

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-7
Independent Auditor's Report	8-10
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund Types	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types	18
Statement of Cash Flows – Proprietary Fund Types	19
Statement of Net Position – Fiduciary Fund Types	20
Statement of Changes in Net Position – Fiduciary Fund Types	21
Notes to Financial Statements	22-54
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule	55-58
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	59
Schedule of Changes in the Total Other Post-Employment Benefits Other Than Pensions Liability and Related Ratios	60
Schedule of Proportionate Share of the Net Pension	61
Schedule of Contributions	62
Notes to Required Pension Supplementary Information	63-65
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67

SANDERS COUNTY, MONTANA

**TABLE OF CONTENTS – Continued**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	68-69
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	70-71
Schedule of Findings and Questioned Costs	72-74
Report on Prior Audit Recommendations	75
Auditee’s Corrective Action Plan	76

SANDERS COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2017

**BOARD OF COUNTY COMMISSIONERS**

Glen E. Magera  
Carol A. Brooker  
Tony Cox

Commissioner  
Commissioner  
Commissioner

**COUNTY OFFICIALS**

Robert Zimmerman  
Nichol Scribner  
Candace Fisher  
Carol Turk  
Tom Rummel  
Donald M Strine

County Attorney  
Clerk and Recorder  
Clerk of District Court  
Treasurer  
Sheriff  
Justice of Peace

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

Our discussion and analysis of Sanders County's financial performance provides an overview of Fiscal Year 2016-17 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole, readers should review the basic financial statements found in the annual report to enhance their understanding of the County's financial performance.

### **FINANCIAL HIGHLIGHTS**

- ❖ Looking forward to FY 2017-18, the property reassessment projections will stabilize due to the DOR reassessment every two years instead of every six years. In addition, there should be continual additions of new construction added to the Sanders County tax rolls.
- ❖ Pilt payments were fully funded this FY.
- ❖ There is dire uncertainty whether Secure Rural Schools money will be available in the future. This funding ended in FY2012 and is now considered on a year-to-year basis. In FY 17 Sanders County only received 25% which negatively impacted our financials in the Road Department and the entire County.
- ❖ The County received a substantial amount of revenue through numerous grants. Grants included WIC, MCH, Tobacco, Rush Skeleton Weed, we are expecting Eurasian Milfoil Grants to extend into future years, and U.S. Department of Justice Programs on Violence Against Women Grants.
- ❖ The County purchased a gravel pit and will begin crushing gravel.
- ❖ The County is in the process of moving the Solid Waste Transfer Site to a piece of County owned property.

### **USING THIS ANNUAL FINANCIAL REPORT**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County of Sanders' basic financial statements are comprised of three components:

- government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

### **Government-wide financial statements**

#### **Statement of Net position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities. These statements include all assets and liabilities of the County using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. Net position are the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, increases and decreases in the County's Net Positions are an indicator of whether its financial position is improving or deteriorating. Other factors to consider are changes in the property tax base and the condition of infrastructure within the County.

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been designated for specific activities or objectives. The County of Sanders uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Sanders County funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds:** Most of the County’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 in the future periods. 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 government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources available to finance future county services. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds:** The County of Sanders maintains one proprietary fund, it is an Enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The Sanders County Solid Waste Refuse Disposal District, being our one enterprise fund, provides refuse disposal and recycling services to the residents of Sanders County. Proprietary funds are reported using full accrual accounting the same accounting method used by the Statement of Net position and the Statement of Activities.
- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmental wide financial statements because the resources of those funds are not available to support the County’s programs-services. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund and notes to the financial statements can be found in the Annual Report.

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY17</u>	<u>FY16</u>	Change	<u>FY17</u>	<u>FY16</u>	Change
			<u>Inc (Dec)</u>			<u>Inc (Dec)</u>
Current and other assets	\$ 9,083,514	\$ 8,342,982	\$ 740,532	\$ 514,734	\$ 580,096	\$ (65,362)
Capital assets	12,164,823	11,501,603	663,220	793,437	726,396	67,041
Total assets	<u>\$ 21,248,337</u>	<u>\$ 19,844,585</u>	<u>\$ 1,403,752</u>	<u>\$ 1,308,171</u>	<u>\$ 1,306,492</u>	<u>\$ 1,679</u>
Long-term debt outstanding	\$ 1,504,747	\$ 1,106,176	\$ 398,571	\$ 132,772	\$ 141,014	\$ (8,242)
Other liabilities	5,977,730	4,840,521	1,137,209	276,837	248,597	28,240
Total liabilities	<u>\$ 7,482,477</u>	<u>\$ 5,946,697</u>	<u>\$ 1,535,780</u>	<u>\$ 409,609</u>	<u>\$ 389,611</u>	<u>\$ 19,998</u>
Net investment in capital assets	\$ 11,133,979	\$ 10,832,795	\$ 301,184	\$ 704,461	\$ 625,361	\$ 79,100
Restricted	4,192,571	3,779,759	412,812	-	-	-
Unrestricted (deficit)	(1,560,690)	(714,666)	(846,024)	194,101	291,520	(97,419)
Total net position	<u>\$ 13,765,860</u>	<u>\$ 13,897,888</u>	<u>\$ (132,028)</u>	<u>\$ 898,562</u>	<u>\$ 916,881</u>	<u>\$ (18,319)</u>

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY17</u>	<u>FY16</u>	<u>Change Inc (Dec)</u>	<u>FY17</u>	<u>FY16</u>	<u>Change Inc (Dec)</u>
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 998,463	\$ 823,287	\$ 175,176	\$ 170,169	\$ 163,598	\$ 6,571
Operating grants and contributions	1,675,759	1,964,877	(289,118)	-	-	-
Capital grants and contributions	81,375	50,951	30,424	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	4,890,961	4,225,998	664,963	766,893	732,251	34,642
Licenses and permits	19,175	6,400	12,775	-	-	-
PILT	338,425	359,505	(21,080)	-	-	-
Miscellaneous	226,250	205,942	20,308	5,622	1,500	4,122
Interest/investment earnings	16,842	17,742	(900)	713	855	(142)
Local option taxes	396,357	375,923	20,434	-	-	-
State entitlement	1,163,425	1,016,844	146,581	-	-	-
Grants and entitlements not restricted to specific programs	50,475	60,413	(9,938)	-	-	-
Liquor tax apportionment	2,000	4,375	(2,375)	-	-	-
Fire	3,000	3,500	(500)	-	-	-
Contributions & donations	16,110	14,855	1,255	-	-	-
State contributions to retirement	64,793	70,460	(5,667)	-	5,487	(5,487)
Total revenues	<u>\$ 9,943,410</u>	<u>\$ 9,201,072</u>	<u>\$ 742,338</u>	<u>\$ 943,397</u>	<u>\$ 903,691</u>	<u>\$ 39,706</u>
<b>Program expenses</b>						
General government	\$ 2,696,390	\$ 2,339,155	\$ 357,235	\$ -	\$ -	\$ -
Public safety	2,650,797	2,278,957	371,840	-	-	-
Public works	3,240,927	3,226,971	13,956	-	-	-
Public health	386,038	408,558	(22,520)	-	-	-
Social and economic services	403,671	368,942	34,729	-	-	-
Culture and recreation	498,559	403,556	95,003	-	-	-
Housing and community development	18,968	16,148	2,820	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	26,588	9,207	17,381	-	-	-
Miscellaneous	179,053	153,318	25,735	-	-	-
Solid Waste	-	-	-	961,716	870,408	91,308
Total expenses	<u>\$ 10,100,991</u>	<u>\$ 9,204,812</u>	<u>\$ 896,179</u>	<u>\$ 961,716</u>	<u>\$ 870,408</u>	<u>\$ 91,308</u>
Excess (deficiency) before special items and transfers	\$ (157,581)	\$ (3,740)	\$ (153,841)	\$ (18,319)	\$ 33,283	\$ (51,602)
Transfers - net	-	60,000	(60,000)	-	-	-
<b>Increase (decrease) in net position</b>	<u>\$ (157,581)</u>	<u>\$ 56,260</u>	<u>\$ (213,841)</u>	<u>\$ (18,319)</u>	<u>\$ 33,283</u>	<u>\$ (51,602)</u>

**NET POSITION ANALYSIS**

By far the largest portion of the County's Net Positions are reflected in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted Net Positions may be used to meet the government's ongoing obligations to citizens and creditors. The net position of both the government-wide and business-type funds decreased in the current year \$157,581 and \$18,319.

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

**GOVERNMENTAL ACTIVITIES**

The cost of all Governmental activities this year was \$10,100,991 as found in the Statement of Activities. Shown on the same statement, expenses for these activities were financed through taxes, charges for services which are costs being paid by those who directly benefited from these services and/or programs or by other governments and organizations that subsidized certain programs with operating grants, other revenues such as interest earnings, entitlement reimbursements, general contributions and other miscellaneous revenues along with remaining cash carryovers from the prior fiscal year.

