Yellowstone (the Town), we offer readers of this financial statement this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the attached financial statements of the Annual Financial Report for the Town of West Yellowstone.

The Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 17 through 19) provide information about the activities of the Town as a whole and presents a longer-term view of the Town's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reports information about the Town as a whole and its activities in a way that allows us to compare our activity or net position to previous fiscal years. This analysis speaks to the fiscal health of the Town. While increases in net position establish that the financial situation of the town is improving and decreases establish a deterioration of our financial situation, consideration of other non-financial factors such as the condition of the Town's capital assets, the political impacts to other governmental agencies that our town is affected by and partners with, must be made. These statements include all assets and liabilities using the modified accrual basis of accounting, which is a combination of the cash basis and the accrual basis and revenues are recognized when they are both measurable and available. Expenditures, however, are recorded on a full accrual basis because they are always measurable when they are incurred. The measurement focus of governmental funds affects which transactions are recognized in the operating fund. If transactions are not a current resource or use, they are not reported in the operating fund of the fund financial statement (for example, capital assets or long-term liabilities). Under GASB 34, these noncurrent activities are reported on the government-wide statements only.

REPORTING THE TOWN AS A WHOLE (CONTINUED)

In the statement of net position and the statement of activities, we divide the Town into two kinds of activities:

- Governmental activities—Most of the Town's basic services are reported here, including police, public works, parks, and general administration. Property taxes, state shared revenues, court fines, and recreation fees finance most of these activities.
- Business-type activities—The Town charges a fee to customers to help it cover all or most of the cost of the specific services it provides. The Town's water and sewer systems are reported here.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes (like the Parkway Improvement Capital Funds or the Marketing and Promotions Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the State Community Block Development Program). The Town has two kinds of funds, governmental and proprietary (business-type), and each uses different accounting approaches.

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

Proprietary funds--When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (which make up the proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS TRUSTEE

Reporting the Town's Fiduciary Responsibilities
The Town is the trustee, or fiduciary, for other funds, including the Municipal Court Fund, the Tourism Business Improvement District (TBID), and Community Help Fund. The guidelines for the administration of these funds are contained in applicable financial agreements and/or Town ordinances. These documents contain the rules governing the receipt, expenditure, and management of the Town's fiduciary funds. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position on page 29. As the statements reflect, the financial activity during the year for these funds is nominal. We exclude these activities from the Town's other financial statements because the town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Net position of the Town's governmental activities are $10,233,198. *Unrestricted* net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements totals $2,114,935 at the end of this year. The net position of our business-type activities totaled $4,840,264 and unrestricted net position totaled $1,961,530.

Combined net position for the Town increased this year by $1,051,929 as compared to an increase of $1,219,205 the previous year. The primary reason for this is a smaller increase in resort tax revenues in the governmental activities; however, this still increases operating cash and cash equivalents overall.

Net position of the Town's governmental activities, increased by $611,758. Unrestricted net position of governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased. The net position of the Town's business-type activities increased by $440,171. These net positions cannot be used to make up for deficits reported by governmental activities in the event such deficits were reported. The Town can only use the net position of business-type activities to finance the continuing operations of the water and sewer operations.

THE TOWN AS A WHOLE (CONTINUED)

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Current and other assets	$ 4,992,201	$ 4,659,686	$ 2,324,244	$ 2,214,238	$ 7,316,445	$ 6,873,924
Capital assets	10,829,131	10,948,583	2,878,734	2,339,783	13,707,865	13,288,366
Total assets	15,821,332	15,608,269	5,202,978	4,554,021	21,024,310	20,162,290
Total deferred outflows of resources	440,790	447,604	14,290	29,221	455,080	476,825
Long-term debt outstanding	5,280,555	5,834,461	114,137	171,254	5,394,692	6,005,715
Other liabilities	521,265	568,558	253,640	10,290	774,905	578,848
Total liabilities	5,801,820	6,403,019	367,777	181,544	6,169,597	6,584,563
Total deferred inflows of resources	227,104	31,413	9,227	1,605	236,331	33,018
Net position:						
Net investment in capital assets	7,460,558	7,095,200	2,878,734	2,339,783	10,339,292	9,434,983
Restricted	775,976	1,075,719	-	335,503	775,976	1,411,222
Unrestricted	1,996,664	1,450,522	1,961,530	1,724,807	3,958,194	3,175,329
Total net position	$ 10,233,198	$ 9,621,441	$ 4,840,264	$ 4,400,093	$ 15,073,462	$ 14,021,534

An analysis of the Town's revenues (excluding special items) for fiscal years 2018 and 2019 is shown on the following page. The Town was able to cover this year's costs in both governmental activities and business-type activities.

THE TOWN AS A WHOLE (CONTINUED)

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues						
General revenues						
Property taxes	$ 549,973	$ 538,094	$ -	$ -	$ 549,973	$ 538,094
Local option taxes	98,015	62,870	-	-	98,015	62,870
Resort taxes	4,321,060	4,203,644	-	-	4,321,060	4,203,644
Intergovernmental grants and contributions	291,404	287,166	-	-	291,404	287,166
Unrestricted investment earnings	105,910	62,248	46,256	29,941	152,166	92,189
Transfer in (out)	(8,665)	-	8,665	-	-	-
Total general revenues	5,357,697	5,154,022	54,921	29,941	5,412,618	5,183,963
Program revenues						
Charges for services	250,468	210,095	981,110	821,696	1,231,578	1,031,791
Operating grants and contributions	366,193	316,916	1,324	1,910	367,517	318,826
Capital grants and contributions	43,904	445,000	-	-	43,904	445,000
Total revenues	6,018,262	6,126,033	1,037,355	853,547	7,055,617	6,979,580
Expenses						
Governmental activities:						
General government	1,256,955	1,091,234	-	-	1,256,955	1,091,234
Public safety	2,151,308	2,084,968	-	-	2,151,308	2,084,968
Public works	812,427	844,196	-	-	812,427	844,196
Public health	3,656	1,720	-	-	3,656	1,720
Social and economic services	130,109	133,258	-	-	130,109	133,258
Culture and recreation	776,200	711,978	-	-	776,200	711,978
Other	182,843	167,816	-	-	182,843	167,816
Interest and fiscal fees	93,006	79,740	-	-	93,006	79,740
Business-type activities:						
Water	-	-	195,915	274,829	195,915	274,829
Sewer	-	-	401,269	370,636	401,269	370,636
Total expenses	5,406,504	5,114,910	597,184	645,465	6,003,688	5,760,375
Change in net position before restatements	611,758	1,011,123	440,171	208,082	1,051,929	1,219,205
Net position, beginning	9,621,440	8,766,695	4,400,093	4,201,256	14,021,533	12,967,951
Restatements	-	(156,377)	-	(9,245)	-	(165,622)
Net position, beginning restated	9,621,440	8,610,318	4,400,093	4,192,011	14,021,533	12,802,329
Net position, ending	$ 10,233,198	$ 9,621,441	$ 4,840,264	$ 4,400,093	$ 15,073,462	$ 14,021,534

THE TOWN AS A WHOLE (CONTINUED)

The following analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities
Revenues for the fiscal year 2019 for governmental activities consisted of: General Revenues $5,357,697 and Program Revenues $660,565 while Total Expenses were $5,406,504. The Change in Net Position before prior period adjustments was $611,758. Total Government Revenues decreased by $107,771 or -1.76% in FY19 under FY18. Total cost to provide services increased by $291,594 or 5.70%.

Governmental General Revenues were affected by a 2.79% increase in Resort Tax (RT) Revenues over the previous year resulting in an increase of $117,416 over the previous year's collections. Marketing & Promotions (MAP) fund revenues come from Resort Tax and are transferred out of the revenues of the RT fund and entered back in to the MAP fund as revenue. Building permit fees decreased which is likely a reflection of the effects of the building moratorium still in place. The Town's building inspection program still only inspects residential construction and commercial inspections are performed by the State. The building moratorium continues for any type of project that would require an impact to the water system of greater than 4 single family residences. While in the FY19 water resources were regained by Whiskey Springs, the moratorium was not lifted as new issues arose on the sewer side. Recreation fees showed a negligible increase.

Operating Grants and Contributions increased slightly. Capital Grants and Contributions were reduced significantly in fiscal year 2019 as the Town received grants and donations for certain capital projects in the previous year. Most of the projects that were funded in fiscal year 2018 have been completed in fiscal year 2019.

The costs to provide services for governmental activities increased by $291,594 or 5.70% in FY 19. There was an overall payroll increase of $120,211 (4.9%) with the largest increases in Administration, Dispatch, Parks and Library respectively. The Town engaged consultants for a variety of services such as lobbying at the State legislature for the promotion of raising the Resort Tax collection rate, engineering projects and planning services. The Town continues to purchase equipment and complete projects in accordance with its capital improvement plan.

The Change in Net Position before prior period adjustments is a decrease of $399,365 or -39.50%.

THE TOWN AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

	FY 2019	FY 2018	Change
Total cost of government services	$ 5,406,504	$ 5,114,910	$ 291,594
Charges for services	250,468	210,095	40,373
Operating grants	366,193	316,916	49,277
Capital grants	43,904	445,000	(401,096)
Intergovernmental grants	291,404	287,166	4,238
Unrestricted investment earnings	105,910	62,248	43,662
Taxpayer financed	$ 4,348,625	$ 3,793,485	$ 555,140

The cost of all *governmental activities* this year was $5,406,504. The amount that our taxpayers ultimately financed for these activities through property taxes, local option taxes, and a locally imposed resort tax was $4,348,625.

Intergovernmental Revenues increased minimally as these revenues reflect the HB 124 Entitlement Share revenues from the State of Montana.

Unrestricted Interest on Investments - Interest rates varied by instrument over the course of the fiscal year. Average daily STIP yield was 2.2356% over the course of the fiscal year. Money Market rates decreased from about .35% to .25%. The Repurchase account varied downward from 1.71% to 1.44%. There are four General Fund Certificate of Deposits, with interest rates varying from 0.80% to 3.00% and maturities varying between FY20-FY22. Interest earned is paid to the Town and posted to the CD interest revenue line.

Debt Service expenditures for principal were $484,809 this year. Debt service on the General Obligation bond issue for the library purchase, the Povah Center construction and Save America's Treasures grant match was $91,960. $42,429 in principal was paid towards the 911 dispatch center remodel to close out the loan with Intercap one fiscal year early. This year the loader payment was made out of the General Fund in the amount of $15,223. This was the final payment for this purchase financed by Intercap. The Town Hall Construction project which was funded with a revenue bond from the Resort Tax Fund had principal payments of $116,890 and the revenue bond for the purchase of 80 acres from the USFS came to an outlay of $129,318. This is the third year of financing to be paid on the purchase of a grader in the amount of $27,634. The principal payment on the note payable for the Learning center was $61,355.

