

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

AUDIT REPORT

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

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

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SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2018

BOARD OF COUNTY COMMISSIONERS

Glen Magera
Carol Brooker
Anthony Cox

Commissioner
Commissioner
Commissioner

COUNTY OFFICIALS

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

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

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

Our discussion and analysis of Sanders County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the County's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements follow the government wide states noted above. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

STATEMENT OF NET POSITION AND 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 in a way that helps determine if the County as a whole is better off or worse as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities the County has two activities:

- **Governmental Activities:** The County's basic services are reported here, including the sheriff's department, road department, and general administration. Property taxes and state and federal grants finance most of these activities.

- **Business-Type Activities -** These services have a charge based upon the amount of usage. The solid waste fund is the county's only business type activity fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds-not the County as a whole. The County's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds: The County's services are reported in governmental funds. The governmental fund statements provide a detailed short-term view of cash, the fund operations, and the basic services it provides. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a separate reconciliation.

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

Proprietary Funds: The County maintains only one Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for their solid waste activities.

Fiduciary Funds: All the County's fiduciary activities are reported in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. Fiduciary activities are excluded from the County's other financial statements because the County cannot use these assets to finance operations, but is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the governmental-wide and fund financial statements.

THE COUNTY AS A WHOLE

Net Position

Table 1 - Net Position

	Governmental Activities				Business-type Activities			
	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>	<u>% Change</u>	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>	<u>% Change</u>
Current and other assets	\$ 11,768,140	\$ 9,083,514	\$ 2,684,626	29.55%	\$ 592,400	\$ 514,734	\$ 77,666	15.09%
Capital assets	12,109,162	12,164,823	(55,661)	-0.46%	955,757	793,437	162,320	20.46%
Total assets	\$ 23,877,302	\$ 21,248,337	\$ 2,628,965	12.37%	\$ 1,548,157	\$ 1,308,171	\$ 239,986	18.35%
Long-term debt outstanding	\$ 1,566,302	\$ 1,504,747	\$ 61,555	4.09%	\$ 378,769	\$ 132,772	\$ 245,997	185.28%
Other liabilities	6,138,497	5,977,730	160,767	2.69%	410,160	276,837	133,323	48.16%
Total liabilities	\$ 7,704,799	\$ 7,482,477	\$ 222,322	2.97%	\$ 788,929	\$ 409,609	\$ 379,320	92.61%
Net investment in capital assets	\$ 11,022,554	\$ 11,133,979	\$ (111,425)	-1.00%	\$ 641,546	\$ 704,461	\$ (62,915)	-8.93%
Restricted	5,058,778	4,192,571	866,207	20.66%	-	-	-	-
Unrestricted (deficit)	91,171	(1,560,690)	1,651,861	105.84%	117,682	194,101	(76,419)	-39.37%
Total net position	\$ 16,172,503	\$ 13,765,860	\$ 2,406,643	17.48%	\$ 759,228	\$ 898,562	\$ (139,334)	-15.51%

Governmental Activities:

Net position of the County's governmental activities increased \$2,406,643 or 17.48 percent in 2018. This is primarily due to the county receiving \$1,291,030 in PILT that was not anticipated. In addition, the road fund increased their fund balance by \$779,367, prior to restatements, due to the collection of unanticipated forest reserve monies.

Business Type Activities:

Net position of the County's business type activities decreased \$139,334 or 15.51 percent in 2018. This is primarily due to wages increasing \$40,447. In past years, wages for a county mechanic was paid from an internal service fund. In FY 2018 these wages are now paid directly from the funds receiving the service. Also, pension expense increased from \$8,926 to \$91,365 or \$82,439.

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

Changes in Net Position

Table 2 - Changes in Net Position

	Governmental Activities				Business-type Activities			
	FY18	FY17	Change Inc (Dec)	% Change	FY18	FY17	Change Inc (Dec)	% Change
Revenues								
<i>Program revenues (by major source):</i>								
Charges for services	\$ 1,370,375	\$ 998,463	\$ 371,912	37.25%	\$ 984,178	\$ 937,062	\$ 47,116	5.03%
Operating grants and contributions	1,552,357	1,675,759	(123,402)	-7.36%	-	-	-	
Capital grants and contributions	-	81,375	(81,375)	100.00%	-	-	-	
<i>General revenues (by major source):</i>								
Property taxes for general purposes	5,959,370	5,287,318	672,052	12.71%	-	-	-	0.00%
Licenses and permits	11,242	19,175	(7,933)	-41.37%	-	-	-	
Unrestricted federal/state shared revenues	1,346,333	388,900	957,433	246.19%	-	-	-	
Interest/investment earnings	31,048	16,842	14,206	84.35%	1,116	713	403	56.52%
Miscellaneous	212,542	247,360	(34,818)	-14.08%	1,898	5,622	(3,724)	-66.24%
State on behalf payments	-	64,793	(64,793)	-100.00%	6,005	-	6,005	100.00%
State Entitlement	1,044,189	1,163,425	(119,236)	-100.00%	-	-	-	
Total revenues	\$ 11,527,456	\$ 9,943,410	\$ 1,584,046	15.93%	\$ 993,197	\$ 943,397	\$ 49,800	5.28%
Program expenses								
General government	\$ 2,389,904	\$ 2,696,390	\$ (306,486)	-11.37%	\$ -	\$ -	\$ -	
Public safety	2,619,851	2,650,797	(30,946)	-1.17%	-	-	-	
Public works	2,609,513	3,240,927	(631,414)	-19.48%	-	-	-	
Public health	420,550	386,038	34,512	8.94%	-	-	-	
Social and economic services	367,181	403,671	(36,490)	-9.04%	-	-	-	
Culture and recreation	453,354	498,559	(45,205)	-9.07%	-	-	-	
Housing and community development	10,839	18,968	(8,129)	-42.86%	-	-	-	
Debt service - interest	39,218	26,588	12,630	47.50%	-	-	-	
Miscellaneous	211,949	179,053	32,896	18.37%	-	-	-	
Solid Waste	-	-	-	-	1,117,584	961,716	155,868	16.21%
Total expenses	\$ 9,122,359	\$ 10,100,991	\$ (978,632)	-9.69%	\$ 1,117,584	\$ 961,716	\$ 155,868	16.21%
Increase (decrease) in net position	\$ 2,405,097	\$ (157,581)	\$ 2,562,678		\$ (124,387)	\$ (18,319)	\$ (106,068)	

Governmental Activities: The cost of all County governmental activities for the year ending June 30, 2018 was \$9,122,359 compared to \$10,100,991 for the year ending June 30, 2017, a decrease of \$978,632 or 9.69 percent. The main reason for the decrease occurred in the Airport Fund. In FY 2017 there were two airport capital projects for a total of \$501,149. In FY 2018 there were no airport capital projects. Also, the Road Fund decreased their road oil and capital outlay expenditures in FY 2018. For example, in FY 2017 the Road Fund purchased land for \$400,000, which did not reoccur in FY 2018.

Business Type Activities: The cost of all County governmental activities for the year ending June 30, 2018 was \$1,117,584 compared to \$961,716 for the year ending June 30, 2017, an increase of \$155,868 or 16.21 percent. This is primarily due to wages increasing \$40,447. In past years, wages for a county mechanic was paid from an internal service fund. In FY 2018 these wages are now paid directly from the funds receiving the service. Also, pension expense increased from \$8,926 to \$91,365 or \$82,439.

THE COUNTY FUNDS

Following is an analysis of balances in the County's major funds:

General Fund (Governmental Fund) - The General fund had an increase in fund balance of \$1,616,268. This is primarily due to the county receiving \$1,291,030 in PILT that was not anticipated.

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

Road Fund (Governmental Fund) - The Road fund had an increase in fund balance of \$779,367 in 2018. The primary reason for the increase is due to the collection of unanticipated forest reserve monies. The county budgeted \$161,343, but received \$940,679 in forest reserve monies.

Public Safety Fund (Governmental Fund) - The Public Safety fund had an increase of \$230,265 in fund balance due to unanticipated transfers in from permissive health levies.

Solid Waste Fund (Enterprise Fund) – The Solid Waste fund had a decrease of \$124,387 in net position in FY 2018. This is primarily due to wages increasing \$40,447. In past years, wages for a county mechanic was paid from an internal service fund. In FY 2018 these wages are now paid directly from the funds receiving the service. Also, pension expense increased from \$8,926 to \$91,365 or a change of \$82,439.