Law

<b>Fund Balance Analysis</b>	<u>General</u>	<u>Road</u>	<u>Enforcement</u>
Fund Balance – Prior Year	\$ 3,656,519	791,702	404,824
Fund Balance – Current Year	3,223,561	950,647	416,193
Change in fund balance	(432,958)	158,945	11,369
% change in fund balance	(11.8%)	20.1%	2.8%

**BUSINESS TYPE ACTIVITIES**

Enterprise Funds: The County owns and operates the Solid Waste Refusal Disposal District. The program provides disposal for wastes delivered to its central transfer station. The utility is supported by its users. The revenue, which supports this fund, is derived from three sources: 1) property owners are assessed a yearly fee of \$125, 2) interest earnings (which are slowly declining) and 3) miscellaneous revenues (e.g. recycling, non-typical waste disposal fees). The enterprise funds prime objective is to provide both disposal services to its residents and business and recycling opportunities. Under the direction of our current supervisor, the Solid Waste department is more organized and efficient and has increased the revenue for recycling and non-typical waste fees. High fuel prices and tipping fees have continued to affect fund balances. The unrestricted balance of the Solid Waste fund decreased in the current year by \$18,319.

**Unrestricted Net position:**

<u>Solid Waste</u>	
Current Year	\$ 898,562
Prior Year	\$ 916,881
Change in unreserved retained earnings	(\$ 18,319)
% change in unreserved retained earnings	(3.0%)

**CAPITAL ASSETS AND LONG-TERM DEBT**

The capital assets of the County are those assets, which are used in the performance of the County's functions including infrastructure. In addition, debt is considered a liability of governmental activities both are reflected in the following charts noting that additional information can be obtained in the notes to the financial statements.

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

**Long Term Debt**

In FY 2017 Sanders County increased its long-term debt through the purchase of a gravel pit, heavy equipment in the Road Departments and the loans for the relocation of Solid Waste Transfer station.

Compensated absences balance increased to a total of \$39,620 for governmental funds, decreased \$3,085 for the internal service fund, and increased \$3,817 for business type. The total OPEB liability reported is \$69,052. Sanders County implemented GASB 68 in FY 2015 and reported a net pension liability of \$5,507,032 in government-wide and \$275,375 in Solid Waste for the current year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The annual budget assures the efficient, effective and economic uses of the County's resources, as well as establishing that the highest priority objectives are accomplished. Through the budget, the County Board of Commissioners sets the direction of the County, while keeping in mind both the positive and negative events happening within Sanders County the Board is able to allocate its resources and establish its priorities.

Situations having a negative impact primarily on revenue, tax receipts, associated losses and services within Sanders County that come to mind are: 1) fluctuating utility prices 2) the rising costs of liability, health and workman compensation insurance premiums 3) Large forest fire season; 4) the decrease in available Payment In Lieu of Taxes money as presented in the 2014 Legislature, and 5) the uncertainty of Secure Rural School funding, 6) Collective Bargaining Agreement negotiations, 7) Aging buildings in need of maintenance and repairs on piping, elevators, roofing, etc.

At the time of this analysis, economic indicators have stabilized somewhat in Sanders County. The Board of Commissioners recognize that the indicators affecting Sanders County's economy can be attributed to: 1) Secure Rural Schools funding has not been renewed by the federal legislature. This money funds 50% of our County Road Budget, the Commissioners are looking at multiple solutions to the financial shortfall. 2) Gasoline and oil prices stabilized which positively impacted Public Safety, Roads, and Solid Waste 3) unemployment rates in FY 16-17 declined slightly from 7.0% in July, 2016 to an approximate level of 6.2% in June, 2017; Sanders County was still double the overall Montana State unemployment rate for 2017 4) Tourism is a continuing part of our economy, providing the potential for increased sales to local business, snowmobile and ATV activities have increased; 5) various businesses opened and closed this FY. This information is difficult to track due to no county-wide permit system. Information will be available through the Department of Revenue as business owners file their taxes.

We continue to save towards the 2018 Federal Aviation Administration project at the Thompson Falls Airport. These capital expenditures will be funded by general or program revenues, grant funds, appropriations, and contributions.

SANDERS COUNTY, MONTANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2017

Overall, we, the Board of Sanders County Commissioners are concerned about the County's finances and overall economy. Some of our positive indicators include Quinn's Hot Springs is doing well and expanding, Thompson River Lumber has automated systems and expanded (the county still has an operating lumber mill), and Clark Fork Valley Hospital expanded services and providers. It is our goal to maintain and provide the services needed to the residents of Sanders County. We feel that by striving for a stable economy and reliable revenues, we may be able to effectively provide for our citizen's needs, now and in the future. We continue to work on funding projects in our county that will benefit our citizens, while being fiscally responsible.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

---

**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Sanders County  
Thompson Falls, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanders County, Montana, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sanders County, Montana, as of and for the year ended June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total other post-employment benefits other than pensions liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 7, 55 through 62, 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 County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of Sanders County, Montana'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 Sanders County, Montana's internal control over financial reporting and compliance.

*Derring, Downey and Associates, CPAs, P.C.*

May 3, 2018

**Sanders County, Montana**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 7,091,360	\$ 285,099	\$ 7,376,459
Taxes and assessments receivable, net	88,072	183,196	271,268
Due from other governments	61,017	-	61,017
Inventories	129,860	-	129,860
Total current assets	<u>\$ 7,370,309</u>	<u>\$ 468,295</u>	<u>\$ 7,838,604</u>
Noncurrent assets			
Capital assets - land	\$ 2,345,924	\$ 177,608	\$ 2,523,532
Capital assets - construction in progress	780,843	52,001	832,844
Capital assets - depreciable, net	9,038,056	563,828	9,601,884
Total noncurrent assets	<u>\$ 12,164,823</u>	<u>\$ 793,437</u>	<u>\$ 12,958,260</u>
Total assets	<u>\$ 19,535,132</u>	<u>\$ 1,261,732</u>	<u>\$ 20,796,864</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 1,713,205	\$ 46,439	\$ 1,759,644
Total deferred outflows of resources	<u>\$ 1,713,205</u>	<u>\$ 46,439</u>	<u>\$ 1,759,644</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 21,248,337</u>	<u>\$ 1,308,171</u>	<u>\$ 22,556,508</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 790	\$ -	\$ 790
Accounts payable	62,758	-	62,758
Accrued payroll	69,698	550	70,248
Current portion of long-term capital liabilities	205,149	12,097	217,246
Current portion of compensated absences payable	296,732	21,621	318,353
Total current liabilities	<u>\$ 635,127</u>	<u>\$ 34,268</u>	<u>\$ 669,395</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 64,218	\$ 4,834	\$ 69,052
Noncurrent portion of long-term capital liabilities	825,695	76,879	902,574
Noncurrent portion of compensated absences	112,953	17,341	130,294
Net pension liability	5,507,032	275,375	5,782,407
Total noncurrent liabilities	<u>\$ 6,509,898</u>	<u>\$ 374,429</u>	<u>\$ 6,884,327</u>
Total liabilities	<u>\$ 7,145,025</u>	<u>\$ 408,697</u>	<u>\$ 7,553,722</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 337,452	\$ 912	\$ 338,364
Total Deferred Inflows of resources	<u>\$ 337,452</u>	<u>\$ 912</u>	<u>\$ 338,364</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 11,133,979	\$ 704,461	\$ 11,838,440
Restricted by donors for specific purposes	21,382	-	21,382
Restricted for special projects	4,171,189	-	4,171,189
Unrestricted	(1,560,690)	194,101	(1,366,589)
Total net position	<u>\$ 13,765,860</u>	<u>\$ 898,562</u>	<u>\$ 14,664,422</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 21,248,337</u>	<u>\$ 1,308,171</u>	<u>\$ 22,556,508</u>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expenses) Revenues and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,696,390	\$ 257,434	\$ 39,984	\$ -	\$ (2,398,972)	\$ -	\$ (2,398,972)
Public safety	2,650,797	290,756	249,017	-	(2,111,024)	-	(2,111,024)
Public works	3,240,927	161,353	997,282	-	(2,082,292)	-	(2,082,292)
Public health	386,038	40,494	153,097	-	(192,447)	-	(192,447)
Social and economic services	403,671	-	1,379	-	(402,292)	-	(402,292)
Culture and recreation	498,559	233,489	93,192	81,375	(90,503)	-	(90,503)
Housing and community development	18,968	14,937	10,000	-	5,969	-	5,969
Conservation of natural resources	-	-	131,808	-	131,808	-	131,808
Debt service - interest	26,588	-	-	-	(26,588)	-	(26,588)
Miscellaneous	179,053	-	-	-	(179,053)	-	(179,053)
Total governmental activities	\$ 10,100,991	\$ 998,463	\$ 1,675,759	\$ 81,375	\$ (7,345,394)	\$ -	\$ (7,345,394)
Business-type activities:							
Solid Waste	\$ 961,716	\$ 170,169	\$ -	\$ -	\$ -	\$ (791,547)	\$ (791,547)
Total business-type activities	\$ 961,716	\$ 170,169	\$ -	\$ -	\$ -	\$ (791,547)	\$ (791,547)
Total primary government	\$ 11,062,707	\$ 1,168,632	\$ 1,675,759	\$ 81,375	\$ (7,345,394)	\$ (791,547)	\$ (8,136,941)
General Revenues:							
Property taxes for general purposes					\$ 4,890,961	\$ 766,893	\$ 5,657,854
Licenses and permits					19,175	-	19,175
PILT					338,425	-	338,425
Miscellaneous					226,250	5,622	231,872
Interest/investment earnings					16,842	713	17,555
Local option taxes					396,357	-	396,357
State entitlement					1,163,425	-	1,163,425
Grants and entitlements not restricted to specific programs					50,475	-	50,475
Liquor tax apportionment					2,000	-	2,000
Fire					3,000	-	3,000
Contributions & donations					16,110	-	16,110
State contributions to retirement					64,793	-	64,793
Total general revenues, special items and transfers					\$ 7,187,813	\$ 773,228	\$ 7,961,041
Change in net position					\$ (157,581)	\$ (18,319)	\$ (175,900)
Net position - beginning					\$ 13,897,888	\$ 916,881	\$ 14,814,769
Restatements					25,553	-	25,553
Net position - beginning - restated					\$ 13,923,441	\$ 916,881	\$ 14,840,322
Net position - end					\$ 13,765,860	\$ 898,562	\$ 14,664,422