THE TOWN AS A WHOLE (CONTINUED)

Business-Type Activities

	Business-Type Activities		
	FY 2019	FY 2018	Change
Charges for services			
Water	$ 335,509	$ 290,260	$ 45,249
Sewer	645,601	531,436	114,165
Total charges for services	981,110	821,696	159,414
Operating grants			
Water	305	1,316	(1,011)
Sewer	1,019	594	425
Total operating grants	1,324	1,910	(586)
Total revenues	982,434	823,606	158,828
Total expenses			
Water	195,915	274,829	(78,914)
Sewer	401,269	370,636	30,633
Total expenses	597,184	645,465	(48,281)
Unrestricted investment earnings	46,256	29,941	16,315
Transfers	8,665	-	8,665
Net change in position	$ 440,171	$ 208,082	$ 232,089

Revenues of the Town's business-type activities for fiscal year 2019 were $982,434. Expenses were $597,184 and the Change in Net Position for fiscal year 2019 was $440,171 and an increase of 111.54% over the previous fiscal year. In Business-type Activities, charges for services in both the water and sewer funds increased from the previous fiscal year as an increase in rates is reflected here. At the end of fiscal year 2019, a hotel was allowed to connect to the sewer and water systems and connection fees were paid and applied, resulting in an increase in charges for services in fiscal year 2019. The water flow of Whiskey Springs to the Town's water source has regained its original flow.

THE TOWN AS A WHOLE (CONTINUED)

Business-Type Activities (Continued)
Business-type activities saw a decrease in expenses for water and sewer funds and additional transfers for replacement and depreciation continue to be set aside. The Town began the construction of an additional well and well building to prepare for future decreases in Whiskey Springs' water flow. The curb-stop project purchases were completed and all that remains is the man-hours of staff to complete the work. A short-term wastewater project to eliminate excess water in the lagoons began in the spring of 2019.

THE TOWN'S FUNDS

Significant changes in fund balances that should be noted are highlighted below.

- General Fund 1000 – The general fund saw an increase in overall expenditures. Staffing plan changes and salary increases account for expenditure increases of approximately $120,000. Additionally, staff was provided with more training and the court updated office equipment and purchased more supplies. Additional services were purchased ranging from professional cleaning services, to planning, and additional legal services. This is the third year that a fund reserve was budgeted as an expenditure and the Town's policy is to keep two months of the previous year's monthly average of expenditures in reserve. This amount was maintained at a consistent level and not utilized. Two substantial outlays to other agencies that the Town supports did not submit invoices within FY18. As a result, these expenditures were billed and received by the Town in FY19, causing an inflation in purchased services in FY19. The Town continues to fund a cost-sharing request made by the local medical clinic to cover shortfalls of up to $100,000 and budgeted for this purpose. In FY19 the Town expended the full $100,000, a $25,000 increase over the previous year. This is the final year of the Town's agreement with the Hebgen Basin Fire District to pay for the building loan that houses the fire district. The request for assistance with administrative staffing costs of $88,000 were funded again this year. This outlay plus a 1.5% annual increase to each annual payment of $88,000 has been agreed to by the Town through 2035. The Town substantially funds the Library and increased the transfer amount by almost $35,000 over the previous year.

- Resort Tax Fund 2100 – Overall Resort Tax revenues saw an increase of 2.79% over the previous year's collections. The Town receives significant revenues into its General Fund from the Resort Tax Fund (2100). Transfers to the General Fund continue to increase and were $363,781 over the previous year. The Resort Tax Fund also substantially funds the Capital Projects Fund, the Gas Tax Fund and the Street Construction Capital Fund. Transfers to the Capital Projects Fund more than doubled over the previous year's transfers. There are two revenue bonds that are paid for out of the Resort Tax Fund and will be paid in full by December 2025.

THE TOWN'S FUNDS (CONTINUED)

- Capital Projects Fund 4000 – Management and the Town Council continue to push an aggressive Capital Improvement Plan which gets updated each year to reflect major projects desired to be done by the Town and is the source document for prioritizing projects that will be funded each year. Capital purchases and projects actively pursue completion each year, though reduced staffing levels in FY19 and a short building season contributed to issues in some projects' completion.

- Street Construction and Maintenance Fund 4075 – This fund has met the 5% and 10% requirements to be considered a Major fund. Transfers in from the Resort Tax Fund and the General Fund continue to be made so that a major road re-pavement project can either be financed or paid for from the funds transferred into this fund.

- Water Fund 5210 – This is the enterprise fund for the Town's gravity-fed water system. Revenue has increased which is the result of a rate hike approved by the Town Council with Resolution #676. Water revenue should continue to increase through 2021 as a result. The Town experienced a lack of water flow from the natural spring that supplies the town in recent years; however, the spring has regained its flow. With the water shortage of the spring, the Town imposed a building moratorium, which has been in place since FY18. In response, the Town pursued various well projects, the expenses of which were shared between the Water Fund and the Water Capital Replacement and Depreciation Fund. The Town is still working with the Department of Environmental Quality (DEQ) to establish water rights of the new well under the current permit.

- Sewer Fund 5310 – This is the enterprise fund for the Town's sewer system which employs a lagoon/holding pond system. Revenue should continue to increase like in the water fund, also the result of a rate hike approved by the Town Council with Resolution #677. The Town has renegotiated its lease with the state aeronautics division, which has increased costs to the town substantially and has doubled in cost since FY16. The lease increases each year through FY25. Short term improvements at the lagoon were made in FY19. The Town also engaged in dialogue with the Town Engineer and the Department of Environment Quality (DEQ) on needed steps to pursue other sewer facility options.

General Fund Budgetary Highlights

In 2010 the Town adopted a fund balance reserve policy for the General Fund based on the recommendation of the Government Finance Officers Association (GFOA) that governments, regardless of size, maintain an unassigned fund balance in the general fund of no less than two months of regular operating expenditures. The Town has been able to maintain this required fund balance reserve; however, it has decreased slightly in FY19 from the previous year's reserve. The Town's financial policy precludes relying on reserves for on-going operations; however, the use of reserves for one-time extraordinary costs is certainly permissible.

THE TOWN'S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

The Town utilizes conservative budgetary practices. Conservative, yet realistic, revenue estimates, combined with departments operating within their original budgets, naturally has a favorable effect on the bottom line. Additionally, the Town enjoys flexibility in cash flow as a result of the Resort Tax revenues. Projects that need to occur when the weather is permitting, a short window for West Yellowstone, requires this kind of flexibility. Capital purchases have also been maximized by this flexibility as well as matching grant opportunities. The Town makes every effort to continue to provide services, recreational facilities and improvements that can be utilized and enjoyed by residents and visitors alike.

The Town has a history of stable General Fund balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019 the Town had $10,829,131 invested in capital assets in the governmental funds, and $2,878,734 in the water and sewer funds for a total of $13,707,865. This was an increase of $419,499 from fiscal year 2018. These are invested in a broad range of capital assets, including equipment, such as a police vehicle, an emergency services grade generator, the purchase of two used dump trucks, and a new lawn mower for the parks department. Capital projects included the completion of the Siegel Learning Center and improvements to the Town Hall roof, the Police Department, and the Union Pacific Dining Lodge. Funds were set aside for future capital improvement projects, including the repaving of the Town's streets, surfacing a recreational trail around town, a casting pond project, and a lighted footpath that extends from hotels in the Grizzly Park subdivision to the downtown. Sewer and Water projects include a new grinder, IP beds, a well building project, and a short-term wastewater project. These projects are aimed to better meet the future needs of the Town with regard to potential expansion after the annexing of the 80 acres purchased from the U.S. Forest Service.

Long-Term Debt

At year-end, the Town had $3,368,573 in bonds and notes outstanding, which includes $812,556 in General Obligation debt for the library purchase, Povah Center Construction and Union Pacific Dining Lodge upgrade project which was refunded in 2016 for a lower interest rate and savings to the Town. Revenue Bonds outstanding for the Town Hall Construction loan with Intercap and the 80-acre purchase loan with First Security Bank total $1,881,866. And the outstanding balance on Notes Payable for the Learning Center and the purchase of a grader come to $674,151.

ECONOMIC FACTORS AND FY 20 BUDGET CONSIDERATIONS

The Town's annual budget continues to depend on revenue generated by the resort tax collections, which accounted for 77% of the FY19 General Fund revenue. This has been consistent from year to year. While the Town has consistently enjoyed an increase in resort tax collections year-over-year, the percentage of increase is trending downward, which is consistent with the visitation rates that Yellowstone National Park has been experiencing. Resort tax collections in FY17 increased by 9.18% over FY16, collections in FY18 increased by 4.78% over FY17, and FY19 collections increased 2.83% over FY18.

As a gateway community to Yellowstone National Park (YNP), the Town continues to rely on visitation to the park as its number one source of resort tax revenues. In FY19, YNP statistics reflected a -2.0% decrease in overall park visitation as well as a –2.0% decrease in visitors going through the west gate. The decrease in resort tax revenues collections is reflected here. Property tax revenues are budgeted conservatively, and the Town received nearly $92,000 more than budgeted in FY19. Business licensing and special event permits revenues were up; however, building permit revenues decreased more than anticipated. Expenditures in FY20, are anticipated to increase due to staffing changes, additional contracted services, and the expansion of departments. The expected outlay for fire and emergency services is reduced now that the purchase of the Emergency Services Building is complete.

As of the writing of these budget considerations, the COVID-19 pandemic is well underway in the United States. While Montana towns are not suffering the number of cases of infection, hospitalizations, and deaths at the same rate of major cities, the Town is planning for the effects of the virus to hit its peak later than in other states. This will certainly affect West Yellowstone's visitation rates in the summer of 2020 and beyond. The Town's administration is planning for a drastic reduction in revenues at the end of FY20 and possibly extending out for a period of two years. In the short term, the legislative and executive bodies will look at the Town's Capital Improvement Plan along with the current budget for capital outlay to minimize non-essential expenditures in FY20. In addition, the administration is looking at the overall current budget for areas of non-essential spending that can be reduced or cut.

CONTACTING THE TOWN'S ADMINISTRATION

This financial report is designed for Town residents, visitors and others interested in the operations of the Town. The report provides a general overview of Town finances and demonstrates the Town's accountability for the funds and assets it manages. If you have questions about the report or require additional information, please contact the Finance Director, 440 Yellowstone Ave., Box 1570, West Yellowstone MT 59758 (406-646-7795).