GENERAL FUND BUDGETARY HIGHLIGHTS (ORIGINAL VS. FINAL VS. ACTUAL)

	General Fund			
	Original Budget	Final Budget	Actual	Actual to Final Variance
REVENUES:				
Taxes/assessments	\$ 2,163,469	\$ 2,163,469	\$ 2,126,044	\$ (37,425)
Licenses and permits	600	600	750	\$ 150
Intergovernmental revenues	18,070	18,070	291,296	\$ 273,226
Charges for services	279,065	279,065	273,207	\$ (5,858)
Fines and forfeitures	67,130	67,130	70,196	\$ 3,066
Miscellaneous	172,190	172,190	143,278	\$ (28,912)
Investment and royalty earnings	16,000	16,000	28,932	\$ 12,932
Total revenues	2,716,524	2,716,524	2,933,703	217,179
EXPENDITURES:				
General government	2,578,350	2,582,521	2,239,015	343,506
Public safety	2,100	2,100	1,000	1,100
Public health	285,801	285,801	237,094	48,707
Social and economic services	160,462	160,462	146,440	14,022
Housing and Community Development	-	-	10,838	(10,838)
Miscellaneous	328,511	328,511	205,589	122,922
Capital outlay	957,259	957,259	8,941	948,318
Total expenditures	4,312,483	4,316,654	2,848,917	1,467,737
OTHER FINANCING SOURCES / USES:				
Fund transfers in	-	-	334,361	334,361
Fund transfers (out)	(100,000)	(100,000)	(194,279)	(94,279)
Total other financial sources/uses	(100,000)	(100,000)	140,082	240,082

Final budget to actual variances for 2018 is as follows:

The favorable variance in intergovernmental revenue is due to the county receiving \$1,291,030 in PILT that was not anticipated. Also, the county budgeted for but did not start office repairs in the amount of \$925,000 under capital outlay expenditures.

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

Budget amendments were approved as follows:

There was one budget amendment in the General Fund during fiscal year 2018 for a total amount of \$4,171. Personal Services was increased \$4,171 and funded with cash reserves.

DEBT ADMINISTRATION

Total long-term debt, increased in fiscal year 2018 through the purchase of two 2017 Dodge Ram Trucks for the sheriff's office and proceeds from a bond anticipation note for the Solid Waste Transfer Station improvements. Compensated absence decreased \$20,031 in governmental funds and increased \$8,446 in the enterprise fund. The total OPEB liability reported is \$107,190. Sanders County implemented GASB 68 in FY 2015 and reported a net pension liability of \$4,819,620 and \$401,095 in the governmental and enterprise funds, respectively.

More information about the County's long-term liabilities is presented in Note 9 to the financial statements.

CAPITAL ASSETS

At the end of fiscal year 2018, the County had \$12,109,162 (governmental funds) and \$955,757 (enterprise funds) invested in a broad range of capital assets (net of depreciation), Governmental activity assets decreased \$55,661 over the prior year, while business type activities increased \$162,320.

	Governmental		
	Activities		<u>Variance</u>
	<u>2018</u>	<u>2017</u>	
Land	\$ 2,345,924	\$ 2,345,924	\$ -
Construction in progress	7,000	780,843	(773,843)
Depreciable capital assets	9,756,238	9,038,056	718,182
Total	\$ 12,109,162	\$ 12,164,823	\$ (55,661)
	Business Type		
	Activities		<u>Variance</u>
	<u>2018</u>	<u>2017</u>	
Land	\$ 177,608	\$ 177,608	\$ -
Construction in progress	288,078	52,001	236,077
Depreciable capital assets	490,071	563,828	(73,757)
Total	\$ 955,757	\$ 793,437	\$ 162,320

Detailed information about the County's capital assets is presented in the notes to the financial statements.

SANDERS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2018

ECONOMIC FACTORS, BUDGETS AND RATES

The annual budget assures the efficient, effective and economic uses of the County's resources, as well as establishing what projects and objectives are carried out according to prioritized planning. Through the budget, the County Commissioners set the direction of the County and allocates its resources.

Situations having a negative impact primarily on revenue, tax receipts, associated losses and services with Sanders County are: 1) Fluctuating utility prices. 2) Rising costs of liability, health and workers compensation insurance premiums. 3) Risk of large forest fires. 4) Uncertainty of Secure Rural Schools funding and PILT. 5) Costs of repairs on aging buildings.

At the time of this analysis, gasoline and oil prices have stabilized which positively impacts Public Safety, Roads and Solid Waste. Unemployment rates are down. Tourism is a continuing strength in the economy and appears to be on the rise. Also, the lumber industry is doing well due to the stronger economy.

The following factors were considered in preparing the budget for the 2019 fiscal year:

- Capital improvements such as road repairs, road equipment, public safety vehicles, building repairs, and data processing machinery and equipment replacement were budgeted for in fiscal year 2019.
- Taxable value increased from \$41,294,722 in fiscal year 2018 to \$42,244,210 in fiscal year 2019.
- Revenues are expected to remain relatively consistent with the prior year.

It is our goal to maintain and provide the services needed to the residents of Sanders County. We feel by striving for a stable economy and reliable revenue sources, 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.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of the County with a general overview of the County's finances and to show the accountability for the money it receives and expends. If you have any questions about this report or need additional financial information, contact: Clerk and Recorder, PO BOX 519, Thompson Falls, MT 59873.

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, 2018, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 7, and 56 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 March 22, 2019, 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.