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General</b>	<b>Road</b>	<b>Comprehensive Insurance</b>	<b>Public Safety</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 2,829,500	\$ 911,823	\$ 134,363	\$ 439,023	\$ 2,776,651	\$ 7,091,360
Taxes and assessments receivable, net	26,397	10,135	557	28,174	22,809	88,072
Due from other funds	436,218	-	-	-	1,931	438,149
Due from other governments	-	-	-	-	61,017	61,017
Inventories	10,892	83,671	-	-	35,297	129,860
<b>TOTAL ASSETS</b>	<b>\$ 3,303,007</b>	<b>\$ 1,005,629</b>	<b>\$ 134,920</b>	<b>\$ 467,197</b>	<b>\$ 2,897,705</b>	<b>\$ 7,808,458</b>
<b>LIABILITIES</b>						
Current liabilities:						
Warrants payable	\$ 790	\$ -	\$ -	\$ -	\$ -	\$ 790
Accounts payable	26,253	29,995	-	-	6,510	62,758
Accrued payroll	26,006	14,852	-	22,830	5,165	68,853
Due to other funds	-	-	268,720	-	111,786	380,506
Total liabilities	<b>\$ 53,049</b>	<b>\$ 44,847</b>	<b>\$ 268,720</b>	<b>\$ 22,830</b>	<b>\$ 123,461</b>	<b>\$ 512,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	\$ 26,397	\$ 10,135	\$ 557	\$ 28,174	\$ 22,809	\$ 88,072
Total deferred inflows of resources	<b>\$ 26,397</b>	<b>\$ 10,135</b>	<b>\$ 557</b>	<b>\$ 28,174</b>	<b>\$ 22,809</b>	<b>\$ 88,072</b>
<b>FUND BALANCES</b>						
Nonspendable	\$ 10,892	\$ 83,671	\$ -	\$ -	\$ 56,679	\$ 151,242
Restricted	-	866,976	-	416,193	2,708,023	3,991,192
Committed	-	-	-	-	61,514	61,514
<b>Unassigned fund balance</b>	<b>3,212,669</b>	<b>-</b>	<b>(134,357)</b>	<b>-</b>	<b>(74,781)</b>	<b>3,003,531</b>
Total fund balance	<b>\$ 3,223,561</b>	<b>\$ 950,647</b>	<b>\$ (134,357)</b>	<b>\$ 416,193</b>	<b>\$ 2,751,435</b>	<b>\$ 7,207,479</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 3,303,007</b>	<b>\$ 1,005,629</b>	<b>\$ 134,920</b>	<b>\$ 467,197</b>	<b>\$ 2,897,705</b>	<b>\$ 7,808,458</b>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2017**

<b>Total fund balances - governmental funds</b>	\$ 7,207,479
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,164,823
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	88,072
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets	(58,488)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,504,747)
Proportionate share of ending collective net pension liability	(5,507,032)
The fund financials do not include deferred outflows relating to pension liability	1,713,205
The fund financials do not include deferred inflows relating to pension liability	(337,452)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>13,765,860</u></u></b>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<u>General</u>	<u>Road</u>	<u>Comprehensive Insurance</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes and assessments	\$ 2,083,918	\$ 1,079,843	\$ 43,537	\$ 1,783,296	\$ 1,362,041	\$ 6,352,635
Licenses and permits	575	-	-	14,150	-	14,725
Intergovernmental	355,526	176,393	-	9,800	1,320,077	1,861,796
Charges for services	270,606	9,688	-	289,223	402,942	972,459
Fines and forfeitures	66,885	-	-	-	6,053	72,938
Miscellaneous	359,673	123,212	47,361	32,025	50,059	612,330
Investment earnings	15,535	-	-	-	1,307	16,842
Total revenues	<u>\$ 3,152,718</u>	<u>\$ 1,389,136</u>	<u>\$ 90,898</u>	<u>\$ 2,128,494</u>	<u>\$ 3,142,479</u>	<u>\$ 9,903,725</u>
<b>EXPENDITURES</b>						
General government	\$ 2,422,624	\$ 6,360	\$ -	\$ -	\$ 55,659	\$ 2,484,643
Public safety	218	-	-	2,036,275	349,647	2,386,140
Public works	-	1,989,648	-	-	660,327	2,649,975
Public health	224,843	-	-	-	161,195	386,038
Social and economic services	164,293	-	-	-	239,378	403,671
Culture and recreation	-	-	-	-	459,196	459,196
Housing and community development	14,843	-	-	-	-	14,843
Debt service - principal	-	24,743	-	68,768	35,393	128,904
Debt service - interest	-	14,795	-	10,195	1,598	26,588
Miscellaneous	-	-	175,176	-	3,877	179,053
Capital outlay	414,821	302,330	-	92,890	623,835	1,433,876
Total expenditures	<u>\$ 3,241,642</u>	<u>\$ 2,337,876</u>	<u>\$ 175,176</u>	<u>\$ 2,208,128</u>	<u>\$ 2,590,105</u>	<u>\$ 10,552,927</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (88,924)</u>	<u>\$ (948,740)</u>	<u>\$ (84,278)</u>	<u>\$ (79,634)</u>	<u>\$ 552,374</u>	<u>\$ (649,202)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of general long term debt	\$ 400,000	\$ -	\$ -	\$ 91,003	\$ -	\$ 491,003
Transfers in	433,651	1,107,685	-	-	92,597	1,633,933
Transfers out	(1,177,685)	-	-	-	(456,248)	(1,633,933)
Total other financing sources (uses)	<u>\$ (344,034)</u>	<u>\$ 1,107,685</u>	<u>\$ -</u>	<u>\$ 91,003</u>	<u>\$ (363,651)</u>	<u>\$ 491,003</u>
Net Change in Fund Balance	<u>\$ (432,958)</u>	<u>\$ 158,945</u>	<u>\$ (84,278)</u>	<u>\$ 11,369</u>	<u>\$ 188,723</u>	<u>\$ (158,199)</u>
Fund balances - beginning	\$ 3,656,519	\$ 791,702	\$ (50,079)	\$ 404,824	\$ 2,537,222	\$ 7,340,188
Restatements	-	-	-	-	25,490	25,490
Fund balances - beginning, restated	<u>\$ 3,656,519</u>	<u>\$ 791,702</u>	<u>\$ (50,079)</u>	<u>\$ 404,824</u>	<u>\$ 2,562,712</u>	<u>\$ 7,365,678</u>
Fund balance - ending	<u>\$ 3,223,561</u>	<u>\$ 950,647</u>	<u>\$ (134,357)</u>	<u>\$ 416,193</u>	<u>\$ 2,751,435</u>	<u>\$ 7,207,479</u>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

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

**Net change in fund balances - total governmental funds** \$ (158,199)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased 1,433,876  
- Depreciation expense (770,656)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue) (25,108)

The change in compensated absences is shown as an expense in the Statement of Activities

(39,620)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments 128,904

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt (491,003)

Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense.