B. Basic Financial Statements

Government-Wide Financial Statements

TOWN OF WEST YELLOWSTONE
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 4,710,770	$ 1,898,812	$ 6,609,582
Restricted cash and investments	246,027	343,470	589,497
Receivables, net	35,404	81,962	117,366
Capital assets			
Nondepreciable land	2,041,335	1,175	2,042,510
Construction in progress	8,263	894,819	903,082
Other capital assets, net of depreciation	8,779,533	1,982,740	10,762,273
Total capital assets	10,829,131	2,878,734	13,707,865
Total assets	15,821,332	5,202,978	21,024,310
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	432,238	13,633	445,871
Deferred outflows related to other post-employment benefits	8,552	657	9,209
Total deferred outflows of resources	440,790	14,290	455,080
Total assets and deferred outflows of resources	$ 16,262,122	$ 5,217,268	$ 21,479,390

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	$ 34,552	$ 252,186	$ 286,738
Compensated absences payable, current	59,618	1,454	61,072
Bonds payable, current	342,901	-	342,901
Intercap loans and notes payable, current	84,194	-	84,194
Long-term liabilities			
Compensated absences	178,852	15,342	194,194
Bonds payable	2,351,521	-	2,351,521
Intercap loans and notes payable	589,957	-	589,957
Other post-employment health benefits	392,994	39,486	432,480
Net pension liability	1,767,231	59,309	1,826,540
Total liabilities	5,801,820	367,777	6,169,597
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	219,735	8,661	228,396
Deferred inflows related to other post-employment benefits	7,369	566	7,935
Total deferred inflows of resources	227,104	9,227	236,331
NET POSITION			
Net investment in capital assets	7,460,558	2,878,734	10,339,292
Restricted for			
Public safety	25,660	-	25,660
Public works	24,200	-	24,200
Culture and recreation	23,340	-	23,340
Housing and community development	90,936	-	90,936
Debt service	611,840	-	611,840
Unrestricted	1,996,664	1,961,530	3,958,194
Total net position	$ 10,233,198	$ 4,840,264	$ 15,073,462

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	$ 1,256,955	$ 174,348	$ 45,323	$ -	$ (1,037,284)	$ -	$ (1,037,284)
Public safety	2,151,308	13,661	196,666	-	(1,940,981)	-	(1,940,981)
Public works	812,427	19,030	39,311	34,409	(719,677)	-	(719,677)
Public health	3,656	-	-	-	(3,656)	-	(3,656)
Social and economic services	130,109	-	4,584	-	(125,525)	-	(125,525)
Culture and recreation	776,200	43,429	80,309	9,495	(642,967)	-	(642,967)
Other	182,843	-	-	-	(182,843)	-	(182,843)
Interest and fiscal fees	93,006	-	-	-	(93,006)	-	(93,006)
Total governmental activities	5,406,504	250,468	366,193	43,904	(4,745,939)	-	(4,745,939)
Business-type activities:							
Water	195,915	335,509	305	-	-	139,899	139,899
Sewer	401,269	645,601	1,019	-	-	245,351	245,351
Total business-type activities	597,184	981,110	1,324	-	-	385,250	385,250
Total primary government	$ 6,003,688	$ 1,231,578	$ 367,517	$ 43,904	(4,745,939)	385,250	(4,360,689)
General Revenues:							
Property taxes, levied for general purposes					549,973	-	549,973
Local option taxes					98,015	-	98,015
Resort taxes					4,321,060	-	4,321,060
Intergovernmental grants and contributions not restricted to specific programs					291,404	-	291,404
Unrestricted investment earnings					105,910	46,256	152,166
Transfer in (out)					(8,665)	8,665	-
Total general revenues					5,357,697	54,921	5,412,618
Change in net position					611,758	440,171	1,051,929
Net position - beginning of year					9,621,440	4,400,093	14,021,533
Net position - end of year					$ 10,233,198	$ 4,840,264	$ 15,073,462

The Notes to Financial Statements are an integral part of this statement.

Fund Financial Statements

Governmental Fund Financial Statements

TOWN OF WEST YELLOWSTONE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Resort Tax	Capital Projects	Street Construction and Maintenance	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 245,804	$ 210,605	$ 22,866	$ 50,718	$ 305,749	$ 835,742
Investments	1,359,289	128,480	813,091	1,060,514	513,654	3,875,028
Receivables:						
Property taxes	15,688	-	-	-	-	15,688
Other receivables	89	-	-	-	-	89
Other governments	19,627	-	-	-	-	19,627
Restricted cash and investments	-	246,027	-	-	-	246,027
Total assets	$ 1,640,497	$ 585,112	$ 835,957	$ 1,111,232	$ 819,403	$ 4,992,201
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 13,140	$ -	$ -	$ -	$ 2,111	$ 15,251
Deposits payable	1,750	16,000	-	-	1,551	19,301
Unearned ambulance revenues	89	-	-	-	-	89
Total liabilities	14,979	16,000	-	-	3,662	34,641
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of tax revenues	15,688	-	-	-	-	15,688
FUND BALANCES						
Restricted	29,285	246,027	77,672	-	422,992	775,976
Committed	-	323,085	-	1,111,232	384,949	1,819,266
Assigned	-	-	758,285	-	7,800	766,085
Unassigned	1,580,545	-	-	-	-	1,580,545
Total fund balances	1,609,830	569,112	835,957	1,111,232	815,741	4,941,872
Total liabilities, deferred inflows of resources and fund balances	$ 1,640,497	$ 585,112	$ 835,957	$ 1,111,232	$ 819,403	$ 4,992,201

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

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

Total fund balances - governmental funds		$ 4,941,872
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 14,996,737	
Less: accumulated depreciation	(4,167,606)	10,829,131
Deferred inflows of resources (unavailable property taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		15,777
Deferred outflows related to pensions, OPEB, and other liabilities are expenditures not recognizable in the current period and therefore are not reported in the governmental funds.		440,790
Deferred inflows related to pensions and OPEB are revenues not recognizable in the current period and therefore are not reported in the governmental funds.		(227,104)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable	(3,368,573)	
Net pension liability	(1,767,231)	
Other post-employment health benefits	(392,994)	
Compensated absences	(238,470)	(5,767,268)
Net position of governmental activities		$ 10,233,198

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	General Fund	Resort Tax	Capital Projects	Street Construction and Maintenance	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	$ 435,802	$ 4,213,021	$ -	$ -	$ 317,577	$ 4,966,400
Licenses and permits	53,610	-	-	-	-	53,610
Intergovernmental	442,294	-	-	-	252,037	694,331
Charges for services	81,537	-	-	-	19,752	101,289
Fines and forfeitures	68,695	-	-	-	-	68,695
Interest on investments	59,580	5,382	7,373	22,023	11,552	105,910
Other	18,099	-	-	-	11,179	29,278
Total revenues	1,159,617	4,218,403	7,373	22,023	612,097	6,019,513
EXPENDITURES						
General government	1,038,035	11,859	-	-	88,100	1,137,994
Public safety	1,958,343	-	-	-	49,983	2,008,326
Public works	536,742	-	-	-	121,011	657,753
Public health	1,851	-	-	-	-	1,851
Social and economic services	126,461	-	-	-	-	126,461
Culture and recreation	350,831	-	8,691	-	217,089	576,611
Other	182,843	-	-	-	-	182,843
Capital outlay	40,005	-	242,564	-	117,350	399,919
Debt service						
Principal payments	104,212	246,208	-	-	134,389	484,809
Interest and fiscal fees	18,453	53,932	-	-	20,621	93,006
Total expenditures	4,357,776	311,999	251,255	-	748,543	5,669,573
Revenues over (under) expenditures	(3,198,159)	3,906,404	(243,882)	22,023	(136,446)	349,940
OTHER FINANCING SOURCES (USES)						
Transfers in	3,364,692	-	704,876	125,000	137,851	4,332,419
Transfers out	(109,251)	(4,231,833)	-	-	-	(4,341,084)
Total other financing sources (uses)	3,255,441	(4,231,833)	704,876	125,000	137,851	(8,665)
Net change in fund balances	57,282	(325,429)	460,994	147,023	1,405	341,275
FUND BALANCE, beginning of year	1,552,548	894,541	374,963	964,209	814,336	4,600,597
FUND BALANCE, end of year	$ 1,609,830	$ 569,112	$ 835,957	$ 1,111,232	$ 815,741	$ 4,941,872

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds		$ 341,275
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is depreciated over the asset's useful life. Proceeds from sales are shown as other financing sources on the governmental funds but are adjusted for asset basis on the entity-wide.		
Capital outlay	$ 399,919	
Less: current year depreciation	(519,371)	(119,452)
Repayment of the principal of long-term debt is an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of net assets.		
Principal payments		484,809
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues and expenses in the governmental funds.		2,649
Governmental funds do not report a liability for compensated absences and the net increase did not require the use of current financial resources. The change in the liability is presented in the statement of activities.		(6,975)
The net pension liability and related pension deferred inflows and outflows of the Town are reported on the full accrual method and solely in the government-wide financial statements.		(21,277)
The OPEB liability and related OPEB deferred inflows and outflows of the Town are reported on the full accrual method and solely in the government-wide financial statements.		(69,271)
Change in net position of governmental activities		$ 611,758

The Notes to Financial Statements are an integral part of this statement.

Proprietary Fund Financial Statements

TOWN OF WEST YELLOWSTONE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 166,426	$ 228,215	$ 394,641
Investments	91,694	1,412,477	1,504,171
Customers receivables, net	27,485	54,477	81,962
Total current assets	285,605	1,695,169	1,980,774
Noncurrent assets:			
Restricted cash and investments	143,096	200,374	343,470
Capital assets			
Nondepreciable land	-	1,175	1,175
Construction in progress	508,289	386,530	894,819
Other capital assets, net of depreciation	702,102	1,280,638	1,982,740
Total capital assets	1,210,391	1,668,343	2,878,734
Total noncurrent assets	1,353,487	1,868,717	3,222,204
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,138	10,495	13,633
Deferred outflows related to other post-employment benefits	454	203	657
Total deferred outflows of resources	3,592	10,698	14,290
Total assets and deferred outflows of resources	$ 1,642,684	$ 3,574,584	$ 5,217,268

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ -	$ 252,160	$ 252,160
Compensated absences payable	752	702	1,454
Refunds payable	26	-	26
Total current liabilities	778	252,862	253,640
Noncurrent liabilities:			
Compensated absences payable	324	15,018	15,342
Other post-employment health benefits	24,018	15,468	39,486
Net pension liability	13,652	45,657	59,309
Total noncurrent liabilities	37,994	76,143	114,137
Total liabilities	38,772	329,005	367,777
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,994	6,667	8,661
Deferred inflows related to other post-employment benefits	390	176	566
Total deferred inflows of resources	2,384	6,843	9,227
NET POSITION			
Net investment in capital assets	1,210,391	1,668,343	2,878,734
Unrestricted	391,137	1,570,393	1,961,530
Total net position	1,601,528	3,238,736	4,840,264
Total liabilities, deferred inflows of resources, and net position	$ 1,642,684	$ 3,574,584	$ 5,217,268

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	$ 335,509	$ 645,601	$ 981,110
OPERATING EXPENSES			
Personnel services	33,106	81,517	114,623
Supplies	12,244	6,366	18,610
Purchased services	68,905	158,340	227,245
Fixed charges	6,519	55,489	62,008
Depreciation	75,141	99,557	174,698
Total operating expenses	195,915	401,269	597,184
Operating income	139,594	244,332	383,926
NONOPERATING REVENUES			
Interest income	8,366	37,890	46,256
Intergovernmental revenue	305	1,019	1,324
Total nonoperating revenues	8,671	38,909	47,580
Transfers in	4,464	4,201	8,665
Change in net position	152,729	287,442	440,171
NET POSITION, beginning of year	1,448,799	2,951,294	4,400,093
NET POSITION, end of year	$ 1,601,528	$ 3,238,736	$ 4,840,264

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 330,414	$ 639,864	$ 970,278
Payments to suppliers	(87,668)	31,965	(55,703)
Payments to employees	(100,178)	(57,845)	(158,023)
Net cash flows provided (used) by operating activities	142,568	613,984	756,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to property, plant and equipment	(257,765)	(455,884)	(713,649)
Transfers in	4,464	4,201	8,665
Receipts from grants and intergovernmental sources	305	1,019	1,324
Net cash flows used by capital and related financing activities	(252,996)	(450,664)	(703,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	8,366	37,890	46,256
Net cash flows provided by investing activities	8,366	37,890	46,256
Net increase (decrease) in cash and cash equivalents	(102,062)	201,210	99,148
Cash and cash equivalents, beginning of year	503,278	1,639,856	2,143,134
Cash and cash equivalents, end of year	$ 401,216	$ 1,841,066	$ 2,242,282
Classified as:			
Cash and cash equivalents	$ 166,426	$ 228,215	$ 394,641
Investments	91,694	1,412,477	1,504,171
Restricted cash and investments	143,096	200,374	343,470
Totals	$ 401,216	$ 1,841,066	$ 2,242,282

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
Operating income	$ 139,594	$ 244,332	$ 383,926
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	75,141	99,557	174,698
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Increase in:			
Accounts receivable	(5,121)	(5,737)	(10,858)
Increase (decrease) in:			
Accounts payable	(8,836)	252,160	243,324
Refunds payable	26	-	26
Net pension liability	(56,221)	10,809	(45,412)
Accrued employee benefits payable	(2,015)	12,863	10,848
Total adjustments	2,974	369,652	372,626
Net cash provided by operating activities	$ 142,568	$ 613,984	$ 756,552

The Notes to Financial Statements are an integral part of this statement.