March 22, 2019

Sanders County, Montana
Statement of Net Position
June 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 9,458,849	\$ 286,955	\$ 9,745,804
Taxes and assessments receivable, net	179,277	216,285	395,562
Due from other governments	81,058	-	81,058
Inventories	292,010	-	292,010
Total current assets	<u>\$ 10,011,194</u>	<u>\$ 503,240</u>	<u>\$ 10,514,434</u>
Noncurrent assets			
Capital assets - land	\$ 2,345,924	\$ 177,608	\$ 2,523,532
Capital assets - construction in progress	7,000	288,078	295,078
Capital assets - depreciable, net	9,756,238	490,071	10,246,309
Total noncurrent assets	<u>\$ 12,109,162</u>	<u>\$ 955,757</u>	<u>\$ 13,064,919</u>
Total assets	<u>\$ 22,120,356</u>	<u>\$ 1,458,997</u>	<u>\$ 23,579,353</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	\$ 1,756,946	\$ 89,160	\$ 1,846,106
Total deferred outflows of resources	<u>\$ 1,756,946</u>	<u>\$ 89,160</u>	<u>\$ 1,846,106</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 23,877,302</u>	<u>\$ 1,548,157</u>	<u>\$ 25,425,459</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 60,858	\$ -	\$ 60,858
Accrued payables	63,075	5,791	68,866
Current portion of long-term capital liabilities	234,157	9,733	243,890
Current portion of compensated absences payable	292,240	35,556	327,796
Total current liabilities	<u>\$ 650,330</u>	<u>\$ 51,080</u>	<u>\$ 701,410</u>
Noncurrent liabilities			
Deposits payable	\$ 1,247	\$ -	\$ 1,247
Noncurrent portion of long-term liabilities	90,040	17,150	107,190
Noncurrent portion of long-term capital liabilities	852,451	304,478	1,156,929
Noncurrent portion of compensated absences	97,414	11,852	109,266
Net pension liability	4,819,620	401,095	5,220,715
Total noncurrent liabilities	<u>\$ 5,860,772</u>	<u>\$ 734,575</u>	<u>\$ 6,595,347</u>
Total liabilities	<u>\$ 6,511,102</u>	<u>\$ 785,655</u>	<u>\$ 7,296,757</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 1,193,697	\$ 3,274	\$ 1,196,971
Total Deferred Inflows of resources	<u>\$ 1,193,697</u>	<u>\$ 3,274</u>	<u>\$ 1,196,971</u>
NET POSITION			
Net investment in capital assets	\$ 11,022,554	\$ 641,546	\$ 11,664,100
Restricted for special projects	5,058,778	-	5,058,778
Unrestricted	91,171	117,682	208,853
Total net position	<u>\$ 16,172,503</u>	<u>\$ 759,228</u>	<u>\$ 16,931,731</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 23,877,302</u>	<u>\$ 1,548,157</u>	<u>\$ 25,425,459</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$ 2,389,904	\$ 345,274	\$ 8,132	\$ (2,036,498)	\$ -	\$ (2,036,498)
Public safety	2,619,851	378,771	228,679	(2,012,401)	-	(2,012,401)
Public works	2,609,513	314,354	1,151,296	(1,143,863)	-	(1,143,863)
Public health	420,550	59,902	163,430	(197,218)	-	(197,218)
Social and economic services	367,181	-	-	(367,181)	-	(367,181)
Culture and recreation	453,354	272,074	820	(180,460)	-	(180,460)
Housing and community development	10,839	-	-	(10,839)	-	(10,839)
Debt service - interest	39,218	-	-	(39,218)	-	(39,218)
Miscellaneous	211,949	-	-	(211,949)	-	(211,949)
Total governmental activities	\$ <u>9,122,359</u>	\$ <u>1,370,375</u>	\$ <u>1,552,357</u>	\$ <u>(6,199,627)</u>	\$ <u>-</u>	\$ <u>(6,199,627)</u>
Business-type activities:						
Solid Waste	\$ 1,117,584	\$ 984,178	\$ -	\$ -	\$ (133,406)	\$ (133,406)
Total business-type activities	\$ <u>1,117,584</u>	\$ <u>984,178</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(133,406)</u>	\$ <u>(133,406)</u>
Total primary government	\$ <u>10,239,943</u>	\$ <u>2,354,553</u>	\$ <u>1,552,357</u>	\$ <u>(6,199,627)</u>	\$ <u>(133,406)</u>	\$ <u>(6,333,033)</u>
General Revenues:						
Property taxes for general purposes				\$ 5,959,370	\$ -	\$ 5,959,370
Licenses and permits				11,242	-	11,242
Unrestricted federal/state shared revenues				1,346,333	-	1,346,333
Interest/investment earnings				31,048	1,116	32,164
Miscellaneous				212,542	1,898	214,440
State on behalf payments				-	6,005	6,005
State Entitlement				1,044,189	-	1,044,189
Total general revenues, special items and transfers				\$ <u>8,604,724</u>	\$ <u>9,019</u>	\$ <u>8,613,743</u>
Change in net position				\$ <u>2,405,097</u>	\$ <u>(124,387)</u>	\$ <u>2,280,710</u>
Net position - beginning				\$ 13,765,860	\$ 898,562	\$ 14,664,422
Restatements				1,546	(14,947)	(13,401)
Net position - beginning - restated				\$ <u>13,767,406</u>	\$ <u>883,615</u>	\$ <u>14,651,021</u>
Net position - end				\$ <u>16,172,503</u>	\$ <u>759,228</u>	\$ <u>16,931,731</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 4,799,403	\$ 1,600,702	\$ 671,240	\$ 2,387,004	\$ 9,458,349
Taxes and assessments receivable, net	56,035	21,122	54,945	47,174	179,276
Due from other funds	60,304	-	-	-	60,304
Due from other governments	-	-	22,494	58,564	81,058
Inventories	14,120	251,029	-	26,861	292,010
Total current assets	<u>\$ 4,929,862</u>	<u>\$ 1,872,853</u>	<u>\$ 748,679</u>	<u>\$ 2,519,603</u>	<u>\$ 10,070,997</u>
Noncurrent assets:					
Restricted cash and investments	\$ 500	\$ -	\$ -	\$ -	\$ 500
Total noncurrent assets	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>
TOTAL ASSETS	<u><u>\$ 4,930,362</u></u>	<u><u>\$ 1,872,853</u></u>	<u><u>\$ 748,679</u></u>	<u><u>\$ 2,519,603</u></u>	<u><u>\$ 10,071,497</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 8,777	\$ -	\$ 41,243	\$ 10,838	\$ 60,858
Accrued payables	24,474	14,975	23,626	-	63,075
Due to other funds	-	-	-	60,304	60,304
Total current liabilities	<u>\$ 33,251</u>	<u>\$ 14,975</u>	<u>\$ 64,869</u>	<u>\$ 71,142</u>	<u>\$ 184,237</u>
Noncurrent liabilities:					
Deposits payable	\$ 1,247	\$ -	\$ -	\$ -	\$ 1,247
Total noncurrent liabilities	<u>\$ 1,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,247</u>
Total liabilities	<u><u>\$ 34,498</u></u>	<u><u>\$ 14,975</u></u>	<u><u>\$ 64,869</u></u>	<u><u>\$ 71,142</u></u>	<u><u>\$ 185,484</u></u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	\$ 56,035	\$ 21,122	\$ 54,945	\$ 47,174	\$ 179,276
Total deferred inflows of resources	<u>\$ 56,035</u>	<u>\$ 21,122</u>	<u>\$ 54,945</u>	<u>\$ 47,174</u>	<u>\$ 179,276</u>
FUND BALANCES					
Nonspendable	\$ 14,120	\$ 251,029	\$ -	\$ 26,861	\$ 292,010
Restricted	-	1,585,727	628,865	2,428,934	4,643,526
Unassigned fund balance	4,825,709	-	-	(54,508)	4,771,201
Total fund balance	<u>\$ 4,839,829</u>	<u>\$ 1,836,756</u>	<u>\$ 628,865</u>	<u>\$ 2,401,287</u>	<u>\$ 9,706,737</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u><u>\$ 4,930,362</u></u>	<u><u>\$ 1,872,853</u></u>	<u><u>\$ 748,679</u></u>	<u><u>\$ 2,519,603</u></u>	<u><u>\$ 10,071,497</u></u>

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, 2018

Total fund balances - governmental funds	\$	9,706,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,109,162
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.		179,276
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,566,301)
Proportionate share of ending collective net pension liability		(4,819,620)
Deferred outflows related to net pension liability		1,756,946
Deferred inflows related to net pension liability		(1,193,697)
Total net position - governmental activities	\$	<u><u>16,172,503</u></u>

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, 2018

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 2,126,044	\$ 676,189	\$ 1,650,031	\$ 1,415,902	\$ 5,868,166
Licenses and permits	750	-	10,492	-	11,242
Intergovernmental	1,582,325	1,409,772	186,998	730,469	3,909,564
Charges for services	273,207	117,182	322,431	562,764	1,275,584
Fines and forfeitures	70,196	-	-	2,800	72,996
Miscellaneous	143,279	21,545	24,487	45,026	234,337
Investment earnings	28,932	-	-	2,116	31,048
Total revenues	<u>\$ 4,224,733</u>	<u>\$ 2,224,688</u>	<u>\$ 2,194,439</u>	<u>\$ 2,759,077</u>	<u>\$ 11,402,937</u>
EXPENDITURES					
General government	\$ 2,239,015	\$ 1,739	\$ -	\$ 6,410	\$ 2,247,164
Public safety	1,000	-	2,111,377	429,810	2,542,187
Public works	-	1,523,463	-	525,067	2,048,530
Public health	237,094	-	-	167,975	405,069
Social and economic services	146,440	-	-	218,979	365,419
Culture and recreation	-	-	-	378,151	378,151
Housing and community development	10,838	-	-	-	10,838
Debt service - principal	-	143,316	50,950	31,180	225,446
Debt service - interest	-	29,040	8,455	1,719	39,214
Miscellaneous	205,589	-	-	6,360	211,949
Capital outlay	8,941	11,894	109,189	313,343	443,367
Total expenditures	<u>\$ 2,848,917</u>	<u>\$ 1,709,452</u>	<u>\$ 2,279,971</u>	<u>\$ 2,078,994</u>	<u>\$ 8,917,334</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,375,816</u>	<u>\$ 515,236</u>	<u>\$ (85,532)</u>	<u>\$ 680,083</u>	<u>\$ 2,485,603</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of general long term debt	\$ -	\$ -	\$ 61,010	\$ -	\$ 61,010
Transfers in	434,731	264,131	254,787	236,852	1,190,501
Transfers out	(194,279)	-	-	(996,222)	(1,190,501)
Total other financing sources (uses)	<u>\$ 240,452</u>	<u>\$ 264,131</u>	<u>\$ 315,797</u>	<u>\$ (759,370)</u>	<u>\$ 61,010</u>
Net Change in Fund Balance	<u>\$ 1,616,268</u>	<u>\$ 779,367</u>	<u>\$ 230,265</u>	<u>\$ (79,287)</u>	<u>\$ 2,546,613</u>
Fund balances - beginning	\$ 3,223,561	\$ 950,647	\$ 416,193	\$ 2,617,078	\$ 7,207,479
Restatements	-	106,742	(17,593)	(136,504)	(47,355)
Fund balances - beginning, restated	<u>\$ 3,223,561</u>	<u>\$ 1,057,389</u>	<u>\$ 398,600</u>	<u>\$ 2,480,574</u>	<u>\$ 7,160,124</u>
Fund balance - ending	<u>\$ 4,839,829</u>	<u>\$ 1,836,756</u>	<u>\$ 628,865</u>	<u>\$ 2,401,287</u>	<u>\$ 9,706,737</u>