(58,622)

Pension expense related to the net pension liability is shown as an expense on the Statement of

Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(241,946)

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

64,793

**Change in net position - Statement of Activities** \$ (157,581)

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Solid Waste</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 285,099	\$ -
Taxes and assessments receivable, net	183,196	-
Total current assets	\$ 468,295	\$ -
Noncurrent assets:		
Capital assets - land	\$ 177,608	\$ -
Capital assets - construction in progress	52,001	-
Capital assets - depreciable, net	563,828	-
Total noncurrent assets	\$ 793,437	\$ -
Total assets	\$ 1,261,732	\$ -
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	\$ 46,439	\$ -
Total deferred outflows of resources	\$ 46,439	\$ -
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 1,308,171</b>	<b>\$ -</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued payroll	\$ 550	\$ 845
Due to other funds	-	57,643
Current portion of long-term capital liabilities	12,097	-
Current portion of compensated absences payable	21,621	155
Total current liabilities	\$ 34,268	\$ 58,643
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities	\$ 4,834	\$ -
Noncurrent portion of long-term capital liabilities	76,879	-
Noncurrent portion of compensated absences	17,341	-
Net pension liability	275,375	-
Total noncurrent liabilities	\$ 374,429	\$ -
Total liabilities	\$ 408,697	\$ 58,643
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions	\$ 912	\$ -
Total deferred inflows of resources	\$ 912	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ 704,461	\$ -
Unrestricted	194,101	(58,643)
Total net position	\$ 898,562	\$ (58,643)
Total liabilities and net position	\$ 1,307,259	\$ -
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<b>\$ 1,308,171</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Solid Waste</b>	
<b>OPERATING REVENUES</b>		
Charges for services	\$ 170,128	\$ -
Miscellaneous revenues	5,662	-
Special assessments	766,894	-
Total operating revenues	\$ 942,684	\$ -
<b>OPERATING EXPENSES</b>		
Personal services	\$ 396,797	\$ 58,622
Supplies	13,776	-
Purchased services	420,349	-
Fixed charges	17,505	-
Depreciation	113,289	-
Total operating expenses	\$ 961,716	\$ 58,622
Operating income (loss)	\$ (19,032)	\$ (58,622)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue	\$ 713	\$ -
Total non-operating revenues (expenses)	\$ 713	\$ -
Income (loss) before contributions and transfers	\$ (18,319)	\$ (58,622)
Change in net position	\$ (18,319)	\$ (58,622)
Net Position - Beginning of the year	\$ 916,881	\$ (21)
Net Position - End of the year	\$ 898,562	\$ (58,643)

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2017**

	<b>Business - Type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Solid Waste</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from providing services	\$ 914,316	\$ -
Cash received from miscellaneous sources	20,662	-
Cash payments to suppliers	(14,011)	-
Cash payments for fixed charges	(17,505)	-
Cash payments for professional services	(420,349)	-
Cash payments to employees	(393,823)	(61,687)
Net cash provided (used) by operating activities	\$ 89,290	\$ (61,687)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	\$ (180,332)	\$ -
Principal paid on debt	(12,059)	-
Net cash provided (used) by capital and related financing activities	\$ (192,391)	\$ -
<b>Cash flows from non-capital financing activities:</b>		
Tax levies and contributions from the County	\$ -	\$ -
Cash received from other sources	-	57,643
Net cash provided (used) from non-capital financing activities	\$ -	\$ 57,643
<b>Cash flows from investing activities:</b>		
Interest on investments	\$ 713	\$ -
Net cash provided (used) by investing activities	\$ 713	\$ -
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (102,388)	\$ (4,044)
<b>Cash and cash equivalents at beginning</b>	387,487	4,044
<b>Cash and cash equivalents at end</b>	\$ 285,099	\$ -
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (19,032)	\$ (58,622)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	113,289	-
Net pension liability	53,870	-
Changes in assets and liabilities:		
Due from other governments	15,000	-
Accounts payable	(235)	-
Deferred inflows/outflows	(50,049)	-
Compensated absences	3,817	(3,085)
Accrued wages	(4,664)	20
Net cash provided (used) by operating activities	\$ 89,290	\$ (61,687)

See accompanying notes to the financial statements

**Sanders County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 11,261,412	\$ 1,360,954
Taxes receivable	-	196,739
Total assets	<u>\$ 11,261,412</u>	<u>\$ 1,557,693</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 752,658
Due to others	-	805,035
Total liabilities	<u>\$ -</u>	<u>\$ 1,557,693</u>
<b>NET POSITION</b>		
Assets held in trust	<u>\$ 11,261,412</u>	

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**

		<u>Investment Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Contributions to Investment Trust Fund	\$	<u>10,754,817</u>
Total contributions	\$	<u>10,754,817</u>
Investment earnings:		
Interest and change in fair value of investments	\$	<u>27,427</u>
Total additions	\$	<u>10,782,244</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$	<u>11,005,324</u>
Change in net position	\$	<u>(223,080)</u>
Net Position - Beginning of the year	\$	<u>11,484,492</u>
Net Position - End of the year	\$	<u><u>11,261,412</u></u>

See accompanying Notes to the Financial Statements

SANDERS COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Financial Reporting Entity**

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the County appointed a voting majority of the component units' board; the County is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

*Primary Government*

The County is a political subdivision of the State of Montana governed by elected Commissioners duly elected by the registered voters of the County. The County utilizes the commission form of government. The County is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

*Related Organizations*

Related organizations are separate legal entities that are related to the primary government because the primary government officials appoint a voting majority of the board members. However, the primary government is not financially accountable because it does not have the ability to impose its will and there is not a potential financial benefit or burden relationship. The County has the following related organizations:

The Cemetery Districts are considered related organizations of the County because the County Commissioners appoint the board members of the districts. However, the County is not financially accountable for the districts because it does not have the ability to impose its will on the districts and there is not a potential financial benefit or burden relationship. The Cemetery Districts are included in the combined balance sheet as agency funds because the County Treasurer must collect and disburse funds for the districts.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

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

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**Fund Financial Statements:**

*Basis of Presentation*

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

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

*Major Funds:*

The County reports the following major governmental funds:

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

*Road Fund* – A special revenue fund for resources allocated by law, contractual agreement or administrative regulations for and the payment of, road maintenance, road construction, and other road related costs.

*Comprehensive Liability Fund* – A special revenue fund that is used to account for the tax and reimbursement revenues for paying the County property and casualty insurance premiums.

*Public Safety Fund* – A special revenue fund that accounts for resources allocated by law, contractual agreement, or administrative regulations for, and the payment of, law enforcement services, purchases, and other related costs.

***Proprietary Funds:***

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

Major Funds:

The County reports the following major proprietary funds:

*Solid Waste Fund* – An enterprise fund that accounts for the activities of the County’s solid waste service.

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

*Investment Trust Funds* – To report the external portion of investment pools reported by the sponsoring government.

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the County as an agent for individuals, private organizations, other local governmental entities and the County’s claims and payroll clearing funds

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2017, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	\$
Petty Cash	2,840
Cash in banks:	
Demand deposits	966,615
Savings deposits	9,240,000
Time deposits	9,789,370
Total	\$ <u><u>19,998,825</u></u>

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**Credit Risk**

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

The government has no investments that require cee credit risk disclosure.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2017 the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2017 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 1,000,000
- Collateral held by the pledging bank's trust department but not in the County's name	19,038,624
Total deposits and investments	\$ <u><u>20,038,624</u></u>

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2017, equaled or exceeded the amount required by State statutes.

Investment in the Treasurer's Pools

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." In addition, investments are separately held for Sanders County School District Number 1

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has one pooled investment trust fund invested in non-negotiable certificates of deposit, and savings accounts. The pooled funds are carried at cost, which approximates fair value.

The County invests funds for one entity in which the investments are reported in an individually direct investment trust fund. Investments are non-negotiable certificates of deposit and carried at cost which approximates fair value.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2017 to support the value of the shares in the pool.

As noted below State statutes limit the type of investments but provide no other regulatory oversight.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**Condensed statements of investments pools**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2017.

**Statement of Net Position**

Net positions held in trust for all pool participants:	
Equity of internal pool participants	\$ 7,767,958
Equity of external pool participants	11,261,412
Total equity	<u>\$ 19,029,370</u>

**Condensed Statement of Changes in Net Position**

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 27,427	\$ 17,921
Contributions to trust	10,754,817	7,461,219
Distributions paid	<u>(11,005,324)</u>	<u>(8,006,060)</u>
Net change in net position	\$ (223,080)	\$ (526,920)
Net position at beginning of year	<u>11,484,492</u>	<u>8,294,878</u>
Net position at end of year	<u>\$ 11,261,412</u>	<u>\$ 7,767,958</u>

**Cash equivalents**

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. INVENTORIES**

The costs of inventories are recorded as an expenditure when purchased. At year-end, if the value of the inventory is significant, it must be recorded as an asset. Inventories are accounted for under the first in first out method.