Fiduciary Fund Financial Statements

TOWN OF WEST YELLOWSTONE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 43,458	$ 63,742
Investments	20,932	-
Total assets	$ 64,390	$ 63,742
LIABILITIES		
Short term payables		$ 63,742
NET POSITION		
Held in trust for social services	$ 64,390	

The Notes to Financial Statements are an integral part of this statement.

TOWN OF WEST YELLOWSTONE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2019

		Private-Purpose Trust Funds
ADDITIONS		
Contributions and donations	$	24,043
Intergovernmental grants and revenues		2,500
Interest income		814
Total additions		27,357
DEDUCTIONS		
Administrative expenses		18,474
Total deductions		18,474
INCREASE IN NET POSITION		8,883
NET POSITION, beginning of year		55,507
NET POSITION, end of year	$	64,390

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

The Town implemented the provisions of the following GASB pronouncements for the year ended June 30, 2019:

- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The goal of this statement is to improve the information presented in the notes related to debt and provide users with better information to understand the effects of debt on the government's future resources. It also clarifies which liabilities should be included when disclosing information related to debt. This Statement is effective for fiscal years beginning after June 15, 2018.

Reporting Entity

The Town of West Yellowstone, Montana (the Town), is an independent political entity established under Montana Law. An elected mayor and the Town Council govern the Town. The Town Council, by law, has the authority to adopt budgets, appropriate funds, levy taxes, employ personnel and pass ordinances. The Gallatin County Treasurer's office functions in a fiduciary capacity to the extent that it bills and collects taxes and receives certain intergovernmental revenue for the Town; however, Gallatin County does not function in an oversight capacity with regard to the Town.

The Town has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability in Statement 14 *The Financial Reporting Entity* and Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Tourism Business Improvement District (TBID) was considered a fiduciary component unit of the Town as the Town appoints the voting majority of the TBID's board of trustees and the Town imposes its will on the TBID through approval of the organization's budget. The TBID activity has been included in the fiduciary fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and statement of activities report information on all of the nonfiduciary activities of the primary government utilizing a full accrual basis of accounting. Generally, the effect of interfund activity has been removed from these statements with the exception of interfund services provided and used.

The statement of net position presents the financial condition of the governmental activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities (and ultimately presents changes in net position). Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported, instead, as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Fund financial statements are designed to present financial information of the Town at a more detailed level (and to demonstrate legal compliance). The focus of governmental fund financial statements is on major funds. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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 grantor or provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have, therefore, been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Taxes and assessments receivable remaining uncollected at year end are offset by deferred tax/assessment revenue, a deferred inflow of resources, since they are not available to pay liabilities of the current period.

Funds
The Town reports the following major governmental funds:

General Fund: The General Fund is the primary operating unit of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Resort Tax Special Revenue Fund: Special revenue funds are to be used to account for proceeds from a specific revenue source, in this case a tax imposed on tourism-related items and services.

Capital Projects Fund: The purpose of the Capital Projects Fund is to consolidate major capital assets and projects into one fund and streamline transfers inform the resort tax fund.

Street Construction and Maintenance Capital Projects Fund: This fund is used to account for projects related to construction and maintenance of the Town’s streets.

The Town reports the following major proprietary funds:

Water Fund: Accounts for the Town’s water utility operations.

Sewer Fund: Accounts for the Town’s sewer utility operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds (Continued)

Additionally, the Town reports the following fund types:

Pension Trust Fund: Accounts for the activities of a local retirement plan which accumulates resources for pension benefit payments to qualified employees.

Agency Funds: Account for resources legally held in trust for use by another government, individual, or organization as identified by the donor. The use of these funds may be restricted to only the interest earned on the investment of the principal or the entire amount may be used in accordance with the terms of the donor.

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

Because both of the Town’s enterprise funds are each reported as a major fund in the fund financial statements, segment disclosures herein are not required.

Use of Restricted/Unrestricted Net Position

When both restricted and unrestricted net positions are available to expend, it is the Town’s policy to use its restricted net position first, followed by unrestricted net position as they are needed.

Budgetary Information

An operating budget is adopted each fiscal year for all governmental and proprietary funds. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget, and the final adoption of the budget by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of the receipt of the certified taxable valuations from the Department of Revenue (county assessor). The Town must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information (Continued)

The budgets are prepared in accordance with the basis of accounting used by that fund and on a line item basis. Revenues are budgeted by source and expenditures are budgeted by department and class. This constitutes the legal level of control. State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations. Appropriations are created by fund, function, and activity and may be further detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the Town had no funds where expenditures exceeded total appropriations.

Deficit Fund Equity

At June 30, 2019, Town had no funds with deficit fund equity.

Cash and Investments

Cash and investments consist primarily of demand deposits and investments in the State Short-Term Investment Pool. To facilitate cash management, the operating cash of certain funds is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds. For the purpose of the statement of cash flows, the Town considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are essentially used as demand deposit accounts by the individual funds. Interest income earned as a result of pooling of Town deposits is distributed to the appropriate funds utilizing a formula based on the average balance of cash and investments of each fund.

Montana State statutes authorize the Town to invest in interest-bearing savings accounts, certificates of deposits, and time deposits insured up to $250,000 by the Federal Deposit Insurance Corporation or fully collateralized, U.S. government and U.S. agency obligations, and repurchase agreements where there is a master repurchase agreement and collateral held by a third party.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Investments

Indenture agreement covenants established with the issuance and sale of the revenue bonds represent a liability to the enterprise funds. These restricted assets represent cash and investments restricted for use to repay current debt, establish a reserve for future debt and establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

Use of Estimates

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

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using prices quoted in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing).

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified.

Receivables

Trade receivables in the proprietary funds are primarily comprised of outstanding receivables for user charges. No reserve for estimated uncollected accounts receivable is maintained, as all balances are considered to be fully collectible with respect to materiality.

Property is assessed by the County division of the State Department of Revenue. Valuations are determined under State law and submitted to the County Treasurer for the preparation of tax notices. All property taxes are collected by the Treasurer of Gallatin County, Montana, and remitted to the Town of West Yellowstone on a monthly basis. However, the revenues are reduced at year end by the amount of the current delinquent receivables and are increased by the amount of the delinquent collections from prior fiscal years. Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes receivable are recorded as of the date levied. Uncollected taxes receivable at year-end are deferred only in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title to the property. Delinquent taxes may be collected up to ten years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of ten years may be written off by the County Commissioners. No reserve for estimated uncollected taxes receivable is maintained, as all balances are considered to be fully collectible with respect to materiality.

Property taxes attach as an enforceable lien on property as of January 1 and are levied on the second Monday in August. They are due in two equal installments on November 30 and May 31 following the levy date.

The Town is permitted by state statutes to levy taxes up to certain fixed limits for various purposes. The taxes levied by the Town for the fiscal year ended June 30, 2019 were within legal limits. The tax levies were based upon a taxable valuation of $5,908,843.

Resort Tax Revenues

The Town, pursuant to an election in 1985, established a resort tax on the retail value of all goods and services sold within the Town. Businesses subject to the tax shall collect a three percent tax on the retail value of all goods and services sold, as set forth by the statute. The monies derived from the resort tax may be appropriated by the Town Council for any activity, undertaking, or administrative service in which the Town is authorized by law to perform.

Annually, anticipated receipts from the resort tax must be applied to reduce the municipal property tax levy for the fiscal year in an amount equal to five percent of the resort tax revenues derived during the preceding fiscal year.

Capital Assets

The Town's assets are capitalized at historical cost or estimated historical cost. Town policy has set the capitalization threshold for reporting capital assets at $5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the statement of net position, net of applicable accumulated depreciation. Non-depreciable capital assets, such as land and construction in progress, are reported separately. Depreciation expense is reported in the statement of activities and is calculated using the straight-line method based on the asset's estimated useful life.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)
Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Building and structures	50 years
Improvements	10-25 years
Infrastructure	40 years
Machinery and equipment	5 to 15 years
Water system	5 to 50 years
Sewer system	5 to 50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. According to GASB 34, the Town must record infrastructure assets prospectively from the date of implementation. The Town defines infrastructure as the basic physical assets that allow the Town to function. The assets to be recorded will include the street system, water purification and distribution system, sewer collection treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas; and streets, sidewalks, curbs, and street lights.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position and governmental funds balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position (or fund balance) that applies to a future period(s); therefore, an outflow of resources (expenses/expenditures) will not be recognized until that point. In the current fiscal year, the Town has deferred outflows of resources related to pension and other postemployment health benefits (OPEB).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and governmental funds balance sheets will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position (or fund balance) that applies to a future period(s); therefore, an inflow of resources (revenue) will not be recognized until that time. In the government-wide statement of net position, the Town reported deferred outflows and deferred inflows of resources related to pension and other postemployment health benefits (OPEB). Within the Town's governmental fund balance sheet, there was one item that qualified as a deferred inflow of resources. This item was entirely comprised of outstanding property taxes as of June 30, 2019. These amounts are (and were) reported as revenue in the government-wide financial statements in the period in which they were levied and, thus, no deferred inflows of resources were reported for this unavailable property tax activity. The proprietary statements of net position also reported deferred outflows and deferred inflows of resources for pension and OPEB-related activities.

Compensated Absences

Town employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of 12 days per year. Upon retirement or termination, all employees are paid for 100% of unused vacation leave and 25% of unused sick leave.

The current and long-term liabilities for accumulated vacation and sick leave are reported on the proprietary fund and government-wide financial statements. In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the Town's policy to satisfy any unpaid amounts at year-end from future resources, not expendable available resources.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those short-term loans related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances to and from other funds." Interfund receivables and payables between funds are eliminated in the statement of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability and On-Behalf Payments for Fringe Benefits

The Town must report its proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pension plans in which its employees are eligible to participate. 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 for the Town include pension plan contributions. The State's pension contribution is recorded as intergovernmental revenue with an offsetting expenditure in the related funds.

Other Postemployment Benefits

The Town allows its retired employees to continue their health insurance coverage by remaining on the Town's health insurance plan. Another postemployment benefit arises from the difference in the retired employees' cost of health insurance under the Town's plan and the cost of coverage for a similar plan on the open market. This benefit is reflected in the financials as a long-term liability following the guidance of GASB Statement No. 75.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. In the fund financial statements, the face amount of the debts (when issued) are reported as other financing sources and the principle payments on debt (when paid) are reported as other financing uses. Premiums (if present) received on the debt issuances would be reported as other financing sources, while discounts (if present) on debt issuances would be reported as other financing uses. Both the government-wide and fund financial statements recognize bond issuance costs as current expenses in the year incurred.