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, 2018

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

Net change in fund balances - total governmental funds	\$ 2,546,613
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	443,367
- Depreciation expense	(735,306)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Recognition of On-behalf payments to Pension Plans	58,694
- Long-term receivables (deferred inflows related to taxes receivable)	91,205
The change in compensated absences is shown as an expense in the Statement of Activities	20,031
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	225,446
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	(61,010)
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.	(155)
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	(183,788)
Change in net position - Statement of Activities	\$ <u><u>2,405,097</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2018

		<u>Business-Type Activities - Enterprise Fund</u> <u>Solid Waste</u>
ASSETS		
Current assets:		
Cash and investments	\$	286,955
Taxes and assessments receivable, net		216,285
Total current assets	\$	<u>503,240</u>
Noncurrent assets:		
Capital assets - land	\$	177,608
Capital assets - construction in progress		288,078
Capital assets - depreciable, net		490,071
Total noncurrent assets	\$	<u>955,757</u>
Total assets	\$	<u>1,458,997</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	\$	89,160
Total deferred outflows of resources	\$	<u>89,160</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	<u><u>1,548,157</u></u>
 LIABILITIES		
Current liabilities:		
Accrued payables	\$	5,791
Current portion of long-term capital liabilities		9,733
Current portion of compensated absences payable		35,556
Total current liabilities	\$	<u>51,080</u>
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities	\$	17,150
Noncurrent portion of long-term capital liabilities		304,478
Noncurrent portion of compensated absences		11,852
Net pension liability		401,095
Total noncurrent liabilities	\$	<u>734,575</u>
Total liabilities	\$	<u>785,655</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	\$	3,274
Total deferred inflows of resources	\$	<u>3,274</u>
 NET POSITION		
Net investment in capital assets	\$	641,546
Unrestricted		117,682
Total net position	\$	<u>759,228</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>1,548,157</u></u>

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, 2018

	<u>Business-Type Activities - Enterprise Fund</u>		<u>Governmental</u>
	<u>Solid Waste</u>	<u>Totals</u>	<u>Activities</u> <u>Internal Service</u> <u>Funds</u>
OPERATING REVENUES			
Charges for services	\$ 163,650	\$ 163,650	\$ -
Miscellaneous revenues	1,898	1,898	-
Special assessments	820,528	820,528	-
Total operating revenues	<u>\$ 986,076</u>	<u>\$ 986,076</u>	<u>\$ -</u>
OPERATING EXPENSES			
Personal services	\$ 536,751	\$ 536,751	\$ -
Supplies	1,242	1,242	-
Purchased services	464,726	464,726	-
Fixed charges	17,608	17,608	-
Depreciation	94,307	94,307	-
Total operating expenses	<u>\$ 1,114,634</u>	<u>\$ 1,114,634</u>	<u>\$ -</u>
Operating income (loss)	<u>\$ (128,558)</u>	<u>\$ (128,558)</u>	<u>\$ -</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 6,005	6,005	\$ -
Interest revenue	1,116	1,116	-
Debt service interest expense	(2,950)	(2,950)	-
Total non-operating revenues (expenses)	<u>\$ 4,171</u>	<u>\$ 4,171</u>	<u>\$ -</u>
Income (loss) before contributions and transfers	<u>\$ (124,387)</u>	<u>\$ (124,387)</u>	<u>\$ -</u>
Change in net position	<u>\$ (124,387)</u>	<u>\$ (124,387)</u>	<u>\$ -</u>
Net Position - Beginning of the year	\$ 898,562	\$ 898,562	\$ (58,643)
Restatements	(14,947)	(14,947)	58,643
Net Position - Beginning of the year - Restated	<u>\$ 883,615</u>	<u>\$ 883,615</u>	<u>\$ -</u>
Net Position - End of the year	<u><u>\$ 759,228</u></u>	<u><u>\$ 759,228</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2018

		<u>Business - Type Activities - Enterprise Fund</u>
		<u>Solid Waste</u>
Cash flows from operating activities:		
Cash received from providing services	\$	951,088
Cash payments to suppliers		(483,576)
Other cash received		1,898
Cash payments to employees		(437,114)
Net cash provided (used) by operating activities	\$	<u>32,296</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$	(256,626)
Principal paid on debt		(9,432)
Interest paid on debt		(2,950)
Proceeds from bonds, loans and advances		231,448
Net cash provided (used) by capital and related financing activities	\$	<u>(37,560)</u>
Cash flows from non-capital financing activities:		
Cash received from other sources	\$	6,004
Net cash provided (used) from non-capital financing activities	\$	<u>6,004</u>
Cash flows from investing activities:		
Interest on investments	\$	1,116
Net cash provided (used) by investing activities	\$	<u>1,116</u>
Net increase (decrease) in cash and cash equivalents	\$	1,856
Cash and cash equivalents at beginning	\$	<u>285,099</u>
Cash and cash equivalents at end	\$	<u><u>286,955</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(128,558)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		94,307
Net Pension Liability		125,720
Other post-employment benefits		12,316
Changes in assets and liabilities:		
(Increase) Decrease in Accounts Receivable		(33,089)
(Increase) Decrease in Deferred Outflows - Pension		(42,721)
Increase (Decrease) in Deferred Inflows - Pensions		2,362
Increase (Decrease) in Accrued Payables		(6,487)
Increase (Decrease) in Compensated Absences Payable		8,446
Net cash provided (used) by operating activities	\$	<u><u>32,296</u></u>

See accompanying notes to the financial statements

Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2018

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 11,671,217	\$ 3,589	\$ 794,099
Taxes receivable	-	-	690,581
Total assets	<u>\$ 11,671,217</u>	<u>\$ 3,589</u>	<u>\$ 1,484,680</u>
LIABILITIES			
Warrants payable	\$ -	\$ -	\$ 961,923
Due to others	-	-	522,757
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,680</u>
NET POSITION			
Assets held in trust	<u>\$ 11,671,217</u>	<u>\$ 3,589</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, 2018

	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 15,768,402	\$ -
Investment earnings:		
Interest and change in fair value of investments	\$ 42,485	\$ -
Total additions	\$ 15,810,887	\$ -
DEDUCTIONS		
Distributions from investment trust fund	\$ 15,401,082	\$ -
Total deductions	\$ 15,401,082	\$ -
Change in net position	\$ 409,805	\$ -
Net Position - Beginning of the year	\$ 11,261,412	\$ 3,589
Net Position - End of the year	\$ 11,671,217	\$ 3,589

See accompanying Notes to the Financial Statements

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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 an 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, 2018

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 position are available.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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
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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.

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
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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, 2018, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,700
Cash in banks:	
Demand deposits	11,689,839
Savings deposits	740,000
Time deposits	9,783,170
Total	\$ <u><u>22,214,709</u></u>

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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 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, 2018 the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2018 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 12,284,594
- Collateral held by the pledging bank's trust department but not in the County's name	9,994,789
Total deposits and investments	\$ 22,279,383

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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, 2018 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.

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, 2018.

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Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 9,950,096
Equity of external pool participants	<u>11,671,217</u>
Total equity	<u><u>\$ 21,621,313</u></u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 42,485	\$ 34,917
Contributions to trust	15,768,402	14,740,258
Distributions paid	<u>(15,401,082)</u>	<u>(12,593,037)</u>
Net change in net position	\$ 409,805	\$ 2,182,138
Net position at beginning of year	<u>11,261,412</u>	<u>7,767,958</u>
Net position at end of year	<u><u>\$ 11,671,217</u></u>	<u><u>\$ 9,950,096</u></u>

Cash equivalents

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

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
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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 2018 Basic Financial Statements.