**NOTE 5. CAPITAL ASSETS**

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40 years
Improvements	5 – 30 years
Equipment	5 – 10 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2017 Basic Financial Statements.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>
Capital assets not being depreciated:					
Land	\$ 1,845,432	\$ 500,492	\$ -	\$ -	\$ 2,345,924
Construction in progress	217,721	578,122	(15,000)	-	780,843
Total capital assets not being depreciated	<u>\$ 2,063,153</u>	<u>\$ 1,078,614</u>	<u>\$ (15,000)</u>	<u>\$ -</u>	<u>\$ 3,126,767</u>
Other capital assets:					
Buildings	\$ 2,850,148	\$ 42,493	\$ 15,000	\$ -	\$ 2,907,641
Improvements other than buildings	8,976,528	15,050	-	-	8,991,578
Machinery and equipment	9,434,264	297,719	-	(17,403)	9,714,580
Total other capital assets at historical cost	\$ 21,260,940	\$ 355,262	\$ 15,000	\$ (17,403)	\$ 21,613,799
Less: accumulated depreciation	\$ (11,822,490)	\$ (770,656)	\$ -	\$ 17,403	\$ (12,575,743)
Total	<u>\$ 11,501,603</u>	<u>\$ 663,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,164,823</u>

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 43,391
Public safety	92,825
Public works	590,952
Culture and recreation	39,363
Housing and community development	<u>4,125</u>
Total governmental activities depreciation expense	<u>\$ 770,656</u>

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

Business-type activities:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	Balance <u>June 30, 2017</u>
Capital assets not being depreciated:			
Land	\$ 54,440	\$ 123,168	\$ 177,608
Construction in progress	52,001	-	52,001
Total capital assets not being depreciated	<u>\$ 106,441</u>	<u>\$ 123,168</u>	<u>\$ 229,609</u>
Other capital assets:			
Buildings	\$ 398,473	\$ -	\$ 398,473
Improvements other than buildings	24,583	-	24,583
Machinery and equipment	1,721,735	57,162	1,778,897
Total other capital assets at historical cost	<u>\$ 2,144,791</u>	<u>\$ 57,162</u>	<u>\$ 2,201,953</u>
Less: accumulated depreciation	<u>\$ (1,524,836)</u>	<u>\$ (113,289)</u>	<u>\$ (1,638,125)</u>
Total	<u><u>\$ 726,396</u></u>	<u><u>\$ 67,041</u></u>	<u><u>\$ 793,437</u></u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2017, the following changes occurred in liabilities reported in long-term debt:

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

Governmental Activities:

	Balance				Balance	Due Within
	July 1, 2016	Additions	Deletions	Restatements		
Compensated absences	\$ 373,150	\$ 39,620	\$ (3,085)	\$ -	\$ 409,685	\$ 296,732
Intercap Loans	106,789	-	(30,216)	-	76,573	31,070
Loans/Contracted debt	5,240	400,000	(5,177)	(63)	400,000	94,196
Capital leases	556,779	91,003	(93,511)	-	554,271	79,883
Net pension liability*	3,961,507	1,545,525	-	-	5,507,032	-
Other post-employment benefits**	64,218	-	-	-	64,218	-
Total	\$ <u>5,067,683</u>	\$ <u>2,076,148</u>	\$ <u>(131,989)</u>	\$ <u>(63)</u>	\$ <u>7,011,779</u>	\$ <u>501,881</u>

\*See Note 7

\*\*See Note 9

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance			Balance	Due Within
	July 1, 2016	Additions	Deletions		
Compensated absences	\$ 35,145	\$ 3,817	\$ -	\$ 38,962	\$ 21,621
Capital leases	101,035	-	(12,059)	88,976	12,097
Net pension liability*	221,507	53,868	-	275,375	-
Other post-employment benefits**	4,834	-	-	4,834	-
Total	\$ <u>362,521</u>	\$ <u>57,685</u>	\$ <u>(12,059)</u>	\$ <u>408,147</u>	\$ <u>33,718</u>

\*See Note 7

\*\*See Note 9

**Intercap Loans**

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2017 were as follows:

Purpose	Origination	Interest	Maturity	Principal	Balance	
	Date	Rate		Term	Date	Amount
Fairgrounds Area Holding Pens Upgrade	7/11/08	1.00-4.25%	10 yrs	8/15/18	\$ 140,941	\$ 24,372
Concession Stand/Fairgrounds Imp. Draws 1-2	7/30/10	1.00-1.95%	10 yrs	8/15/20	<u>140,556</u>	<u>52,201</u>
Total					\$ <u>281,497</u>	\$ <u>76,573</u>

Reported in the governmental activities.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2018	\$ 31,070	\$ 672
2019	22,409	371
2020	14,772	185
2021	8,322	37
Total	\$ 76,573	\$ 1,265

**Capital Leases**

The County has entered into several leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2017 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2017</u>
2015 Ford Expedition(1)	12/23/14	5.95%	4 yrs	12/23/17	67,359	17,297
2-2016 Dodge Rams(1)	6/15/16	15.39%	4 yrs	6/14/20	55,998	28,232
RD #1 Motor Grader(1)	3/10/16	3.20%	5 yrs	3/10/21	219,348	209,795
RD #3 Motor Grader(1)	3/10/16	3.20%	5 yrs	3/10/21	243,003	227,813
2017 Dodge Durango(1)	2/1/17	3.30%	4 yrs	2/1/21	29,993	23,455
2017 Dodge Rams (1)	2/1/17	3.40%	4 yrs	2/1/21	61,010	47,679
Caterpillar Backhoe Loader (2)	4/12/16	3.20%	5 yrs	4/21/21	113,417	88,976
Total					\$ 790,128	\$ 643,247

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2018	\$ 91,980	\$ 19,346
2019	76,311	16,688
2020	116,430	13,375
2021	358,526	11,472
Total	\$ 643,247	\$ 60,881

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2017 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2017</u>
Gravel Pit purchase	7/28/16	4.00%	5yrs	7/28/21	\$400,000	\$ 400,000

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 94,196	\$ 16,000
2019	97,964	12,232
2020	101,882	8,314
2021	105,958	4,238
<b>Total</b>	<b>\$ 400,000</b>	<b>\$ 40,784</b>

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

**NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the County. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

The government has less than 100 plan members and thus qualifies to use the “Alternative Measurement Method” for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits Provided.* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in MCA 2-18-704. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

*Employees covered by benefit terms.* At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	80
Total employees	81

Total OPEB Liability

The County’s total OPEB liability of \$69,052 at June 30, 2016, and was determined by using the alternative measurement method as of that date.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2016 alternative measurement method 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)	62
Discount rate (average anticipated rate)	3.80%
Average salary increase (Consumer Price Index)	2.70%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2018	6.20%
2019	6.30%
2020	6.10%
2021	6.30%
2022	6.30%
2022	6.30%
2023	6.30%
2024	6.10%
2025 and after	5.90%

The discount rate was based on the 20-year General obligation (GO) bond index.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

Life expectancy of employees was based on the United States Life Tables, 2011 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 64, No. 11, September 22, 2015.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2017		\$ <u>69,052</u>
Changes for the year:		
Service Cost		\$ -
Restatement		\$ -
Net Changes		\$ -
Balance at 6/30/2017		\$ <u><u>69,052</u></u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 74,946	\$ 69,052	\$ 63,836

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 62,235	\$ 69,052	\$ 76,934

*\*Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the County did not recognize an OPEB expense. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2017, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Negative cash balance	General – Major Governmental	Comprehensive Insurance – Major Governmental	\$ 268,720
Negative cash balance	General – Major Governmental	Emergency Disaster – Non Major Governmental	6,949
Negative cash balance	General – Major Governmental	Record Preservation – Non Major Governmental	9,511
Negative cash balance	Special Projects – Non Major Governmental	Record Preservation – Non Major Governmental	1,931
Negative cash balance	General – Major Governmental	Noxious Weed – Non Major Governmental	15,991
Negative cash balance	General – Major Governmental	Eurasian Watermilfoil – Non Major Governmental	1,978
Negative cash balance	General – Major Governmental	MT Land Info Act – Non Major Governmental	18,786
Negative cash balance	General – Major Governmental	Law Enforcement Grant – Non Major Governmental	20,817
Negative cash balance	General – Major Governmental	Trails Grant – Non Major Governmental	15,750
Negative cash balance	General – Major Governmental	Special Projects – Non Major Governmental	17,953
Negative cash balance	General – Major Governmental	Public Health Miscellaneous Grant – Non Major Governmental	675
Negative cash balance	General – Major Governmental	WIC – Non Major Governmental	996
Negative cash balance	General – Major Governmental	Bioterrorism – Non Major Governmental	449
Negative cash balance	General – Major Governmental	County Mechanic – Internal Service	<u>57,643</u>
			<u>\$ 438,149</u>

The following balances are not expected to be paid within one year:

Negative cash balance	Law Enforcement Grant – Non Major Governmental	General – Major Governmental	<u>\$ 20,817</u>
-----------------------	--	------------------------------	------------------

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2017:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Paradise Improvement – Non Major Governmental	General – Major Governmental	\$ 25,000
Permissive Levy Transfer	General– Major Governmental	Permissive –Non Major Governmental	433,651
Operating Transfer	Road – Major Governmental	PILT * –Major Governmental	240,000
Operating Transfer	Airport –Non Major Governmental	PILT* –Major Governmental	45,000
Operating Transfer	Road – Major Governmental	PILT* –Major Governmental	867,685
Operating Transfer	Library –Non Major Governmental	Library Capital –Non Major Governmental Improvement	20,597
Capital Improvement Transfer	JMV Cap Imp –Non Major Governmental	Junk Vehicle –Non Major Governmental	<u>2,000</u>
			<u>\$ 1,633,933</u>

\*The PILT fund is combined with the General fund in accordance with GASB 54.

**NOTE 9. NET PENSION LIABILITY**

**Plan Descriptions**

**PERS**

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, 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 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 contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system’s Montana University System Retirement Program (MUS-RP).

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**SRS**

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

**Summary of Benefits**

**PERS**

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

**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.

**Vesting**

5 years of membership service

*Member's highest average compensation (HAC)*

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

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

*Compensation Cap*

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a 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.

- 3.0% 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.

SRS

**Eligibility for benefit**

20 years of membership service, regardless of age.

**Other Retirement Option**

Age 50, 5 years of membership service. This benefit is the actuarial equivalent of the service retirement benefit.