Fund Balance

The Town has implemented GASB Statement No. 54. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is found to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions reduce uncertainty about which resources can or should be reported in the respective fund types. As a result, the classifications of fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable.

The nonspendable category represents the portion of fund balance that is not in spendable form such as inventories and prepaid items. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)
The restricted fund balance category contains balances that can only be spent for the specific purposes stipulated by external parties or through enabling legislation. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

The committed fund balance category includes amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority, the Town Council. This same formal board action is needed not only to establish the commitment, but also to modify or rescind it at a future date.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by an official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The Operations Manager and Finance Director have the authority to express assignments. In the governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed. Also included in the assigned fund balance for the general fun are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in the next fiscal year.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification may only be used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available in a fund, the assumed order of spending is restricted first, next committed, next assigned, and finally unassigned.

Minimum General Fund – Fund Balance
The Town does not maintain a stabilization fund. However, the Town adopted a General Fund – Fund Balance Policy to maintain an unassigned fund balance in the general fund that is no less than two months of regular operating expenditures or revenues, or 16% of the general fund expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In funds other than governmental, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 2. CASH AND INVESTMENTS

At June 30, 2019, the carrying amount of the Town's deposits in local banks and investments is $7,327,211. Account balances are covered by the Federal Depository Insurance Corporation (FDIC) up to $250,000 per bank, per depositor. At June 30, 2019, the balance in the repurchase agreement account was $1,193,750 and was fully collateralized by securities held by the pledging bank's agent in the Town's name. At June 30, 2019, the Town's cash balances that were uninsured and uncollateralized were $4,443. The Town's cash and investments are reported as follows:

	Unrestricted	Restricted	Total
Governmental activities	$ 4,710,770	$ 246,027	$ 4,956,797
Business-type activities	1,898,812	343,470	2,242,282
Fiduciary funds	128,132	-	128,132
	$ 6,737,714	$ 589,497	$ 7,327,211

Custodial Credit Risk-Deposits. Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Town's deposits may not be returned or the Town will not be able to recover the collateral securities in the possession of the outside party. Account balances are insured by the FDIC up to $250,000 per bank, per depositor. The uninsured portion of the bank balance was fully secured by pledged securities held by the financial institutions or by their trust departments or agents, but not in the Town's name.

The Town minimizes custodial credit risk by restrictions set forth in Town policy and state law. The Town's policy requires deposits to be 102 percent secured by collateral valued at market value. The Town Finance Director maintains a listing of financial institutions, which are approved for investment purposes. Types of securities that may be pledged as collateral are detailed in Section 17-6-103 of the Montana Code Annotated (MCA). Town policy requires that specific safeguards against risk of loss be evidenced when the Town does not physically hold the securities.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Montana statutes require that the Town obtain securities for the uninsured portion of the deposits as follows: 1) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The state statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for Town deposits at year end exceeds the amount required by state statutes.

Credit Risk. As noted above, statutes authorize the Town to invest in direct obligations of the United States Government and securities issued by agencies of the United States, repurchase agreements, and the State Short-Term Investment Pool (STIP). The Town has no investment policy that would further limit its investment choices.

The Town's investments primarily consist almost entirely of certificates of deposit with effective interest rates of 0.2% to 1.7%. The investments are recorded at fair value. Time deposits and money market accounts held by investment brokers were insured through the FDIC or Securities Investor Protection Corporation (SIPC).

Fair Value Measurement and Application. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town voluntarily participates in the 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. STIP administrative expenses are charged daily against the STIP income, which is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares. 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 shares. 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. Information on investments held in the STIP can be found in the Annual Report on the MBOI website at http://investment.com/AnnualReportsAudits.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The following table provides information about the credit risks, interest rate risks, and fair value hierarchy associated with the Town's deposits and investments.

	Maturities	Credit Risk Rating	Fair Value	Valuation Inputs
Cash in overnight repurchase agreements	N/A	N/A	$ 1,119,067	
Money market accounts	N/A	N/A	215,717	
Demand deposits	N/A	N/A	2,500	
Petty cash	N/A	N/A	300	
Total cash and cash equivalents			1,337,584	
Certificates of deposit	2019	N/A	726,870	Level 2
State of Montana Short-Term Investment Pool	N/A	N/A	5,262,757	
Total investments			5,989,627	
Total cash and investments			$ 7,327,211	

NOTE 3. CAPITAL ASSETS

All capital assets of the Town are depreciable with the exceptions of land and construction in progress. Capital assets of the Town for the year ended June 30, 2019 consisted of the following for governmental activities:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
GOVERNMENTAL ACTIVITIES				
Nondepreciable:				
Land	$ 2,041,335	$ -	$ -	$ 2,041,335
Construction in progress	969,568	6,263	(967,568)	8,263
Depreciable:				
Buildings	5,642,048	967,568	-	6,609,616
Improvements	3,102,064	52,796	-	3,154,860
Machinery and equipment	2,841,803	340,860	-	3,182,663
Total	14,596,818	1,367,487	(967,568)	14,996,737
Accumulated depreciation	(3,648,235)	(519,371)	-	(4,167,606)
Total governmental activities	$ 10,948,583	$ 848,116	$ (967,568)	$ 10,829,131

NOTE 3. CAPITAL ASSETS (CONTINUED)

Capital assets of the Town for the year ended June 30, 2019, consisted of the following for business-type activities:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
BUSINESS-TYPE ACTIVITIES				
Water				
Nondepreciable:				
Construction in progress	$ 300,285	$ 231,345	$ (23,341)	$ 508,289
Depreciable:				
Machinery and equipment	139,313	7,589	-	146,902
Source of supply	657,690	-	-	657,690
Transmission and distribution	1,639,127	42,172	-	1,681,299
Total	2,736,415	281,106	(23,341)	2,994,180
Accumulated depreciation	(1,708,648)	(75,141)	-	(1,783,789)
Total water activities	1,027,767	205,965	(23,341)	1,210,391
Sewer				
Nondepreciable:				
Land	1,175	-	-	1,175
Construction in progress	51,467	382,550	(47,487)	386,530
Depreciable:				
Buildings	217,055	-	-	217,055
Improvements	694,187	97,460	-	791,647
Machinery and equipment	379,362	23,361	-	402,723
Pumping plant	118,131	-	-	118,131
General plant	198,002	-	-	198,002
Treatment plant	1,117,337	-	-	1,117,337
Total	2,776,716	503,371	(47,487)	3,232,600
Accumulated depreciation	(1,464,700)	(99,557)	-	(1,564,257)
Total sewer activities	1,312,016	403,814	(47,487)	1,668,343
Total business-type activities	$ 2,339,783	$ 609,779	$ (70,828)	$ 2,878,734

NOTE 3. CAPITAL ASSETS (CONTINUED)

In accordance with GASB 34, the Town has reported all capital assets, with the exception of pre-July 1, 2003 infrastructure in the Government-Wide Statement of Net Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2019, depreciation expense on capital assets was charged to the governmental functions/programs as follows:

Governmental Activities:		
General government	$	82,362
Public safety		125,824
Public works		138,673
Public health		1,805
Culture and recreation		151,355
Housing and community development		19,352
Total depreciation expense - governmental activities	$	519,371
Business-Type Activities:		
Water	$	75,141
Sewer		99,557
Total depreciation expense - business-type activities	$	174,698

NOTE 4. COMPENSATED ABSENCES

The Town's policy relating to compensated absences is described in Note 1. The total amounts outstanding at year-end were $238,470 for governmental activities and $16,796 for business-type activities. The long-term portion of the debt is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds.

	Balance June 30, 2018	Incurred	Satisfied	Balance June 30, 2019	Due Within One Year
Compensated absences					
Governmental activities	$ 231,495	$ 148,685	$ (141,710)	$ 238,470	$ 59,618
Business-type activities	12,250	18,506	(13,960)	16,796	1,454
Total compensated absences	$ 243,745	$ 167,191	$ (155,670)	$ 255,266	$ 61,072

NOTE 5. LONG-TERM DEBT

The following is a summary of the Town's governmental activities long-term debt transactions for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Direct placements					
General obligation bonds	$ 904,516	$ -	$ (91,960)	$ 812,556	$ 93,985
Revenue bonds	2,128,074	-	(246,208)	1,881,866	248,916
Direct borrowings					
Intercap loans and notes payable	820,792	-	(146,641)	674,151	84,194
Total bonds, intercap loans, and notes	3,853,382	-	(484,809)	3,368,573	427,095
Other post employment benefits liability	323,845	69,149	-	392,994	-
Net pension liability	1,948,337	-	(181,106)	1,767,231	-
Totals	$ 6,125,564	$ 69,149	$ (665,915)	$ 5,528,798	$ 427,095

In the event of default, the lender may exercise any one or more of the following rights and remedies: accelerate indebtedness, collect the collateral, apply the proceeds from the collection of the collateral, or exercise any or all of the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code.

a. Direct Placements: General Obligation Bonds

The Town issues general 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 Town. General obligation bonds currently outstanding are as follows:

	Interest Rate	Amount	Due within one year
General Obligation Bonds serial maturities through 2027	2.19%	$ 812,556	$ 93,985

NOTE 5. LONG-TERM DEBT (CONTINUED)

a. Direct Placements: General Obligation Bonds (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 93,985	$ 17,274	$ 111,259
2021	96,011	15,249	111,260
2022	98,168	13,091	111,259
2023	100,330	10,929	111,259
2024	102,539	8,719	111,258
2025-2027	321,523	12,432	333,955
	$ 812,556	$ 77,694	$ 890,250

b. Direct Placements: Revenue Bonds

The Town issued Montana Board of Investments Revenue Bonds Series 2012 in the face amount of $1,480,866 in 2012. These revenue bonds were issued to cover a portion of the cost of Town Hall construction. The revenue bonds are secured by a pledge of resort tax revenues. Interest is stated at 1.25% through February 16, 2013, with variable interest rates after that. Variable semi-annual payments including principal and interest are required through December 2025.

The Town issued Resort Tax Revenue Bonds Series 2016 in the face amount of $1,425,000 in 2016 in the form of a promissory note payable to First Security Bank. These revenue bonds were issued to cover the purchase of 80 acres of land in 2016. The revenue bonds are secured by a pledge of resort tax revenues. Interest was originally stated at 2.19%, then indexed based on the prime rate after that. Variable semi-annual payments including principal and interest are required through February 2026.

NOTE 5. LONG-TERM DEBT (CONTINUED)

b. Direct Placements: Revenue Bonds (Continued)

	Due in One Year	Long-Term Portion	Total
Resort Tax Revenue Bond, Series 2012, variable interest rate equal to the prevailing rate	$ 116,890	$ 700,756	$ 817,646
Resort Tax Revenue Bond, Series 2016, 2.19% per annum through August 2026, prime rate minus 1.31% (minimum of 2.19%) thereafter	132,026	932,194	1,064,220
Total revenue bonds	$ 248,916	$ 1,632,950	$ 1,881,866

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 248,916	$ 42,529	$ 291,445
2021	251,839	36,668	288,507
2022	254,827	30,742	285,569
2023	257,881	24,751	282,632
2024	261,003	38,457	299,460
2025-2026	607,400	20,390	627,790
	$ 1,881,866	$ 193,537	$ 2,075,403

c. Direct Borrowings: Intercap Loans and Notes Payable

The Town has an Intercap loan payable to Montana Board of Investments for funds borrowed to purchase a Caterpillar Wheel Loader in 2009. The original note was for $128,624 with interest of 4.25% through February 15, 2009, with variable interest rates after that. The note is fully collateralized by the related loader. Variable semi-annual payments, including principal and interest, were required through February 2019. This loan was paid off as of June 30, 2019.