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

Governmental activities:

	<u>Balance</u>						<u>Balance</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>June 30, 2018</u>	
Capital assets not being depreciated:							
Land	\$ 2,345,924	\$ -	\$ -	\$ -	\$ -	\$ 2,345,924	
Construction in progress	780,843	7,000	-	-	(780,843)	7,000	
Total capital assets not being depreciated	\$ 3,126,767	\$ 7,000	\$ -	\$ -	\$ (780,843)	\$ 2,352,924	
Other capital assets:							
Buildings	\$ 2,907,641	\$ 18,406	\$ -	\$ -	\$ -	\$ 2,926,047	
Improvements other than buildings	8,991,578	-	-	-	780,843	9,772,421	
Machinery and equipment	9,714,580	417,961	(334,489)	262,166	-	10,060,218	
Total other capital assets at historical cost	\$ 21,613,799	\$ 436,367	\$ (334,489)	\$ 262,166	\$ 780,843	\$ 22,758,686	
Less: accumulated depreciation	\$ (12,575,743)	\$ (735,306)	\$ 334,489	\$ (25,888)	\$ -	\$ (13,002,448)	
Total	\$ 12,164,823	\$ (291,939)	\$ -	\$ 236,278	\$ -	\$ 12,109,162	

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 32,728
Public safety	103,817
Public works	559,756
Culture and recreation	<u>39,005</u>
Total governmental activities depreciation expense	<u>\$ 735,306</u>

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

Business-type activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:			
Land	\$ 177,608	\$ -	\$ 177,608
Construction in progress	52,001	236,077	288,078
Total capital assets not being depreciated	<u>\$ 229,609</u>	<u>\$ 236,077</u>	<u>\$ 465,686</u>
Other capital assets:			
Buildings	\$ 398,473	\$ -	\$ 398,473
Improvements other than buildings	24,583	-	24,583
Machinery and equipment	1,778,897	20,550	1,799,447
Total other capital assets at historical cost	<u>\$ 2,201,953</u>	<u>\$ 20,550</u>	<u>\$ 2,222,503</u>
Less: accumulated depreciation	<u>\$ (1,638,125)</u>	<u>\$ (94,307)</u>	<u>\$ (1,732,432)</u>
Total	<u>\$ 793,437</u>	<u>\$ 162,320</u>	<u>\$ 955,757</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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Governmental Activities:

	Balance				Balance June 30, 2018	Due Within One Year
	July 1, 2017	Additions	Deletions	Restatements		
Contracted debt	\$ 400,000	\$ -	\$ (100,000)	\$ -	\$ 300,000	\$ 100,000
Compensated absences	409,685	-	(20,031)	-	389,654	292,240
Intercap loans	76,573	-	(31,178)	-	45,395	22,662
Capital leases	554,271	61,010	(94,266)	220,198	741,213	111,495
Net pension liability*	5,507,032	-	(687,412)	-	4,819,620	-
Other post-employment benefits**	64,218	-	-	25,822	90,040	-
Total	\$ 7,011,779	\$ 61,010	\$ (932,887)	\$ 246,020	\$ 6,385,922	\$ 526,397

*See Note 8
**See Note 7

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

Business-type Activities:

	Balance			Balance June 30, 2018	Due Within One Year
	July 1, 2017	Additions	Deletions		
Bond anticipation notes	\$ -	\$ 231,448	\$ -	\$ 231,448	\$ -
Compensated absences	38,962	8,446	-	47,408	35,556
Capital leases	88,976	3,219	(9,432)	82,763	9,733
Net pension liability*	275,375	125,720	-	401,095	-
Other post-employment benefits**	4,834	12,316	-	17,150	-
Total	\$ 408,147	\$ 381,149	\$ (9,432)	\$ 779,864	\$ 45,289

*See Note 8
**See Note 7

Bond Anticipation Note

Bond anticipation note outstanding as of June 30, 2018 was as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2018
Transfer station	11/1/17	2.550	2 yrs	10/19/19	\$ <u>250,000</u>	\$ <u>231,448</u>

Reported in the business activities.

SANDERS COUNTY, MONTANA
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For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ -
2020	<u>231,448</u>	<u>11,804</u>
Total	<u>\$ 231,448</u>	<u>\$ 11,804</u>

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2018 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, 2018</u>
Gravel pit purchase	7/28/16	4.00%	5 yrs	7/28/21	\$ <u>400,000</u>	\$ <u>300,000</u>
Reported in the governmental activities.						

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 100,000	\$ 10,196
2020	100,000	10,196
2021	<u>100,000</u>	<u>10,196</u>
Total	<u>\$ 300,000</u>	<u>\$ 30,588</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th 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, 2018 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, 2018</u>
#2212 - Fairgrounds Area Holding Pens Upgrade	7/11/08	1.00-4.25%	10 yrs	8/15/18	\$ 140,941	\$ 7,784
#2328 - Concession Stand/Fairgrounds Imp. Draws 1-2	7/30/10	1.00-1.95%	10 yrs	8/15/20	<u>140,556</u>	<u>37,611</u>
Total					<u>\$ 281,497</u>	<u>\$ 45,395</u>

Reported in the governmental activities.

SANDERS COUNTY, MONTANA
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Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2019	\$ 22,662	\$ 371
2020	14,772	185
2021	7,961	37
Total	<u>\$ 45,395</u>	<u>\$ 593</u>

Capital Leases

The County has entered into a 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, 2018 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Term of Bond</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Remaining Payments as of June 30, 2018</u>
2-2016 Dodge Rams (1)	6/15/16	15.39%	4 yrs	6/14/20	\$ 54,598	\$ 14,520
RD #1 Motor Grader (1)	3/10/16	3.20%	5 yrs	3/10/21	219,348	199,937
RD #2 Motor Grader (1)	11/16/16	2.25%	5 yrs	10/16/21	245,723	208,263
RD #3 Motor Grader (1)	3/10/16	3.20%	5 yrs	3/10/21	243,003	212,137
2017 Dodge Durango (1)	2/1/17	3.30%	4 yrs	2/1/21	30,642	14,925
2017 Dodge Rams (1)	2/1/17	3.40%	4 yrs	2/1/21	61,010	30,421
2018 Dodge Rams (1)	12/7/18	8.16%	4 yrs	5/21/21	61,010	61,010
Caterpillar Backhoe	4/12/16	3.20%	5 yrs	4/21/21	<u>113,417</u>	<u>82,763</u>
Loader (2)						
Total					<u>\$1,028,751</u>	<u>\$ 823,976</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2019	\$ 121,228	\$ 24,838
2020	156,510	20,386
2021	392,926	16,855
2022	153,312	288
Total	<u>\$ 823,976</u>	<u>\$ 62,367</u>

SANDERS COUNTY, MONTANA
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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. 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	3
Active employees	87
Total employees	<u>90</u>

Total OPEB Liability

The County's total OPEB liability of \$107,190 at June 30, 2018, and was determined by using the alternative measurement method as of that date.

SANDERS COUNTY, MONTANA
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Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 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
Present Value Discount rate	2.70%
Expected rate of retirees electing coverage	20%
Estimated payroll growth rate	3.73%
Percentage of coverage for retirees	0%
Percentage of coverage for active employees/spouses	100%
Contributions to OPEB trust	0%
Annual Health Care Inflation Rate	4.65%

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

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	\$ 12,316
Restatement	<u>25,822</u>
Net Changes	\$ <u>38,138</u>
Balance at 6/30/2018	\$ <u>107,190</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 (1.70%)	Discount Rate (2.70%)	1% Increase (3.70%)
Total OPEB Liability \$	123,769	\$ 107,190	\$ 93,227

SANDERS COUNTY, MONTANA
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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% <u>Decrease</u>	Healthcare <u>Cost Trends*</u>	1% <u>Increase</u>
Total OPEB Liability \$	90,326	\$ 107,190	\$ 127,891

**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, 2018, the County recognized an OPEB expense of \$12,316. 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.

NOTE 8. 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).

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

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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.