**Vesting**

5 years of membership service

**Member's highest average compensation (HAC)**

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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 a part of a member’s highest average compensation.

**Monthly benefit formula**

2.5% of HAC per year of service

**Guaranteed Annual Benefit Adjustment (GABA)**

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

**Overview of Contributions**

**PERS**

1. Rates are specified by state law for periodic employer and employee contributions.
  - a. Contributions are deducted from each member’s salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers.
  - b. The 7.90% member contributions is 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.
3. Employer contributions to the system:
  - a. Local government entities are required to contribution 8.17% of members’ compensation.
  - b. School district employers contributed 7.90% of members’ compensation.
  - c. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

- d. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - e. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
4. 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.
  - b. Not Special Funding
    - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

**SRS**

Rates are specified by state law for periodic member and employer contributions 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 to the plan. Member and employer contribution rates are shown in the table below.

<b><u>Fiscal Year</u></b>	<b><u>Member</u></b>	<b><u>Employer</u></b>
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

**Stand-Alone Statements**

The PERS's and SRS 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>.

**Net Pension Liability**

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System(PERS), Sheriffs' Retirement System (SRS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS that are used to provide pension benefits to the retired members.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2016 (reporting dates).

	PERS NPL as of 6/30/16	PERS NPL as of 6/30/17	Percent of Collective NPL	SRS NPL as of 6/30/16	SRS NPL as of 6/30/17	Percent of Collective NPL	Total NPL as of 6/30/16	Total NPL as of 6/30/17	Total Percent of Collective NPL
Employer Proportionate Share	\$ 3,066,971	\$ 3,769,349	0.2213%	\$ 1,116,043	\$ 2,013,058	1.1459%	\$ 4,183,014	\$ 5,782,407	1.3672%
State of Montana Proportionate Share associated with Employer	37,672	46,057	0.0027%	-	-	0.0000%	37,672	46,057	0.0027%
Total	\$ <u>3,104,643</u>	\$ <u>3,815,406</u>	<u>0.2240%</u>	\$ <u>1,116,043</u>	\$ <u>2,013,058</u>	<u>1.1459%</u>	\$ <u>4,220,686</u>	\$ <u>5,828,464</u>	<u>1.3699%</u>

At June 30, 2017, the employer recorded a liability of \$5,782,407 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The employer’s proportion of the net pension liability was based on the employer’s contributions received by PERS and SRS, during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS and SRS participating employers. At June 30, 2017, the employer’s proportion was 1.3672 percent.

*Changes in actuarial assumptions and methods:*

**PERS**

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS.

**SRS**

Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. The plan did report a change in assumption because there was an increase in the discount rate resulting in a decrease in the Liability. There were no other changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

*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 some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

**Pension Expense as of 6/30/17**

	PERS	SRS	Total
Employer Proportionate Share	\$ 267,231	\$ 268,290	\$ 535,521
State of Montana Proportionate Share associated with the Employer	69,900	-	69,900
Total	\$ 337,131	\$ 268,290	\$ 605,421

At June 30, 2017, the employer recognized a Pension Expense of \$605,421 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$69,900 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

**Recognition of Beginning Deferred Outflow**

At June 30, 2017, the employer recognized a beginning deferred outflow of resources for the employers FY 2016 contributions of \$308,128.

**Deferred Inflows and Outflows**

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

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

	<u>PERS</u> Deferred Outflows of Resources	<u>PERS</u> Deferred Inflows of Resources	<u>SRS</u> Deferred Outflows Resources	<u>SRS</u> Deferred Inflows of Resources	<u>Total</u> Deferred Outflows of Resources	<u>Total</u> Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,338	\$ 12,477	\$ 7,154	\$ 1,490	\$ 27,492	\$ 13,967
Changes in actuarial assumptions	-	-	871,204	324,397	871,204	324,397
Difference between projected and actual investment earnings	354,621	-	109,978	-	464,599	-
Difference between actual and expected contributions	19,536	-	39,195	-	58,731	-
Changes in proportion	-	-	-	-	-	-
Contributions paid subsequent to the measurement date - FY 2017 Contributions	241,159	-	96,458	-	337,617	-
Total	<u>\$ 635,654</u>	<u>\$ 12,477</u>	<u>\$ 1,123,989</u>	<u>\$ 325,887</u>	<u>\$ 1,759,643</u>	<u>\$ 338,364</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**Deferred Inflows and Outflows**

PERS: Year ended June 30, 2017:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	
2019	\$	17,169
2019	\$	17,169
2020	\$	201,518
2021	\$	126,627
2022	\$	-
Thereafter	\$	-

SRS: Year ended June 30, 2017:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	
2018	\$	116,993
2019	\$	116,993
2020	\$	169,537
2021	\$	149,042
2022	\$	109,886
Thereafter	\$	-

**Actuarial Assumptions**

**PERS**

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth\* 4.00%
- \*includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return (net of admin expense) 7.75%
- Admin Expense as a % of Payroll 0.27%
- Postretirement Benefit Increases

**Guaranteed Annual Benefit Adjustment(GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other 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, 2014

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

- Member 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 based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

**SRS**

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- |  |            |
|--|------------|
| • General Wage Growth*                     | 4.00%      |
| • *includes Inflation at                   | 3.00%      |
| • Merit Increases                          | 0% to 7.3% |
| • Investment Return (net of admin expense) | 7.75%      |
| • Admin Expense as a % of Payroll          | 0.17%      |
| • Postretirement Benefit Increases         |            |

**Guaranteed Annual Benefit Adjustment(GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other 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, 2014
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

**Discount Rate**

**PERS**

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

**SRS**

The discount rate used to measure the TPL was 5.93%, which is a blend of the assumed long-term expected rate of return of 7.75% on Plan's investments and a municipal bond index rate of 3.01%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to not be adequate to make all the projected future benefit payments of current plan members after June 30, 2056. Therefore, the portion of future projected benefit payments after June 30, 2056 are discounted at the municipal bond index rate.

**Target Allocations**

PERS and SRS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		3.00%
	Portfolio Return Expectation		7.37%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

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, 2016, are summarized in the table above.

**Sensitivity Analysis**

	1.0% Decrease <u>-6.75%</u>	Current <u>Discount Rate</u>	1.0% Increase <u>-8.75%</u>
PERS	\$ 5,469,603	\$ 3,769,349	\$ 2,304,746
SRS	\$ 2,867,045	\$ 2,013,058	\$ 1,318,083

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA (for PERS and SRS)) 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).

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE 10. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

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

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. The County, categorizes fund balance of the governmental funds into the following categories:

Non-spendable – Resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principle portion of permanent funds.

Restricted - constraint is externally imposed by a third party, State Constitution, or enabling legislation.

Committed – constraint is internally imposed by the formal action of the board. This is the government’s highest level of decision making authority and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – negative bund balance in all funds, or fund balance with no constraints in the General Fund.

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ 10,892	Inventory
Road	83,671	Inventory
All Other Aggregate	35,297	Inventory
	<u>21,382</u>	Permanent endowment
	<u>\$ 151,242</u>	

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 866,976	Road maintenance
Public Safety	416,193	Law enforcement
All Other Aggregate	562,668	Law enforcement
	243,261	Airport services
	1,492	Miscellaneous
	391,399	Public wellness and safety
	126,154	Bridge Maintenance
	108,045	Parks and recreation
	95,034	Community development
	54,100	Fair
	185,387	Road maintenance
	373,522	Employee benefits
	420,803	Local conservation
	21,078	Library
	2,459	Senior living
	<u>122,621</u>	Weed Control
	<u>\$ 3,991,192</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of the Assignment</u>
All Other Aggregate	\$ 583	Capital improvements
	<u>60,931</u>	Library improvements
	<u>\$ 61,514</u>	

**NOTE 12. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Comprehensive Insurance	\$ 134,357	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
County Mechanic (internal service)	58,643	Insufficient cash to cover outstanding liabilities	Transfer from other funds
Emergency Disaster	6,949	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Record Preservation	11,442	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Noxious Weeds	16,449	Insufficient cash to cover outstanding liabilities	Future grant revenues
Eurasian Watermilfoil	1,978	Insufficient cash to cover outstanding liabilities	Future grant revenues
Law Enforcement Block Grant	20,817	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Special Projects	16,022	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Public Health Miscellaneous Grant	675	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Tobacco Grant	<u>449</u>	Insufficient cash to cover outstanding liabilities	Transfer from unrestricted fund
Total	<u>\$ 267,781</u>		

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE 13. RESTATEMENTS**

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Niarada Cemetery	\$ 25,490	Prior year due from other government
Governmental Activities	<u>63</u>	Correct prior year outstanding contract debt
	<u>\$ 25,553</u>	

**NOTE 14. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

**City-County Library**

The operations of the City-County Library are included in the financial statements of the Special Revenue Fund. The City-County Library District is operated under an interlocal agreement between Sanders County and the Town of Plains. The Library operates under the supervision and control of the City-County Library Board. The Board consists of five members, two who are appointed by the Town Council, two who are appointed by the County Board of Commissioners, and one who is appointed jointly by the Town Council and the County Board of Commissioners. The Library is financed through the Library District which can levy up to five mills.

**NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS**

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

**NOTE 16. RISK MANAGEMENT**

The County faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee's torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Insurance Pools:

County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, has entered into an agreement with a private management firm to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

Separate audited financial statements are available from the Montana Association of Counties Joint Powers Insurance Trust.

**NOTE 17. PENDING LITIGATION**

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Bonnie Holden vs Sanders County</i>	Not Stated	Not Stated

SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 18. SUBSEQUENT EVENTS**

On November 1, 2017, the County issued a Solid Waste Refuse Disposal District Bond Anticipation Note for \$250,000. The registered owner of this note is First Security Bank of Missoula, a Division of Glacier Bank. This note was issued at an interest rate of 2.55% with a date of maturity of October 1, 2019. As of the date of this report, the County has drawn \$168,545 on this note.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

<b>General</b>					
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>	
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$ 2,084,995	\$ 2,084,995	\$ 2,083,918	\$	(1,077)
Licenses and permits	650	650	575	\$	(75)
Intergovernmental	30,062	30,062	17,101	\$	(12,961)
Charges for services	269,374	269,374	270,606	\$	1,232
Fines and forfeitures	56,554	56,554	66,885	\$	10,331
Miscellaneous	261,736	261,736	359,673	\$	97,937
Investment earnings	16,353	16,353	15,535	\$	(818)
Amounts available for appropriation	<u>\$ 2,719,724</u>	<u>\$ 2,719,724</u>	<u>\$ 2,814,293</u>	<u>\$</u>	<u>94,569</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
General government	\$ 2,980,956	\$ 3,972,815	\$ 2,422,624	\$	1,550,191
Public safety	\$ 42,072	42,072	218	\$	41,854
Public health	291,011	291,011	224,843	\$	66,168
Social and economic services	170,654	170,654	164,293	\$	6,361
Housing and community development	15,000	15,000	14,843	\$	157
Capital outlay	1,019,859	28,000	414,821	\$	(386,821)
Total charges to appropriations	<u>\$ 4,519,552</u>	<u>\$ 4,519,552</u>	<u>\$ 3,241,642</u>	<u>\$</u>	<u>1,277,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long term debt	\$ -	\$ -	\$ 400,000	\$	400,000
Transfers in	\$ 480,966	\$ 480,966	\$ 433,651	\$	(47,315)
Transfers out	(425,000)	(425,000)	(25,000)	\$	400,000
Total other financing sources (uses)	<u>\$ 55,966</u>	<u>\$ 55,966</u>	<u>\$ 808,651</u>	<u>\$</u>	<u>752,685</u>
Net change in fund balance			<u>\$ 381,302</u>		
Fund balance - beginning of the year			<u>\$ 2,842,259</u>		
Fund balance - end of the year			<u>\$ 3,223,561</u>		

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

		<b>Road</b>			
		<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
		<b>ORIGINAL</b>	<b>FINAL</b>		
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$	1,088,596	\$ 1,088,596	\$ 1,079,843	\$ (8,753)
Intergovernmental		1,149,283	1,149,283	176,393	(972,890)
Charges for services		560	560	9,688	9,128
Miscellaneous		518	518	123,212	122,694
Amounts available for appropriation	\$	2,238,957	\$ 2,238,957	\$ 1,389,136	\$ (849,821)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
General government	\$	15,100	\$ 15,100	\$ 6,360	\$ 8,740
Public works		2,694,263	2,694,263	1,989,648	704,615
Debt service - principal		64,253	64,253	24,743	39,510
Debt service - interest		14,447	14,447	14,795	(348)
Capital outlay		193,143	293,143	302,330	(9,187)
Total charges to appropriations	\$	2,981,206	\$ 3,081,206	\$ 2,337,876	\$ 743,330
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$	-	\$ -	\$ 1,107,685	\$ 1,107,685
Total other financing sources (uses)	\$	-	\$ -	\$ 1,107,685	\$ 1,107,685
Net change in fund balance				\$ 158,945	
Fund balance - beginning of the year				\$ 791,702	
Fund balance - end of the year				\$ 950,647	

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

<b>Comprehensive Insurance</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 43,584	\$ 320,480	\$ 43,537	\$ (276,943)
Miscellaneous	<u>142,508</u>	<u>142,508</u>	<u>47,361</u>	<u>(95,147)</u>
Amounts available for appropriation	<u>\$ 186,092</u>	<u>\$ 462,988</u>	<u>\$ 90,898</u>	<u>\$ (372,090)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Miscellaneous	\$ 278,763	\$ 278,763	\$ 175,176	\$ 103,587
Total charges to appropriations	<u>\$ 278,763</u>	<u>\$ 278,763</u>	<u>\$ 175,176</u>	<u>\$ 103,587</u>
Net change in fund balance			<u>\$ (84,278)</u>	
Fund balance - beginning of the year			<u>\$ (50,079)</u>	
Fund balance - end of the year			<u><u>\$ (134,357)</u></u>	

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

Public Safety					
	BUDGETED AMOUNTS		ACTUAL		VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A		
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$ 1,805,714	\$ 1,805,714	\$ 1,783,296	\$	(22,418)
Licenses and permits	9,000	9,000	14,150	\$	5,150
Intergovernmental	10,200	10,200	9,800	\$	(400)
Charges for services	266,700	266,700	289,223	\$	22,523
Miscellaneous	7,780	7,780	32,025	\$	24,245
Amounts available for appropriation	\$ 2,099,394	\$ 2,099,394	\$ 2,128,494	\$	29,100
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
Public safety	\$ 2,227,139	\$ 2,227,139	\$ 2,036,275	\$	190,864
Debt service - principal	-	-	68,768	\$	(68,768)
Debt service - interest	-	-	10,195	\$	(10,195)
Capital outlay	123,700	123,700	92,890	\$	30,810
Total charges to appropriations	\$ 2,350,839	\$ 2,350,839	\$ 2,208,128	\$	142,711
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long term debt	\$ -	\$ -	\$ 91,003	\$	91,003
Total other financing sources (uses)	\$ -	\$ -	\$ 91,003	\$	91,003
Net change in fund balance			\$ 11,369		
Fund balance - beginning of the year			\$ 404,824		
Fund balance - end of the year			\$ 416,193		

**Sanders County, Montana  
Budgetary Comparison Schedule  
Budget-to-GAAP Reconciliation**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<u>General</u>	<u>Road</u>	<u>Comprehensive Insurance</u>	<u>Public Safety</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,814,293	\$ 1,389,136	\$ 90,898	\$ 2,128,494
Combined funds (GASBS 54) revenues	<u>338,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,152,718</u>	<u>\$ 1,389,136</u>	<u>\$ 90,898</u>	<u>\$ 2,128,494</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 3,241,642</u>	<u>\$ 2,337,876</u>	<u>\$ 175,176</u>	<u>\$ 2,208,128</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,241,642</u>	<u>\$ 2,337,876</u>	<u>\$ 175,176</u>	<u>\$ 2,208,128</u>

**Sanders County, Montana**  
**Schedule of Changes in the 's Total OPEB Liability**  
**and Related Ratios**  
**For the Year Ended June 30, 2017**

	2017	2016
<b>Total OPEB liability</b>		
Service Cost	\$ -	\$ 6,106
Net change in total OPEB liability	-	6,106
Total OPEB Liability - beginning	69,052	864,050
Restatement	-	(801,105)
Total OPEB Liability - ending	\$ 69,052	\$ 69,052
Covered payroll	\$ 3,127,928	\$ 3,127,928
 Total OPEB liability as a percentage of covered -employee payroll	2%	2%

*\*The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, but due to this being the first year of implementation only one year of data is available.*

**Sanders County, Montana**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2017**

	<b>PERS 2017</b>	<b>PERS 2016</b>	<b>PERS 2015</b>
Employer's proportion of the net pension liability	0.2213%	0.2194%	0.2183%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 3,769,349	\$ 3,066,971	\$ 2,720,291
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 46,057	\$ 37,672	\$ 33,219
Total	<u>\$ 3,815,406</u>	<u>\$ 3,104,643</u>	<u>\$ 2,753,510</u>
Employer's covered payroll	\$ 2,650,677	\$ 2,560,475	\$ 2,474,553
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%
	<b>SRS 2017</b>	<b>SRS 2016</b>	<b>SRS 2015</b>
Employer's proportion of the net pension liability	1.1459%	1.1577%	1.0855%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,013,058	\$ 1,116,043	\$ 451,745
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Total	<u>\$ 4,026,116</u>	<u>\$ 2,232,086</u>	<u>\$ 903,490</u>
Employer's covered payroll	\$ 808,915	\$ 787,786	\$ 702,009
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	63.00%	75.40%	87.24%

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

**Sanders County, Montana**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2017**

	<b>PERS</b> <b>2017</b>	<b>PERS</b> <b>2016</b>	<b>PERS</b> <b>2015</b>
Contractually required contributions	\$ 241,159	\$ 221,558	\$ 210,993
Contributions in relation to the contractually required contributions	\$ 241,159	\$ 223,547	\$ 212,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,650,677	\$ 2,560,475	\$ 2,474,553
Contributions as a percentage of covered payroll	9.10%	8.73%	8.58%

	<b>SRS</b> <b>2017</b>	<b>SRS</b> <b>2016</b>	<b>SRS</b> <b>2015</b>
Contractually required contributions	\$ 96,458	\$ 83,840	\$ 79,912
Contributions in relation to the contractually required contributions	\$ 96,458	\$ 83,840	\$ 79,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 808,915	\$ 808,915	\$ 787,786
Contributions as a percentage of covered payroll	11.92%	10.36%	10.14%

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

**Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2017**

**Public Employees Retirement System (PERS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes:**

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
  - a. 1.5% each year PERS is funded at or above 90%;
  - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and,
  - c. 0% whenever the amortization period for PERS is 40 years or more.