NOTE 5. LONG-TERM DEBT (CONTINUED)

c. Direct Borrowings: Intercap Loans and Notes Payable (Continued)

The Town has an Intercap loan payable to Montana Board of Investments for funds borrowed to remodel the 911 Dispatch Center in 2009. The original note was for $490,502, with interest of 3.25% through February 15, 2010, with variable interest rates after that. The note is fully collateralized by the related dispatch center project. Variable semi-annual payments including principal and interest are required through August 2019. This loan was paid off as of June 30, 2019.

The Town has a note payable for funds borrowed to purchase a JD 772 loader in 2016. The original note was for $140,350 with interest of 1.55%. The note is fully collateralized by the related loader. Semi-annual payments of $14,642 are required until February 2022.

The Town has a note payable to First Security Bank for funds borrowed for the Learning Center construction in 2018. The original note was for $650,000, with interest initially stated at 3.75%, then indexed based on the prime rate after that. Variable semi-annual payments including principal and interest are required through February 2028.

	Due in One Year	Long-Term Portion	Total
Promissory Note with First Security Bank for JD 722 Loader, interest rate at 1.55% per annum	$ 28,063	$ 57,443	$ 85,506
Promissory Note with First Security Bank for Learning Center, variable prime rate of interest, with a minimum rate of of 3.75%	56,131	532,514	588,645
Total intercap loans and notes payable	$ 84,194	$ 589,957	$ 674,151

NOTE 5. LONG-TERM DEBT (CONTINUED)

c. Direct Borrowings: Intercap Loans and Notes Payable (Continued)

Annual debt service requirements to maturity for the intercap notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 84,194	$ 22,761	$ 106,955
2021	86,742	20,214	106,956
2022	89,400	17,556	106,956
2023	62,742	14,929	77,671
2024	65,121	12,551	77,672
2025-2026	285,952	24,625	310,577
	$ 674,151	$ 112,636	$ 786,787

NOTE 6. DEFERRED COMPENSATION PLAN

Until December 31, 2009, the Town offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permitted them to defer a portion of their salary until future years. The duties of the trustee and administration of the plan were carried out by a third party. Participation in the plan was optional and participants elected how their salary deferrals are invested. Investment options included stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are solely the property and rights of the participants and their beneficiaries.

NOTE 7. TAX SHELTERED ANNUITY

The Town has a tax sheltered annuity program established under Section 403(b) of the Internal Revenue Code covering all eligible employees. Section 403(b) was established by Congress to allow organizations that qualify for tax-exempt status under 501(c)(3) to establish retirement plans for employees. Section 501(c)(3) encompasses nonprofit and nonpolitical, religious, charitable and other public interest oriented organizations. The Town is not an eligible employer under 403(b). The Town has entered into an agreement with the Internal Revenue Service which will allow the Town to maintain the assets in the program without penalty. The Town will not be allowed to make future contributions to the program.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to providing a deferred compensation plan, the Town provides other post-employment benefits (OPEB) allowing its retired employees to continue their medical and dental care coverage through the Town's group health plan until death (Retiree Health Plan). As required by Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other than Pensions*, the Town has calculated and included a postemployment benefit liability for the fiscal year ended June 30, 2019.

Plan Description and Benefits Provided

The Town maintains a multiple-employer defined benefit medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents, and includes medical and dental benefits. The plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an implied rate subsidy in the financial statements and footnotes. The Town's contract with Allegiance Benefits details the plan eligibility. Montana Municipal Interlocal Authority (MMIA) is the administrator of the benefit plan, which covers both active and retired members. In accordance with MCA 2-18-704, the Town's retirees may continue coverage for themselves and their covered eligible dependents if they are eligible for public employees' retirement by virtue of their employment with the Town. The Town's current labor contracts do not include any obligations for payments to retirees. The Town also allows terminated employees to continue their health care coverage for 18 months past the date of termination as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

OPEB is recorded on an accrual basis for all enterprise funds. OPEB is recorded on a modified accrual basis for the governmental funds. Plan contributions are recognized in the period in which the contributions are made. Benefits and funds are recognized when due and payable in accordance with the terms of the plan.

MMIA issues an annual financial report that can be obtained at:

Montana Municipal Interlocal Authority
P.O. Box 6669
Helena, MT 59604-6669

Funding Policy

The plan is funded by the Town and plan members receiving benefits. The Town contributes 75% of the monthly premium for employees working full-time, or 40 hours each week. Employees working a minimum of 20 hours or more each week, receive a prorated monthly premium contribution from the Town. Plan members contribute the remaining balance. Retirees are allowed to stay on the plan but must pay the entire cost of the health insurance premium.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees Covered by Benefit Terms

At June 30, 2019, the Town had no retired members receiving benefits and no retirees contributing towards the cost of the Town's annual premiums. There were 28 active employees covered by the benefit terms.

Total OPEB Liability (TOL)

The Town's annual total OPEB liability was $432,480 for the fiscal year ended June 30, 2019 and was determined by using the alternative measurement method as of June 30, 2018 with a roll-forward estimate as of June 30, 2019. Changes in the TOL for the year ended June 30, 2019, are as follows:

Service cost	$	76,571
Interest		15,176
Changes of assumptions or other inputs		(133)
Benefit payments		(16,173)
Net change in OPEB liability		75,441
Total OPEB liability, beginning		357,039
Total OPEB liability, ending	$	432,480

There is sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) follows:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	$ 470,466	$ 432,480	$ 396,427

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The total OPEB liability of the Town as well as what the Town's total OPEB liability would be if it we recalculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate follows:

	1% Decrease*	Healthcare Cost Trend Rates*	1% Increase*
Total OPEB liability	$ 369,483	$ 432,480	$ 510,947

* See the actuarial methods and assumptions disclosure below to determine the healthcare cost trend rates used to calculate the total OPEB liability.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Total OPEB Liability (TOL) (Continued)

For the year ended June 30, 2019, the Town recognized OPEB expense of $75,441. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,209	$ -
Changes in assumptions or other inputs	-	7,935
Total	$ 9,209	$ 7,935

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

Year Ended June 30,	
2020	$ 1,274
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	$ 1,274

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual fund limitations on the pattern of cost sharing between employer and plan members in the future. The methods used are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term prospective of the calculations.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

Average age of retirement based on historical data	55.90
Turnover rate	0.00%
Discount rate	3.50%
Average salary increase	4.00%

Healthcare cost trend rates:

From Year	To Year	Annual % Increase	From Year	To Year	Annual % Increase
2018	2019	3.74%	2049	2053	4.80%
2019	2020	6.50%	2053	2058	4.70%
2020	2021	6.00%	2058	2065	4.60%
2021	2022	5.90%	2065	2066	4.50%
2022	2023	5.70%	2066	2067	4.40%
2023	2024	5.60%	2067	2068	4.30%
2024	2025	5.50%	2068	2070	4.20%
2025	2026	5.30%	2070	2071	4.10%
2026	2043	5.20%	2071	2073	4.00%
2043	2044	5.10%	2073	2074	3.90%
2044	2046	5.00%	2074	+	3.80%
2046	2049	4.90%			

NOTE 9. CLASSIFICATION OF NET POSITION

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure in future years, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and specific projects and programs established by the Town Council.

Unrestricted – This category represents the net position of the Town which is not restricted for any project or other purpose.

In the Fund Financial Statements, commitments and assignments segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various commitments and assignments are established by actions of the Town Council and Management and can be increased, reduced or eliminated by similar actions.

NOTE 10. OPERATING LEASES

The Town leases facilities and equipment under noncancelable operating lease agreements. Total amounts paid under these lease agreements for the fiscal year ended June 30, 2019, were $35,000. The future minimum lease payments for subsequent fiscal years under these leases are as follows:

2020	$	40,000
2021		40,600
2022		41,209
2023		41,827
2024		42,454
Thereafter		43,090
	$	249,180

NOTE 11. RISK MANAGEMENT

The Town 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.

A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities. The Town participates in two state-wide public risk pools operated by the Montana Municipal Interlocal Authority (MMIA), for workers' compensation and for tort liability coverage. And, given the lack of coverage available, the Town has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated between the Town's enterprise funds and the general fund based on total appropriations. The premiums for the non-contributory employee medical plan are similarly allocated between the enterprise funds and the group health insurance fund, a special revenue fund supported by a special purpose tax levy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 1986, the Town joined together with other Montana cities to form the MMIA, which established a workers' compensation plan and a tort liability plan, both public entity risk pools currently operating as common risk management and insurance programs for the member governments. The liability limits are $750,000 per person and $1.5 million per accident, except if any one occurrence is not subject to government liability limitations in which case the limits are $12.5 million per occurrence for any claim that is not subject to the limitations on government liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with a $1,500 deductible per occurrence.

State tort law limits the Town's liability to $1.5 million. The Town has no excess policy coverage. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total budgeted salaries and wages and an annual premium for tort liability. This amount is allocated between the Town's enterprise funds and the liability insurance fund based on total appropriations. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

The Town also owns a policy with MMIA for loss or damage to property. This is an all risk policy, essentially all property owned by the Town being insured for 100% of replacement cost, subject to a $1,000 deductible per occurrence. MMIA reinsures their property insurance with a national municipal pool, Public Entities' Property Insurance.

NOTE 12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2019 is as follows:

Transfers To	Transfers From Governmental Funds: General Fund	Transfers From Governmental Funds: Resort Tax	Total
Governmental Funds			
General fund	$ -	$ 3,364,692	$ 3,364,692
Street construction and maintenance	-	125,000	125,000
Capital projects	-	704,876	704,876
Nonmajor governmental	109,251	28,600	137,851
Proprietary Funds			
Water fund	-	4,464	4,464
Sewer fund	-	4,201	4,201
Total	$ 109,251	$ 4,231,833	$ 4,341,084

Transfers are used to (1) move revenues from the fund that statute or budgets require to collect them to the fund that statute or budgets require to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations, and (3) to transfer non-restricted interest income from a permanent fund to the general fund.

NOTE 13. INTERLOCAL AGREEMENTS

The Town entered into a revised 20-year Interlocal agreement with the Hebgen Basin Fire District for fire protection, fire suppression, fire prevention and emergency medical services with the boundary of the District on November 3, 2015. Under the agreement, the Town paid $530,000 for the first year of the agreement (payable in twelve equal monthly payments). Beginning in fiscal year 2017 and continuing for the next nine years, the payment shall increase annually by an amount equal to 1-1/2% of the previous year's payment. Built into the payment schedule shall be up and/or down "triggers" if the Town's resort tax collections increase or decrease compared to the previous five years' average. As part of the amended agreement, the District purchased Fire Station One from the Town for $533,000 and paid a $100,000 down payment. The remaining balance was to be paid over the next four fiscal years by adding the building payment amount to the Charges for Services and then deducting it as an offset of what was owed by the District to the Town. For the Fiscal year ended June 30, 2019, the Town budgeted $716,059 for Charges for Services and deducted $162,675 as a debt service payment for the building purchase. This balance was fully paid by the District as of June 30, 2019.