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and

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- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

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- 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

Service retirement:

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

Early retirement:

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

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

- HAC = Highest Average Compensation
- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% 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 and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;

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- 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. 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.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
- 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

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

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2010-2018	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

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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>.

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) and 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. 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, 2018 (reporting dates).

	PERS NPL as of 6/30/2017	PERS NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2018	SRS NPL as of 6/30/2017	SRS NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2018	Total Collective NPL as of 6/30/2018	Percent Totals as of 6/30/2018
Employer Proportionate Share	\$ 3,769,349	4,321,466	0.22190%	\$ 2,013,058	\$ 899,249	1.1817%	\$ 5,220,715	1.4036%
State of Montana Proportionate Share associated with Employer	46,057	54,016	0.2753%	-	-	-	54,016	0.0023%
Total	\$ <u>3,815,406</u>	\$ <u>4,375,482</u>	<u>0.4972%</u>	\$ <u>2,013,058</u>	\$ <u>899,249</u>	<u>1.1817%</u>	\$ <u>5,274,731</u>	<u>1.4059%</u>

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At June 30, 2018, the employer recorded a liability of \$5,220,715 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, 2017. 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, 2018, the employer's proportion was 1.4036 percent.

Changes in actuarial assumptions and methods:

PERS

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

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

SRS

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

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

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

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

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

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

Changes in benefit terms:

PERS

Effective July 1, 2017, the following benefit changes were:

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

SRS

Effective July 1, 2017, the following benefit changes were:

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer’s reporting date there were some changes in proportion that may have an effect on the employer’s proportionate share of the collective NPL.

Pension Expense as of 6/30/18

	PERS	SRS	Total
Employer Proportionate Share	\$ 482,059	68,587	\$ 550,646
State of Montana Proportionate Share associated with the Employer	64,699	-	64,699
Total	\$ 546,758	\$ 68,587	\$ 615,345

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At June 30, 2018, the employer recognized a Pension Expense of \$615,345 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$64,699 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, 2018, the employer recognized a beginning deferred outflow of resources for the employer's FY 2017 contributions of \$337,617.

Deferred Inflows and Outflows

At June 30, 2018, 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:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 106,424	\$ 6,255	\$ 5,902	\$ 2,767	\$ 112,326	\$ 9,022
Actual vs. Expected Investment Earnings	-	29,023	-	11,038	-	40,061
Changes in Assumptions	590,699	-	701,796	1,147,888	1,292,495	1,147,888
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	20,618	-	62,675	-	83,293	-
Employer contributions subsequent to the measurement date - FY18	242,892	-	115,100	-	357,992	-
Total	\$ 960,633	\$ 35,278	\$ 885,473	\$ 1,161,693	\$ 1,846,106	\$ 1,196,971

*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, 2018.

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

Deferred Inflows and Outflows

PERS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ 153,077
2020	\$ 337,920
2021	\$ 262,828
2022	\$ (91,980)
2023	\$ -
Thereafter	\$ -

SRS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ (133,476)
2020	\$ (79,289)
2021	\$ (100,424)
2022	\$ (140,805)
2023	\$ -
Thereafter	\$ -

Actuarial Assumptions

PERS

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

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%

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- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%

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
- 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, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

SRS

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

- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Investment Return (net of admin expense) 7.65%
- Admin Expense as a % of Payroll 0.21%

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, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

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Discount Rate

PERS

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

SRS

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

PERS, 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		2.75%
	Portfolio Return Expectation		7.12%

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The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized above. The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

		1.0%		Current		1.0%
		<u>Decrease</u>		<u>Discount Rate</u>		<u>Increase</u>
PERS	\$	6,293,846	\$	4,321,466	\$	2,665,803
SRS	\$	1,587,857	\$	899,249	\$	335,883

PERS, SRS

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

Summary of Significant Accounting Policies

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

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NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2018, was as follows:

<u>Purpose</u>	Due to/from other funds:		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
To clear negative cash	General – Major Governmental	Law Enforcement Block Grant – Nonmajor Governmental	\$ 20,817
To clear negative cash	General – Major Governmental	Trails Grant – Nonmajor Governmental	15,750
To clear negative cash	General – Major Governmental	Special Projects – Nonmajor Governmental	17,941
To clear negative cash	General – Major Governmental	Tobacco – Nonmajor Governmental	<u>5,796</u>
			<u>\$ 60,304</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2018:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To move cash back, as it was not needed	General – Major Governmental	Paradise Improvement – Nonmajor Governmental	\$ 25,000
Residual Equity Transfer	General – Major Governmental	National Highway Traffic Safety – Nonmajor Governmental	54
Permissive Mill Levy	General – Major Governmental	Permissive – Nonmajor Governmental	409,323
Residual Equity Transfer	General – Major Governmental	PERS – Nonmajor Governmental	88
Residual Equity Transfer	General – Major Governmental	Health Ins – Nonmajor Governmental	228
Residual Equity Transfer	General – Major Governmental	Old Welfare – Nonmajor Governmental	38
Permissive Mill Levy	Road – Major Governmental	Permissive – Nonmajor Governmental	264,131
Residual Equity Transfer	Comprehensive Insurance – Nonmajor Governmental	General – Major Governmental	136,303

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Permissive Mill Levy	Public Safety – Major Governmental	Permissive – Nonmajor Governmental	250,755
Sheriffs SRS Levy Transfer	Public Safety – Major Governmental	SRS Permissive Levy– Nonmajor Governmental	4,032
Eliminate the deficit fund balance	Record Preservation – Nonmajor Governmental	General – Major Governmental	3,839
Create the new fund for better tracking	Subdivision Water Supply – Nonmajor Governmental	General – Major Governmental	48,537
Changing District Boundaries	Paradise Improvement – Nonmajor Governmental	General – Major Governmental	5,600
Eliminate the deficit fund balance	Noxious Weed – Nonmajor Governmental	Weed Control – Nonmajor Governmental	25,500
Move backpack activity to a new and separate fund	Backpack Program – Nonmajor Governmental	Public Health Misc. Grants – Nonmajor Governmental	4,073
Future Library capital improvements	Library Capital Improvement– Nonmajor Governmental	Library – Nonmajor Governmental	<u>13,000</u>
			<u>\$ 1,190,501</u>

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.

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

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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	\$ 14,120	Inventory
Road	251,029	Inventory
All Other Aggregate	<u>26,861</u>	Inventory
	<u>\$ 292,010</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 1,585,727	Road maintenance
Public Safety	628,865	Law enforcement
All Other Aggregate	119,910	Bridge maintenance
	101,994	Weed control
	1,586	Miscellaneous
	117,269	Fair activities and services
	260,349	Airport services
	584,019	Public wellness and safety
	95,488	Park and recreation
	19,760	Library services
	41,076	Senior living
	347,878	Law enforcement
	436,235	Local conservation
	83,456	Road maintenance
	29,272	Invasive species control
	95,033	Community development
	74,321	Capital improvements
	<u>21,288</u>	Endowment
	<u>\$ 4,643,526</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>
Law Enforcement Block Grant	\$ (20,871)	Interfund Payable	Transfer
Trails Grant	(15,750)	Interfund Payable	Transfer
Special Projects	<u>(17,941)</u>	Interfund Payable	Transfer
Total	<u>\$ (54,508)</u>		

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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>	Amount	<u>Reason for Adjustment</u>
Road	\$ (26,390)	To close out Internal Service Fund allocating the FY17 deficit
Road	133,132	Understated cash due to expenditures being paid out of this fund instead of Fuel Tax Fund
Public Safety	(17,593)	To close out Internal Service Fund allocating the FY17 deficit
Weed Control	(2,932)	To close out Internal Service Fund allocating the FY17 deficit
Fuel Tax	(133,132)	Cash overstated due to expenditures being paid out of the Road fund instead of this fund
JMV Capital Improvements	(440)	Understated prior year payable
Internal Service	58,643	To close out Internal Service Fund allocating the FY17 deficit
Solid Waste	(11,728)	To close out Internal Service Fund allocating the FY17 deficit
Solid Waste	(3,219)	Understated prior year capital liabilities
Government-wide - Governmental	236,278	Grader purchased in prior year was not included in capital assets.
Government-wide - Governmental	(220,198)	Understated Capital liabilities due to unrecorded grader in PY
Government-wide- Governmental	<u>(25,822)</u>	Changes in assumptions used in the OPEB calculation
Total	\$ <u>(13,401)</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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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 evaluation as to the outcome of each case is documented below.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Judith H. Beaudet v. Sanders County</i>	Unknown	Not Likely

NOTE 18. SUBSEQUENT EVENTS

On January 27, 2019 Sanders County Road District 3 experienced a fire at the shop located at 3983 MT Hwy 200, Trout Creek, Montana. There was extensive damage to the road shop building and three vehicles.