**2015 Legislative Changes:**

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

**Second Retirement Benefit - for PERS**

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

**Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2017**

- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
- member receives same retirement benefit as prior to return to service;
  - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

**Employer Contributions and the Defined Contribution Plan** – for PERS and MUS-RP  
The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following addition was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed mark
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**Sheriffs’ Retirement System (SRS)**

**Changes of Benefit Terms**

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

**2015 Legislative Changes:** none

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following change to the actuarial assumptions was adopted in 2016:

**Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2017**

SRS Discount rate - Used to measure the TPL	5.93 percent, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and a municipal bond index rate of 3.01%.
--	--

The following change to the actuarial assumptions was adopted in 2015:

SRS Discount rate - Used to measure the TPL	6.86 percent, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and a municipal bond index rate of 3.80%.
--	--

The following additions were adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.17%
SRS Discount rate - Used to measure the TPL	7.75 percent, which is the assumed long-term expected rate of return on pension plan investments

The following change to the actuarial assumptions was adopted in 2013:

SRS Discount rate - Used to measure the TPL	6.68 percent, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and the municipal bond index rate.
--	---

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

# **SINGLE AUDIT SECTION**

**Sanders County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

<u>Cluster Title/Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<b>Highway Planning and Construction Cluster</b>			
<b><u>Department of Transportation</u></b>			
<i>Passed through Montana Department of Transportation</i>			
Highway Planning and Construction	20.205	N/A	\$ 46,338
<i>Passed through Montana Department of Fish, Wildlife and Parks</i>			
Recreational Trails Program	20.219	2015-36	90,000
<b>Total Department of Transportation</b>			<b>\$ 136,338</b>
<b>Total Highway Planning and Construction Cluster</b>			<b>\$ 136,338</b>
<b>Other Programs</b>			
<b><u>Department of Homeland Security</u></b>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	2015-EP-00004	\$ 5,900
Emergency Management Performance Grants	97.042	EMD-2016-EP-00002	13,035
<b>Total Department of Homeland Security</b>			<b>\$ 18,935</b>
<b><u>Department of Defense</u></b>			
<i>Passed through Montana Department of Agriculture</i>			
Aquatic Plant Control	12.100	N/A	\$ 179,000
<b>Total Department of Defense</b>			<b>\$ 179,000</b>
<b><u>United States Department of Justice</u></b>			
<i>Passed through Sanders County Coalition for Families</i>			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	OVW-2016-9104	\$ 32,116
<i>Direct</i>			
Bulletproof Vest Partnership Program	16.607	N/A	4,000
<b>Total United States Department of Justice</b>			<b>\$ 36,116</b>
<b><u>Department of Transportation</u></b>			
<i>Direct</i>			
Airport Improvement Program	20.106	N/A	\$ 452,626
<b>Total Department of Transportation</b>			<b>\$ 452,626</b>
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Health and Human Services</i>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	17-07-6-11-047-0	\$ 31,689
Immunization Cooperative Agreements	93.268	16-07-4-31-141-0	3,412
Immunization Cooperative Agreements	93.268	17-07-4-31-141-0	3,411
Maternal and Child Health Services Block Grants to the States	93.994	17-07-5-01-045-0	8,749
<b>Total Department of Health and Human Services</b>			<b>\$ 47,261</b>
<b><u>Department of Housing and Urban Development</u></b>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-13PL-19	\$ 10,000
<b>Total Department of Housing and Urban Development</b>			<b>\$ 10,000</b>
<b><u>Department of Agriculture</u></b>			
<i>Passed through Montana Department of Health and Human Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16-07-5-21-017-0	\$ 18,123
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	17-07-5-21-017-0	37,047
<i>Passed through Montana State Auditors Office</i>			
Schools and Roads - Grants to States	10.665	N/A	220,190
<i>Passed through Montana Department of Agriculture</i>			
Forest Health Protection	10.680	MDA-2015-707	1,321
Forest Health Protection	10.680	MDA-2016-704	19,780
<b>Total Department of Agriculture</b>			<b>\$ 296,461</b>
<b>Total Other Programs</b>			<b>\$ 1,040,399</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,176,737</b>

The accompanying notes are an integral part of this schedule

SANDERS COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2017

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sanders County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South – P.O. Box 1957 Kalispell, MT 59903-1957*

---

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

Board of County Commissioners  
Sanders County  
Thompson Falls, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanders County, Montana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sanders County, Montana’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 Sanders County, Montana’s internal control. Accordingly, we do not express an opinion on the effectiveness of ’s internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

### **Sanders County's Response to Findings**

Sanders County's response to the findings identified in our audit described in the Corrective Action Plan. Sanders County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Derrington, Downey and Associates, CPAs, P.C.*

May 3, 2018

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

---

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

Board of County Commissioners  
Sanders County  
Thompson Falls, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Sanders County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Sanders County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Sanders County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Denning, Downey and Associates, CPA's, P.C.*

May 3, 2018

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2017

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
10.665	Schools and Roads- Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 2017-001 Exceeding Budgetary Authority

**Condition:**

The County exceeded its budgetary authority in several funds.

**Context:**

During the audit, we compared the budgeted appropriations per fund to the actual expenditures incurred during the year. Upon completion of this comparison, it was noted that the County exceeded their budgetary authority in the following funds:

1. Senior Citizens fund (2280) by \$17,781
2. Special Projects fund (2952) by \$4,500
3. Library Capital Improvement fund (4005) by \$20,597

**Criteria:**

MCA 7-6-4005 states the following: “Expenditures are limited to appropriations:

- (1) Local government officials may not make a disbursement or expenditure or incur and obligation in excess of the total appropriations for a fund.”

**Effect:**

The County is not in compliance with MCA 7-6-4005.

**Cause:**

The County did not monitor expenditures in the funds noted above throughout the year to ensure they remained under the budget appropriated. And, when the funds did go over budget, the County did not complete a budget amendment to increase the budgetary authority.

**Recommendation:**

We recommend that the County limit expenditures to the amount originally budgeted. When expenditures are going to be made that are in excess of the budgeted amounts, an official budget amendment must be approved.

#### 2017-002 Increases Budgetary Authority

**Condition:**

The County increased its budgetary authority in several funds by significant amounts without holding a public hearing for proper approval.

**Context:**

During the audit, we compared the original budgeted appropriations per fund to the ending budgeted appropriations for any changes in budget. Upon completion of this comparison, it was noted that the County increase their budgetary authority in the following funds without holding a public hearing and passing a resolution:

1. Eurasian Watermilfoil fund (2841) increased \$179,000
2. PILT fund (2960) increased \$819,101

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Criteria:**

MCA 7-6-4006(4) states the following: “The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.”

### **Effect:**

The County is not in compliance with MCA 7-6-4006(4).

### **Cause:**

The County did not monitor expenditures in the funds noted above throughout the year to ensure they remained under the budget appropriated. And, when the funds did go over budget, the County increased their budget, but did not hold a public hearing and complete a budget amendment.

### **Recommendation:**

We recommend that the County limit expenditures to the amount originally budgeted. When expenditures are going to be made that are in excess of the budgeted amounts, an official budget amendment must be approved by holding a public meeting.

### **Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

---

**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of County Commissioners, City Council  
Sanders County  
Thompson Falls, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2016-001 Deficit Fund Balances	Resolved

*Denning, Downey and Associates, CPAs, P.C.*

May 3, 2018



***Nichol Scribner***  
***Sanders County Clerk & Recorder/Assessor/Surveyor***  
***PO Box 519***  
***Thompson Falls, MT 59873***  
***406-827-6922 (Phone)***  
***406-827-6970 (Fax)***  
***nscibner@co.sanders.mt.us***

Contact Person:  
Nichol Scribner

Expected Completion Date of Corrective Action Plan:  
Immediate implementation and corrected for 2018 audit

### **CORRECTIVE ACTION PLAN**

FINDING 2017-001: Exceeding Budgetary Authority

Response: The County will limit expenditures to the amount originally budgeted. When expenditure are going to be made that are in excess of the budgeted amounts, an official budget amendment will be approved.

FINDING 2017-002: Increased Budgetary Authority

Response: The County will limit expenditures to the amount originally budgeted. When expenditures are going to be made that are in excess of the budgeted amounts, an official budget amendment must be approved by holding a public meeting. Paying specific attention to County Ambulance, Eurasian Watermilfoil, PILT and Senior Citizens funds.

### **STATUS OF PRIOR AUDIT FINDINGS**

FINDING 2016-001: Deficit Fund Balances

Response: Finding was resolved for fiscal year 2017.