The Town has also entered into multiple other Interlocal agreements for sewer use, 911 emergency dispatch services, airport use, library services, and other general memorandums of understanding and agreements.

NOTE 14. MAJOR PURPOSE PRESENTATION

The table presented below displays the Town's fund balances by major purpose as displayed on the governmental funds balance sheet. Statement 54 requires the disclosure of the purpose of each Major Fund.

	General Fund	Resort Tax	Capital Projects	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
RESTRICTED						
Public safety	$ -	$ -	$ -	$ -	$ 25,660	$ 25,660
Public works	-	-	-	-	24,200	24,200
Culture and recreation	-	-	-	-	23,340	23,340
Housing and community development	-	-	-	-	90,936	90,936
Debt service	29,285	246,027	77,672	-	258,856	611,840
Total restricted	29,285	246,027	77,672	-	422,992	775,976
COMMITTED						
General government	-	-	-	-	315,898	315,898
Public works	-	-	-	-	56,799	56,799
Social and economic services	-	-	-	-	6,455	6,455
Culture and recreation	-	-	-	-	5,797	5,797
Resort tax purposes	-	323,085	-	-	-	323,085
Capital projects	-	-	-	1,111,232	-	1,111,232
Total committed	-	323,085	-	1,111,232	384,949	1,819,266
ASSIGNED						
Capital projects	-	-	758,285	-	7,800	766,085
Total assigned	-	-	758,285	-	7,800	766,085
UNASSIGNED	1,580,545	-	-	-	-	1,580,545
Total fund balances	$ 1,609,830	$ 569,112	$ 835,957	$ 1,111,232	$ 815,741	$ 4,941,872

NOTE 15. PENSION PLANS

Plan Description and Provisions

All Town of West Yellowstone full-time employees participate in one of two statewide, cost-sharing, multiple-employer, defined benefit retirement benefit plans administered by the Montana Public Employee Retirement Administration (MPERA). Contributions to the two plans are as required by State statute. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the state legislatures. The next two subsections will individually discuss in more detail the accounting of the Public Employees' Retirement System (PERS) and Municipal Police Offers' Retirement System (MPORS) retirement plans. Their reporting is affected by GASB Statements 68 and 71 and use a measurement date of June 30, 2018, and a reporting date of June 30, 2019. The following table presents the Town's (Employer) proportion of PERS and MPORS pension amounts.

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with MPORS	The employer's total pension amounts
Net pension liability	$ 1,503,086	$ 323,454	$ 1,826,540
Deferred outflows of resources	345,492	100,379	445,871
Deferred inflows of resources	219,492	8,904	228,396

Public Employees' Retirement System

Plan Description

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

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.

NOTE 15. PENSION PLANS (CONTINUED)

Summary of Benefits

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

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

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

NOTE 15. PENSION PLANS (CONTINUED)

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

NOTE 15. PENSION 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.

			State & Universities	Local Government		School Districts	
Fiscal Year	Member		Employer	Employer	State	Employer	State
	Hired < 07/01/11	Hired > 07/01/11					
2019	7.90%	7.90%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.90%	7.90%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.90%	7.90%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.90%	7.90%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.90%	7.90%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.90%	7.90%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.90%	7.90%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.90%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.90%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.90%		6.900%	6.800%	0.100%	6.800%	0.100%

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

NOTE 15. PENSION PLANS (CONTINUED)

Overview of Contributions (Continued)

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

3. Non-Employer Contributions
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
      iii. The State contributes a Statutory Appropriation from the General Fund of $33,454,182.

Stand-Alone Statements

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

NOTE 15. PENSION PLANS (CONTINUED)

Actuarial Assumptions

- Investment Return (net of admin expense): 7.65%
- Admin Expense as a % of Payroll: 0.26%
- General Wage Growth (includes inflation at 2.75%): 3.50%
- Merit Increases: 0% to 6.3%
- Postretirement Benefit Increases:
  i. **Guaranteed Annual Benefit Adjustment (GABA)**
  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, **inclusive** of other adjustments to the member's benefit.
    - 3.0% for members hired prior to July 1, 2007
    - 1.5% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013
      - 1.5% for each year PERS is funded at or above 90%;
      - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
      - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the Total Pension Liability (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 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

NOTE 15. PENSION PLANS (CONTINUED)

Target Allocations

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and 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, 2019, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

The sensitivity of the Net Pension Liability (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 7.65%, 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.

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Net Pension Liability	$ 2,173,810	$ 1,503,086	$ 952,314

NOTE 15. PENSION PLANS (CONTINUED)

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).

PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2018, 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 316 employers that have participants in the PERS-DCRP totaled $746,144.

NOTE 15. PENSION PLANS (CONTINUED)

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.

Net Pension Liability

The TPL minus the Fiduciary Net Position equals the 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, 2019, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the 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.

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

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

NOTE 15. PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019 and 2018 are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of $1,503,086 and the employer's proportionate share was 0.0720 percent.

	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2018	Change in Percent of Collective NPL
Employer proportionate share	$ 1,503,086	$ 1,757,348	0.0720%	0.0902%	-0.0182%
State of Montana proportionate share associated with employer	502,783	22,975	0.0967%	0.1171%	-0.0204%
Total	$ 2,005,869	$ 1,780,323	0.1687%	0.2073%	-0.0386%

Changes in actuarial assumptions and methods:

- There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in benefit terms:

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

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

NOTE 15. PENSION PLANS (CONTINUED)

Pension Expense

At June 30, 2019, the employer recognized $103,062 for its proportionate share of the Plan's pension expense and recognized grant revenue of $33,555 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized $0 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/2019
Employer proportionate share	$ 103,062
State of Montana proportionate share associated with employer	33,555
Total	$ 136,617

Recognition of Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	$ 114,300	$ -
Projected vs. actual investment earnings	-	23,343
Changes in assumptions	127,816	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	196,149
Employer contributions subsequent to the measurement date	103,376	-
Total	$ 345,492	$ 219,492

NOTE 15. PENSION PLANS (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)
$103,376 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in 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
2020	$ 54,624
2021	61,467
2022	(83,878)
2023	(9,589)
Thereafter	-
	$ 22,624

Municipal Police Officers' Retirement System

Plan Description
The MPORS, administered by the 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.

NOTE 15. PENSION PLANS (CONTINUED)

Plan Description (Continued)

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 IRS. 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.

Summary of Benefits

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

Eligibility for benefit and benefit formulas

Service retirement and monthly benefit formula:

- 20 years of membership service, regardless of age
- Age 50, 5 years of membership service (Early Retirement)
- 2.5% of FAC x years of service credit

Second retirement:

Re-calculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017:

- Less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service.
- More than 20 years of membership service, upon re-employment, receives initial benefit and a new retirement benefit based on additional service credit and FAC after re-employment.

NOTE 15. PENSION PLANS (CONTINUED)

Eligibility for benefit and benefit formulas (Continued)

Second retirement (Continued):
Applies to members re-employed in a MPORS position after July 1, 2017:

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

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 a part of a member's final average compensation.

NOTE 15. PENSION PLANS (CONTINUED)

Eligibility for benefit and benefit formulas (Continued)

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.

Overview of Special Funding

MCA 19-9-702 requires the State of Montana to contribute a percentage of total compensation directly to the Plan annually after the end of each fiscal year. Member, Employer, and State contributions are shown in the table below.

	Member				Employer	State
Fiscal Year	Hired < 07/01/75	Hired > 06/30/75	Hired > 06/30/79	Hired > 06/30/79 GABA		
2000-2019	5.80%	7.00%	8.50%	9.00%	14.410%	29.370%
1998-1999	7.80%	9.00%	10.50%	11.00%	14.410%	29.370%
1997	7.80%	9.00%	10.50%		14.360%	29.370%

NOTE 15. PENSION PLANS (CONTINUED)

Stand-Alone Statements

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined used the following actuarial assumptions:

- Investment Return (net of admin expense): 7.65%
- Admin Expense as a % of Payroll: 0.24%
- General Wage Growth (includes inflation at 2.75%): 3.50%
- Merit Increases: 0% to 6.60%
- Postretirement Benefit Increases:
    i. **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%.
    ii. **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.
- 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 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Retirees are 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 2132. 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 15. PENSION 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 experience study, performed for the period of July 1, 2010 through 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, 2019, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table on the following page. 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 15. PENSION PLANS (CONTINUED)

Sensitivity Analysis (Continued)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Net Pension Liability	$ 491,216	$ 323,454	$ 189,289

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.

Net Pension Liability
The TPL minus the Fiduciary Net Position equals the 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, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the 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.

NOTE 15. PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

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, 2019 and 2018 are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of $323,454 and the employer's proportionate share was 0.1889 percent.

	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2018	Change in Percent of Collective NPL
Employer proportionate share	$ 323,454	$ 318,253	0.1889%	0.1789%	0.0100%
State of Montana proportionate share associated with employer	661,207	648,656	0.5752%	0.5435%	0.0317%
Total	$ 984,661	$ 966,909	0.7641%	0.7224%	0.0417%

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

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

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

NOTE 15. PENSION PLANS (CONTINUED)

Pension Expense

At June 30, 2019, the employer recognized its proportionate share of the Plan's pension expense of $23,813. The employer also recognized grant revenue of $91,149 for the support provided by the state of Montana for the proportionate share of the pension expense that is associated with the employer.

	Pension Expense as of 6/30/2019
Employer proportionate share	$ 23,813
State of Montana proportionate share associated with employer	91,149
Total	$ 114,962

Recognition of Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	$ 907	$ 6,451
Projected vs. actual investment earnings	-	2,453
Changes in assumptions	15,121	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	38,348	-
Employer contributions subsequent to the Measurement date	46,003	-
Total	$ 100,379	$ 8,904

NOTE 15. PENSION PLANS (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)

$46,003 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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	
2020	$	30,075
2021		18,639
2022		(1,800)
2023		(1,442)
Thereafter		-
	$	45,472

NOTE 16. COMMITMENTS

In fiscal year 2019, the Town entered into agreements with a vendor to prepare a wastewater facility planning study. Anticipated expenditures to be incurred in fiscal year 2020 amount to approximately $71,000.

NOTE 17. CONTINGENT LIABILITIES

The Town is occasionally named as the defendant in litigated claims against the Town which arise out of the normal course of operations by the Town. Management of the Town intends to vigorously defend each claim and believes no material losses will be incurred on such claims. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's management and counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2020, the date on which the financial statements are available to be issued.

In 2019, the Town successfully lobbied the legislature for the authority to increase the resort tax rate from 3% to 4%, specifically for infrastructure. This was placed on the 2019 ballot and passed with an effective date of January 1, 2020.

In early 2020, the global economy was disrupted by the COVID-19 pandemic. Management is unable to determine the impact that the pandemic will have on the Town as of the date these financial statements were available to issue.

C. Required Supplementary Information
Other than Management’s Discussion and Analysis

TOWN OF WEST YELLOWSTONE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES
For the Year Ended June 30, 2019

GASB Statement No. 75 was implemented beginning in fiscal year 2018. This Statement requires supplementary information for 10-year schedules containing service cost, changes in benefit terms, if any, differences between expected and actual experience, changes of actuarial assumptions or other inputs, and benefit payments, as applicable to the Local Government's OPEB plan and method of calculating OPEB liability.