The insurance valued the building at \$367,546.20. On March 11, 2019, Sanders County received an insurance payment of \$267,546.20 for the building. MACO is expected to pay the remaining amount less a \$2,500 deductible. As of March 14, 2019, the truck values are still pending.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,163,469	\$ 2,163,469	\$ 2,126,044	\$ (37,425)
Licenses and permits	600	600	750	150
Intergovernmental	18,070	18,070	291,296	273,226
Charges for services	279,065	279,065	273,207	(5,858)
Fines and forfeitures	67,130	67,130	70,196	3,066
Miscellaneous	172,190	172,190	143,278	(28,912)
Investment earnings	16,000	16,000	28,932	12,932
Amounts available for appropriation	\$ 2,716,524	\$ 2,716,524	\$ 2,933,703	\$ 217,179
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,578,350	\$ 2,582,521	\$ 2,239,015	\$ 343,506
Public safety	2,100	2,100	1,000	1,100
Public health	285,801	285,801	237,094	48,707
Social and economic services	160,462	160,462	146,440	14,022
Housing and community development	-	-	10,838	(10,838)
Miscellaneous	328,511	328,511	205,589	122,922
Capital outlay	957,259	957,259	8,941	948,318
Total charges to appropriations	\$ 4,312,483	\$ 4,316,654	\$ 2,848,917	\$ 1,467,737
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 334,361	\$ 334,361
Transfers out	(100,000)	(100,000)	(194,279)	(94,279)
Total other financing sources (uses)	\$ (100,000)	\$ (100,000)	\$ 140,082	\$ 240,082
Net change in fund balance			\$ 224,868	
Fund balance - beginning of the year			\$ 3,223,561	
Fund balance - end of the year			\$ 3,448,429	

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,094,139	\$ 1,094,139	\$ 676,189	\$ (417,950)
Intergovernmental	176,268	176,268	1,409,772	1,233,504
Charges for services	113,063	113,063	117,182	4,119
Miscellaneous	10,000	10,000	21,545	11,545
Amounts available for appropriation	\$ 1,393,470	\$ 1,393,470	\$ 2,224,688	\$ 831,218
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 5,750	\$ 5,750	\$ 1,739	\$ 4,011
Public works	1,951,053	1,951,053	1,523,463	427,590
Debt service - principal	63,000	63,000	143,316	(80,316)
Debt service - interest	-	-	29,040	(29,040)
Capital outlay	166,500	166,500	11,894	154,606
Total charges to appropriations	\$ 2,186,303	\$ 2,186,303	\$ 1,709,452	\$ 476,851
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 25,000	\$ 25,000	\$ 264,131	\$ 239,131
Total other financing sources (uses)	\$ 25,000	\$ 25,000	\$ 264,131	\$ 239,131
Net change in fund balance			\$ 779,367	
Fund balance - beginning of the year			\$ 950,647	
Restatements			106,742	
Fund balance - beginning of the year - restated			\$ 1,057,389	
Fund balance - end of the year			\$ 1,836,756	

Sanders County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

Public Safety				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,787,698	\$ 1,787,698	\$ 1,650,031	\$ (137,667)
Licenses and permits	11,000	11,000	10,492	(508)
Intergovernmental	14,800	14,800	186,998	172,198
Charges for services	280,522	280,522	322,431	41,909
Miscellaneous	11,580	11,580	24,487	12,907
Amounts available for appropriation	<u>\$ 2,105,600</u>	<u>\$ 2,105,600</u>	<u>\$ 2,194,439</u>	<u>\$ 88,839</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 2,175,950	\$ 2,175,950	\$ 2,111,377	\$ 64,573
Debt service - principal	-	-	50,950	(50,950)
Debt service - interest	-	-	8,455	(8,455)
Capital outlay	217,468	217,468	109,189	108,279
Total charges to appropriations	<u>\$ 2,393,418</u>	<u>\$ 2,393,418</u>	<u>\$ 2,279,971</u>	<u>\$ 113,447</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 61,010	\$ 61,010
Transfers in	-	-	254,787	254,787
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,797</u>	<u>\$ 315,797</u>
Net change in fund balance			<u>\$ 230,265</u>	
Fund balance - beginning of the year			\$ 416,193	
Restatements			<u>(17,593)</u>	
Fund balance - beginning of the year - restated			<u>\$ 398,600</u>	
Fund balance - end of the year			<u>\$ 628,865</u>	

**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>Public Safety</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,933,703	\$ 2,224,688	\$ 2,194,439
Combined funds (GASBS 54) revenues	<u>1,291,030</u>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 4,224,733</u>	<u>\$ 2,224,688</u>	<u>\$ 2,194,439</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 2,848,917</u>	<u>\$ 1,709,452</u>	<u>\$ 2,279,971</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,848,917</u>	<u>\$ 1,709,452</u>	<u>\$ 2,279,971</u>

Sanders County, Montana
Schedule of Changes in the Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability			
Service Cost	\$ 12,316	\$ -	\$ 6,106
Net change in total OPEB liability	12,316	-	6,106
Total OPEB Liability - beginning	69,052	69,052	864,050
Restatement	25,822	-	(801,105)
Total OPEB Liability - ending	\$ <u>107,190</u>	\$ <u>69,052</u>	\$ <u>69,052</u>
Covered-employee payroll	\$ 3,435,487	\$ 3,127,928	\$ 3,127,928
 Total OPEB liability as a percentage of covered -employee payroll	 3%	 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 third year of implementation only three years of data is available.*

Sanders County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.2219%	0.2213%	0.2194%	0.2183%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,321,466	\$ 3,769,349	\$ 3,066,971	\$ 2,720,291
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>54,016</u>	<u>46,057</u>	<u>37,672</u>	<u>33,219</u>
Total	<u>\$ 4,375,482</u>	<u>\$ 3,815,406</u>	<u>\$ 3,104,643</u>	<u>\$ 2,753,510</u>
Employer's covered payroll	\$ 2,752,489	\$ 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	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.71%	78.40%	79.87%
	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	1.1817%	1.1459%	1.1577%	1.0855%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Total	<u>\$ 899,249</u>	<u>\$ 2,013,058</u>	<u>\$ 1,116,043</u>	<u>\$ 451,745</u>
Employer's covered payroll	\$ 884,158	\$ 808,915	\$ 787,786	\$ 702,009
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	81.30%	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, 2018

	PERS		PERS		PERS		PERS
	2018		2017		2016		2015
Contractually required contributions	\$ 242,893	\$	230,387	\$	221,558	\$	210,993
Contributions in relation to the contractually required contributions	\$ 242,893	\$	230,387	\$	223,547	\$	212,354
Contribution deficiency (excess)	\$ -	\$	-	\$	-	\$	-
District's covered payroll	\$ 2,867,686	\$	2,752,489	\$	2,650,677	\$	2,560,475
Contributions as a percentage of covered payroll	8.47%		8.37%		8.43%		8.29%
	SRS		SRS		SRS		SRS
	2018		2017		2016		2015
Contractually required contributions	\$ 115,100	\$	89,433	\$	83,840	\$	79,912
Contributions in relation to the contractually required contributions	\$ 115,100	\$	89,433	\$	83,840	\$	79,912
Contribution deficiency (excess)	\$ -	\$	-	\$	-	\$	-
District's covered payroll	\$ 877,621	\$	884,158	\$	808,915	\$	787,786
Contributions as a percentage of covered payroll	13.115%		10.12%		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, 2018

PERS

Changes of Benefit Terms

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

2015 Legislative Changes:

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

Second Retirement Benefit – for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

1) 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.

2) 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.