Assets are not accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits. The total OPEB liability and ratio of OPEB liability as a percentage of covered-employee payroll as of June 30, 2019 is determined as follows:

	2019	2018
Total OPEB liability		
Service cost	$ 76,571	$ 77,132
Interest*	15,176	13,741
Differences between expected and actual experience	-	9,219
Changes of assumptions or other inputs	(133)	(7,813)
Benefit payments	(16,173)	(13,175)
Net change in total OPEB Liability	75,441	79,104
Total OPEB Liability--beginning	357,039	277,935
Total OPEB Liability--ending	$ 432,480	$ 357,039
Covered-employee payroll	$ 1,415,906	$ 1,361,448
Total OPEB liability as a percentage of covered-employee payroll	30.54%	26.22%

<u>Notes to Schedule:</u>

* Interest includes beginning of year total OPEB liability and service cost.

Changes of benefit terms: There were no changes in benefit terms for the fiscal year ended June 30, 2019.

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

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

TOWN OF WEST YELLOWSTONE
PERS - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability

As of measurement date	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability	0.0720%	0.0902%	0.0824%	0.0906%	0.0950%
Employer's net pension liability	$ 1,503,086	$ 1,757,348	$ 1,403,348	$ 1,265,875	$ 1,183,464
State's net pension liability	502,783	22,975	17,147	15,549	14,452
Total	$ 2,005,869	$ 1,780,323	$ 1,420,495	$ 1,281,424	$ 1,197,916
Employer's covered payroll	$ 1,184,351	$ 1,119,323	$ 986,860	$ 1,056,822	$ 1,078,174
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

Schedule of Contributions

As of reporting date	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contributions	$ 103,376	$ 100,315	$ 93,688	$ 84,487	$ 87,086
Plan choice rate required contributions	-	-	-	2,305	3,266
Contributions in relation to the contractually required contributions	$ 103,376	$ 100,315	$ 93,688	$ 86,792	$ 90,352
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,206,259	$ 1,184,351	$ 1,119,323	$ 986,860	$ 1,056,822
Contributions of covered payroll	8.570%	8.470%	8.370%	8.597%	8.550%

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

TOWN OF WEST YELLOWSTONE
MPORS - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2019

Schedule of Proportionate Share of the Net Pension Liability

As of measurement date	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability	0.1889%	0.1789%	0.1600%	0.1387%	0.2163%
Employer's net pension liability	$ 323,454	$ 318,253	$ 288,008	$ 229,450	$ 339,813
State's net pension liability	661,207	648,656	571,708	464,888	686,463
Total	$ 984,661	$ 966,909	$ 859,716	$ 694,338	$ 1,026,276
Employer's covered payroll	$ 298,119	$ 265,610	$ 225,856	$ 191,973	$ 290,156
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	108.50%	119.82%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	70.95%	68.34%	65.62%	66.90%	67.01%

Schedule of Contributions

As of reporting date	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contributions	$ 46,003	$ 44,589	$ 38,547	$ 33,085	$ 27,828
Contributions in relation to the contractually required contributions	$ 46,003	$ 44,589	$ 38,547	$ 33,085	$ 27,828
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 319,245	$ 298,119	$ 265,610	$ 225,856	$ 191,973
Contributions of covered payroll	14.400%	14.960%	14.510%	14.650%	14.500%

This schedule is 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:

2017 Changes:

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

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

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

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (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 2016 Experience Study:

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, with no projections
Admin expense as a % 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.

MUNICPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)

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

2017 Changes:

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.

- 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
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.

MUNICPAL 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 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.

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

MUNICPAL 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 a % 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.

Budget to Actual Comparisons – Major Funds

TOWN OF WEST YELLOWSTONE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary fund balance, July 1	$ 1,552,548	$ 1,552,548	$ 1,552,548	$ -
Resources (inflows):				
Taxes and assessments	50,800	346,129	435,802	89,673
Licenses and permits	39,925	39,925	53,610	13,685
Intergovernmental	298,603	323,603	442,294	118,691
Charges for services	44,313	44,313	81,537	37,224
Fines and forfeitures	65,000	65,000	68,695	3,695
Interest on investments	23,500	23,500	59,580	36,080
Transfers from other funds	3,364,692	3,364,692	3,364,692	-
Other	18,500	18,500	18,099	(401)
Amounts available for appropriation	5,457,881	5,778,210	6,076,857	298,647
Charges to appropriations (outflows):				
Current				
General government	1,428,900	1,426,400	1,038,035	388,365
Public safety	1,979,840	1,979,840	1,958,343	21,497
Public works	634,569	634,569	536,742	97,827
Public health	5,400	5,400	1,851	3,549
Social and economic services	140,818	140,818	126,461	14,357
Culture and recreation	468,056	470,556	350,831	119,725
Other	976,528	976,528	182,843	793,685
Capital outlay	-	-	40,005	(40,005)
Debt service	173,867	173,867	122,665	51,202
Transfers to other funds	109,251	109,251	109,251	-
Total charges to appropriations	5,917,229	5,917,229	4,467,027	1,450,202
Budgetary fund balance, June 30	$ (459,348)	$ (139,019)	$ 1,609,830	$ 1,748,849

TOWN OF WEST YELLOWSTONE
BUDGETARY COMPARISON SCHEDULE – RESORT TAX FUND
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgetary fund balance, July 1	$ 894,541	$ 894,541	$ 894,541	$ -
Resources (inflows):				
Taxes and assessments	4,444,000	4,444,000	4,213,021	(230,979)
Interest on investments	2,702	2,702	5,382	2,680
Amounts available for appropriation	5,341,243	5,341,243	5,112,944	(228,299)
Charges to appropriations (outflows):				
Current				
General government	15,900	15,900	11,859	4,041
Debt service	432,036	432,036	300,140	131,896
Transfers to other funds	4,893,206	4,893,206	4,231,833	661,373
Total charges to appropriations	5,341,142	5,341,142	4,543,832	797,310
Budgetary fund balance, June 30	$ 101	$ 101	$ 569,112	$ 569,011

TOWN OF WEST YELLOWSTONE
NOTES TO THE SCHEDULES OF BUDGETARY COMPARISON
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2019

	General Fund	Resort Tax
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 6,076,857	$ 5,112,944
Differences - budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,552,548)	(894,541)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(3,364,692)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,159,617	$ 4,218,403
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 4,467,027	$ 4,543,832
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(109,251)	(4,231,833)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 4,357,776	$ 311,999

PART 3

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS – GOVERNMENT AUDITING STANDARDS

anderson ZURMUEHLEN

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INDEPENDENT AUDITORS' 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*

The Honorable Mayor and Town Council of the Town of West Yellowstone, Montana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 the Town of West Yellowstone, Montana (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of West Yellowstone, Montana's basic financial statements, and have issued our report thereon dated June 2, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2019-1, that we consider to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Town of West Yellowstone, Montana'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2019-2.

Town's Response to Findings
The Town of West Yellowstone, Montana's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
This report is intended 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 the 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.

Anderson ZurMuehlen + Co, P.C.

Bozeman, Montana
June 2, 2020

Current Year Financial Statement Findings

2019-1 Internal Control Over Financial Reporting (Repeat Finding)

Criteria:
Controls should be in place and operating effectively to ensure the financial statements are complete and accurate.

Condition:
As a result of our audit procedures, we documented and proposed material adjustments to the Town's records related to the accrual of accounts payable and the recording of state grant revenue at the fund level for the year ended June 30, 2019. Additionally, it was determined that the TBID was a fiduciary fund in the previous year; however, TBID activity was recorded as a special revenue fund in the current year. An adjustment was made to move the activity from the governmental funds to the fiduciary funds.

Cause:
Town employees were unaware of the treatment of several transactions and how they should be recorded in the trial balance. Furthermore, Town employees are not properly reconciling accounts with the subsidiary ledgers.

Effect:
Exclusion of these adjustments would result in a material misstatement to the financial statements that may affect the users of the financial information of the Town.

Recommendation:
We recommend management implement a process as part of the year-end closing procedures to ensure accounts payable and other accrued liabilities and state grant revenue reported are complete and accurate. We recommend that management correct the classification of the TBID fund as a fiduciary fund instead of a special revenue fund.

Management Response:
During year-end closing procedures, a review will be completed with each Department Head by the Finance Director of projects or major purchases that have accrued an accounts payable or accrued liability status, prior to the end of the fiscal year to record such payables. When payment is made against the payable in the next fiscal year, the payable will be reversed accordingly. The Town will implement year-end closing procedures to reconcile the subsidiary ledgers with the ending account balances. Management has corrected the classification of the TBID fund and is now recording it as a fiduciary fund.

Current Year Financial Statement Findings (Continued)

2019-2 Annual Vacation Leave (Repeat Finding)

Criteria:
Per MCA 2-18-617, annual vacation leave may be accumulated to an amount not to exceed two times the maximum number of days earned annually as of the end of the first pay period of the last day of the 2018 calendar year. The Town has a collective bargaining agreement (CBA) allowing non-supervisory employees to take excess vacation leave within 120 calendar days from the last day of the calendar year in which the excess was accrued. All employees not covered under the CBA, would follow the Montana Code Annotated which specifies that excess vacation time is not forfeited if it is taken within 90 calendar days from the last day of the calendar year in which the excess was accrued. Alternatively, the employee may contribute accumulated vacation leave to a nonrefundable sick leave fund, in accordance with MCA 2-18-618.

Condition:
We noted three employees that had excess vacation hours which were not used within 120 days (90 days for supervisory employees) of the last day of the 2018 calendar year. We noted the excess hours were not used, nor were the hours forfeited. The accumulated excess vacation leave not forfeited amounts to an approximate overstatement of the compensated absences liability of $24,000.

Cause:
Town staff were not formally instructed to remove the excess hours from the employee's bank.

Effect:
Employees were allowed to accrue more vacation than is allowed by the Town's policies and Montana Code Annotated.

Recommendation:
Town management should notify each employee of excess vacation hours at the end of the calendar year and retain documentation of this communication. Unless the employee uses the excess vacation hours or makes a reasonable request to use the leave 120 days (or 90 days if a supervisory employee) after the last day of the calendar year, then the excess vacation hours must be forfeited. Alternatively, the employee can request that the excess vacation leave be transferred to a nonrefundable sick leave fund within 120 days (or 90 days if a supervisory employee) after the last day of the calendar year, assuming the Town has implemented such a policy. If all procedures were followed and the employee did not use the excess vacation by the end of the following calendar year, then the excess vacation hours must be forfeited.

Current Year Financial Statement Findings (Continued)

2019-2 Annual Vacation Leave (Repeat Finding) (Continued)

Management Response:
After the first payroll in January that included December 31, 2019, an employee leave report was generated to establish who had excess vacation time on the books in excess of two (2) times their annual accrual of vacation leave. Memos were generated to notify employees of the excess vacation time and of the policy and bargained deadline of April 30th by which they are to use those hours or forfeit them. Distribution of these memos was done with the paystub, electronic or otherwise, on the next generated payroll in January to ensure the maximum amount of time to plan, request and execute leave time taken prior to the deadline of April 30th. The Town will evaluate the excess leave to be forfeited after the first payroll in May is processed which includes the pay period through April 30.

Prior Year Financial Statement Finding:

2018-1: Status – Not implemented. See current year finding 2019-2.

2018-2: Status – Not implemented. See current year finding 2019-1.

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