3) 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 the 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 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes:

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

Working Retiree Limitations – for PERS

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, 2018

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

Terminating Employers – Recovery of actuary costs – for PERS

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

Refunds

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

Family Law Orders

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

Disabled PERS Defined Contribution (DC) Members

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

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

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

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

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, 2018

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

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

SRS

Changes of Benefit Terms

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

2015 Legislative Changes: none

2017 Legislative Changes:

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

Second Retirement Benefit – for SRS

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

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, 2018

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

Refunds

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

Family Law Orders

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

SRS Funding – House Bill 383, effective July 1, 2017

Increase in SRS Employee and Employer Contributions

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

SINGLE AUDIT SECTION

Sanders County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<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>
Other Programs			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Department of Homeland Affairs</i>			
Emergency Management Performance Grants	97.042	EMD-2017-EP-00003	\$ 13,024
Emergency Management Performance Grants	97.042	EMD-2016-EP-00002	11,310
Total Department of Homeland Security			\$ 24,334
<u>United States Department of Justice</u>			
<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	\$ 50,825
Total United States Department of Justice			\$ 50,825
<u>Department of Transportation</u>			
<i>Passed through Montana Fish Wildlife and Parks</i>			
Recreational Trails Program	20.219	RTP2017-35	\$ 2,739
Total Department of Transportation			\$ 2,739
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	18-07-6-11-047-0	\$ 31,689
Immunization Cooperative Agreements	93.268	18-07-4-31-141-0	3,411
Immunization Cooperative Agreements	93.268	17-07-4-31-141-0	3,412
Maternal and Child Health Services Block Grants to the States	93.994	18-07-5-01-045-0	8,189
Maternal and Child Health Services Block Grants to the States	93.994	17-07-5-01-045-0	2,187
Total Department of Health and Human Services			\$ 48,888
<u>United States Department of Agriculture</u>			
<i>Passed through Montana Department of Health and Human Services</i>			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	18-07-5-21-017-0	\$ 43,251
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	17-07-5-21-017-0	28,916
<i>Passed through Montana State Auditors Office</i>			
Schools and Roads - Grants to States	10.665	N/A	1,017,262
<i>Passed through Montana Department of Agriculture</i>			
Forest Health Protection	10.680	MDA 2017-025	19,027
Forest Health Protection	10.680	MDA 2016-704	5,786
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Forest Health Protection	10.668	FHE-14-003	18,000
Total United States Department of Agriculture			\$ 1,132,242
Total Other Programs			\$ 1,259,028
Total Federal Financial Assistance			\$ 1,259,028

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, 2018

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Sanders County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Sanders County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Sanders County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Sanders County has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

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

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

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, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated March 22, 2019.

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 Sanders County’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 identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as items 2018-001, 2018-002 and 2018-003.

Compliance and Other Matters

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

Sander County's Response to Findings

Sander County's response to the findings identified in our audit is described in the Auditee's 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.

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

March 22, 2019

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, 2018. 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, 2018.

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.

Derring, Downey and Associates, CPA's, P.C.

March 22, 2019

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

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

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>
10.665	School 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

2018-001 Road Inventory

Condition:

Change in inventory in the Road fund was not adjusted to expenditures.

Context:

While testing the client prepared financials, we noted that the change in inventory was coded directly to non-spendable fund balance instead of expenditures.

Criteria:

Under the modified accrual basis of accounting, inventory items should be recorded as an expenditure when consumed. As such, adjustment to inventory would then be adjusted to expenditures of the current year.

Effect:

Expenditures in the Road fund were overstated by \$167,358. This was corrected for financial reporting purposes.

Cause:

The change in inventory was coded directly to non-spendable fund balance.

Recommendation:

The change in inventory should be adjusted through expenditures.

2018-002 Restatements

Condition:

The County overstated restatements and understated transfers between funds regarding the Permissive Medical Levy.

Context:

As part of the audit, we test restatements to determine if there was an actual error in a prior year that created the restatement. We found that there was a restatement completed in the General, Road, and Permissive Medical Levy Funds. Upon investigation we found that the intent of the restatement to move the cash out of the Permissive Medical Levy Fund that had not been transferred out in prior years. The issue then was to determine if this was in fact an error in a prior year. Only errors in prior years can be reported as a restatement.

Criteria:

It is recommended that the permissive monies levied be transferred out to the funds in which pay for the medical insurance, however, it is not required. As such, there is no actual error in a prior year to justify a restatement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

In the General and Road Funds, restatements were overstated and transfers in were understated by \$100,370 and \$114,110, respectively. In the Permissive Medical Levy Fund, restatements and transfers out were overstated by \$214,481. This was corrected for financial reporting purposes.

Cause:

The County completed the restatements for the amounts that they attributed to transfers not being made during fiscal year 2015.

Recommendation:

We recommend the County transfer the monies levied for Permissive Medical to the funds that pay the medical expenditures. If the County determines not to do so, then use transfers in future years to move the cash out of the Permissive Medical Levy Fund instead of using restatements.

2018-003 Comprehensive Insurance

Condition:

The General Fund paid the comprehensive insurance payment for full amount. Subsequently, the County recorded expenditures in other funds for their proportionate share of the payment and recorded reimbursements from these funds as revenues in the General Fund.

Context:

While testing expenditures, we noted that the General Fund paid the full amount of the comprehensive insurance payment. While testing revenues, we noted a large comprehensive insurance reimbursement showing as revenue in the General Fund. In testing that revenue, we found that instead of moving the portion of the expenditures out of the General Fund and into the other funds, the County left the expenditures in the General Fund and also recorded the expenditures in the other funds overstating the expenditures. To move the cash back to the General Fund, the County recorded the offset of cash to comprehensive insurance reimbursement revenue.

Criteria:

Allocation of expenditures would require that the County either moves the portion of the expenditures out of the General Fund and into applicable other funds for their proportionate share or complete transfers to reimburse the General Fund.

Effect:

The General Fund revenues and expenditures were overstated by \$122,929, This was corrected for financial reporting purposes.

Cause:

When completing the journal voucher to allocate the comprehensive insurance expenditures applicable to funds other than the General fund, the County did not take into account that the expenditures were already fully recognized in the General Fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

We recommend the expenditures applicable to the other funds be moved out of the General fund and into those funds. The County could also reimburse the General fund through transfers.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

Denning, Downey & Associates, P.C.
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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Sanders County
Thompson Falls, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Exceeding Budgetary Authority	Implemented
Increases Budgetary Authority	Implemented

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

March 22, 2019



NICHOL SCRIBNER

Clerk & Recorder-Treasurer-Elections Administrator

County Superintendent of Schools

Sanders County

PO Box 519

Thompson Falls, MT 59873

406-827-6922

Contact Person:

Jessica Connolly, Chief Financial Officer

Expected Completion Date of Corrective Action Plan:

June 30, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-001: Road Inventory

Response:

The county does not agree with this finding. The purchase method was used on the fund financial statements; however, since inventory was significant, the year ending balance was recorded as an asset and a change in inventory line item was added to fund balance. This was added as a footnote to the financial statement. On the government wide financials, the consumption method was used, and the difference included in the reconciliation of governmental funds to governmental activities. In the "Guide to Implementation of GASB Statement 34 and Related Pronouncements", Questions and Answers section #23 address this issue.

23. *Q*—Are governments required to use the "consumption" method of accounting for inventories in the government-wide statement of net assets?

A—Yes. The consumption method of inventory accounting is consistent with the economic resources measurement focus and the accrual basis of accounting required in the government-wide statements. Thus, if the government uses the purchases method in its governmental funds and the consumption method produces different results, the difference should be included in the reconciliations of governmental funds to governmental activities.

Furthermore, the County prefers the purchase method for the fund financials, since it better reflects actual expenditures for budgeting purposes.

FINDING 2018-002: Restatements

Response:

The County does not agree with this finding. We consider the restatement to be correct, since it is correcting an error in the financial statements reported for a prior period. In FY 2015 the County, in error, did not transfer funds out of the permissive health fund. This error caused cash reserves to be in excess of allowed limits and resulted in overstated cash in the permissive health levy fund and understated cash in other funds. The failure to make the transfer in FY 2015 was brought to the County's attention by the auditors and was presented to them as an error. In FY 2018 the County booked this missed prior year transfer as a prior period adjustment.

FINDING 2018-003: Comprehensive Insurance

Response:

The County agrees with this finding and will have it corrected no later than June 30, 2019.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2017-001: Exceeding Budget Authority

Response: Implemented

FINDING 2017-002: Increases in Budget Authority

Response: Implemented