

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

AUDIT REPORT

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

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor's Report	9-11
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	12
Statement of Activities	13
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Fund Types	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types	19
Statement of Cash Flows – Proprietary Fund Types	20
Statement of Net Position – Fiduciary Fund Types	21
Statement of Changes in Net Position – Fiduciary Fund Types	22
Notes to Financial Statements	23-56
Required Supplemental Information	
Budgetary Comparison Schedule	57-59
Budgetary Comparison Schedule - Budget-to-GAP Reconciliation	60
Schedule of Changes in the Total OPEB Liability and Related Ratios	61
Schedule of Proportionate Share of the Net Pension Liability	62
Schedule of Contributions	63
Notes to Required Pension Supplementary Information	64-67
Single Audit Section	
Schedule of Expenditures of Federal Awards	68
Notes to the Schedule of Expenditures of Federal Awards	69

SANDERS COUNTY, MONTANA

TABLE OF CONTENTS – Continued

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	70-71
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	72-73
Schedule of Findings and Questioned Costs	74-75
Report on Prior Audit Recommendations	76
Auditee’s Corrective Action Plan	77

SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2019

BOARD OF COUNTY COMMISSIONERS ETC.

Carol Brooker	Commissioner
Glen E. Magera	Commissioner
Anthony B. Cox	Presiding Officer

COUNTY OFFICIALS

Nichol Scribner	Clerk & Recorder/Treasurer/Superintendent of Schools
Candace "Candy" Fisher	Clerk of Court
Tom Rummel	Sheriff
Douglas S. Dryden	Justice of the Peace
Naomi Leisz	County Attorney

Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019

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, 2019. 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 for governmental activities 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.

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.

**Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019**

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			
	FY19	FY18	Change Inc (Dec)	% Change	FY19	FY18	Change Inc (Dec)	% Change
Current and other assets	\$ 13,316,154	\$ 11,768,140	\$ 1,548,014	13.2%	\$ 565,130	\$ 592,400	\$ (27,270)	-4.6%
Capital assets	12,086,651	12,109,162	(22,511)	-0.2%	1,667,650	955,757	711,893	74.5%
Total assets	<u>\$ 25,402,805</u>	<u>\$ 23,877,302</u>	<u>\$ 1,525,503</u>	6.4%	<u>\$ 2,232,780</u>	<u>\$ 1,548,157</u>	<u>\$ 684,623</u>	44.2%
Long-term debt outstanding	\$ 1,366,104	\$ 1,566,302	\$ (200,198)	-12.8%	\$ 1,143,239	\$ 378,769	\$ 764,470	201.8%
Other liabilities	6,883,700	6,138,497	745,203	12.1%	391,152	410,160	(19,008)	-4.6%
Total liabilities	<u>\$ 8,249,804</u>	<u>\$ 7,704,799</u>	<u>\$ 545,005</u>	7.1%	<u>\$ 1,534,391</u>	<u>\$ 788,929</u>	<u>\$ 745,462</u>	94.5%
Net investment in capital assets	\$ 11,234,200	\$ 11,022,554	\$ 211,646	1.9%	\$ 583,582	\$ 641,546	\$ (57,964)	-9.0%
Restricted	4,722,694	5,058,778	(336,084)	-6.6%	-	-	-	-
Unrestricted (deficit)	1,196,107	91,171	1,104,936	1211.9%	114,807	117,682	(2,875)	-2.4%
Total net position	<u>\$ 17,153,001</u>	<u>\$ 16,172,503</u>	<u>\$ 980,498</u>	6.1%	<u>\$ 698,389</u>	<u>\$ 759,228</u>	<u>\$ (60,839)</u>	-8.0%

Governmental Activities:

Net position of the County's governmental activities increased \$980,498 or 6.1 percent in 2019. This is primarily due a decrease in net pension liability of \$773,707 in fiscal year 2019. In addition, the county created a capital projects funds in fiscal year 2019, funded by a \$925,000 transfer from the general fund.

Business Type Activities:

Net position of the County's business type activities decreased \$60,839 or 8 percent in 2019. This is not due to any particular item, rather a combination. Net pension liability decreased from \$401,095 to \$320,947 or \$80,148, while capital assets and bond anticipation note liability increased due to the construction of the solid waste transfer site.

**Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019**

Changes in Net Position

Table 2 - Changes in Net Position

	Governmental Activities				Business-type Activities			
	FY19	FY18	Change Inc (Dec)	% Change	FY19	FY18	Change Inc (Dec)	% Change
Revenues								
<i>Program revenues (by major source):</i>								
Charges for services	\$ 1,374,230	\$ 1,370,375	\$ 3,855	0.3%	\$ 968,696	\$ 984,178	\$ (15,482)	-1.6%
Operating grants and contributions	1,604,324	1,552,357	51,967	3.3%	-	-	-	
<i>General revenues (by major source):</i>								
Property taxes for general purposes	6,040,857	5,959,370	81,487	1.4%	-	-	-	
Licenses and permits	11,685	11,242	443	3.9%	-	-	-	
Miscellaneous	88,901	212,542	(123,641)	-58.2%	185	1,898	(1,713)	-90.3%
Interest/investment earnings	133,024	31,048	101,976	328.4%	4,934	1,116	3,818	342.1%
Unrestricted federal/state shared revenues	567,870	1,346,333	(778,463)	-57.8%	-	-	-	
State entitlement	1,057,232	1,044,189	13,043	1.2%	-	-	-	
State on behalf payments	-	-	-	-	7,150	6,005	1,145	19.1%
Total revenues	\$ 10,878,123	\$ 11,527,456	\$ (649,333)	-5.6%	\$ 980,965	\$ 993,197	\$ (12,232)	-1.2%
Program expenses								
General government	\$ 2,511,060	\$ 2,389,904	\$ 121,156	5.1%	\$ -	\$ -	\$ -	
Public safety	2,916,375	2,619,851	296,524	11.3%	-	-	-	
Public works	3,614,327	2,609,513	1,004,814	38.5%	-	-	-	
Public health	404,831	420,550	(15,719)	-3.7%	-	-	-	
Social and economic services	427,433	367,181	60,252	16.4%	-	-	-	
Culture and recreation	487,182	453,354	33,828	7.5%	-	-	-	
Housing and community development	9,944	10,839	(895)	-8.3%	-	-	-	
Debt service - interest	37,747	39,218	(1,471)	-3.8%	-	-	-	
Miscellaneous	2,765	211,949	(209,184)	-98.7%	-	-	-	
Solid Waste	-	-	-	-	1,041,804	1,117,584	(75,780)	-6.8%
Total expenses	\$ 10,411,664	\$ 9,122,359	\$ 1,289,305	14.1%	\$ 1,041,804	\$ 1,117,584	\$ (75,780)	-6.8%
Excess (deficiency) before special items and transfers	\$ 466,459	\$ 2,405,097	\$ (1,938,638)	-80.6%	\$ (60,839)	\$ (124,387)	\$ 63,548	-51.1%
Gain (loss) on sale of capital assets	35,709	-	35,709	100.0%	-	-	-	
Extraordinary item -	478,330	-	478,330	100.0%	-	-	-	
Increase (decrease) in net position	\$ 980,498	\$ 2,405,097	\$ (1,424,599)	-59.2%	\$ (60,839)	\$ (124,387)	\$ 63,548	-51.1%

Governmental Activities: The cost of all County governmental activities for the year ending June 30, 2019 was \$10,411,664 compared to \$9,122,359 for the year ending June 30, 2018, an increase of \$1,289,305 or 14.1 percent. The main reason for the increase occurred in the road fund. Expenses in the road fund increased \$1,366,406 from FY 2018, due to increased wages and additional supplies and equipment purchased. Federal/State shared revenue decreased \$778,463 due to a decrease in PILT funds collected in FY 2019. PILT funds received in FY 2019 were \$544,846 compared to \$1,291,030 in FY 2018, a decrease of \$746,184.

Business Type Activities: The cost of all County business type activities for the year ending June 30, 2019 was \$1,041,804 compared to \$1,117,584 for the year ending June 30, 2018, a decrease of \$75,780 or 6.8 percent. This is primarily due to a decrease in pension expense of \$88,473 from the prior year. Revenues in the business type activities did not significantly change from the prior year.

**Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019**

THE COUNTY FUNDS

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

General Fund (Governmental Fund) - The General fund had a net decrease in fund balance of \$81,408. The general fund had actual revenue exceeding expenditures in the amount of \$662,124 due to conservative budgeting. In addition, the general fund transferred \$925,000 to a capital projects fund and received transfers from other funds in the amount of \$523,586. The larger transfers into the general fund consisted of \$178,644 from immunization revenue previously collected in a special revenue fund, \$233,195 from the permissive medical levy fund and \$95,033 from a grant fund that had been closed several years earlier.

Road Fund (Governmental Fund) - The Road fund had a net increase in fund balance of \$44,280 in 2019. The primarily reason for the increase is due to an operating transfer from the general fund in the amount of \$291,030. Also, the road fund received \$498,081 from insurance proceeds due to a fire.

Public Safety Fund (Governmental Fund) - The Public Safety fund had an increase of \$19,655 in fund balance. The change is not due to any particular item.

Solid Waste Fund (Enterprise Fund) – The Solid Waste fund had a decrease of \$60,839 in net position in FY 2019. The change is not due to any particular item.

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

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,392,307	\$ 2,114,007	\$ 2,154,548	\$ 40,541
Licenses and permits	600	600	-	(600)
Intergovernmental	18,070	296,370	291,549	(4,821)
Charges for services	271,625	269,625	298,728	29,103
Fines and forfeitures	67,130	67,130	79,635	12,505
Miscellaneous	154,240	154,240	73,114	(81,126)
Investment earnings	20,000	20,000	127,375	107,375
Amounts available for appropriation	<u>\$ 2,923,972</u>	<u>\$ 2,921,972</u>	<u>\$ 3,024,949</u>	<u>\$ 102,977</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,998,413	\$ 3,001,444	\$ 2,418,806	\$ 582,638
Public health	288,846	284,846	226,602	58,244
Social and economic services	144,059	144,059	131,492	12,567
Housing and community development	10,000	10,000	9,944	56
Capital outlay	408,259	408,259	120,827	287,432
Total charges to appropriations	<u>\$ 3,849,577</u>	<u>\$ 3,848,608</u>	<u>\$ 2,907,671</u>	<u>\$ 940,937</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 1,500	\$ 1,500
Transfers in	232,774	232,774	523,586	290,812
Transfers out	(1,216,030)	(1,216,030)	(1,268,618)	(52,588)
Total other financing sources (uses)	<u>\$ (983,256)</u>	<u>\$ (983,256)</u>	<u>\$ (743,532)</u>	<u>\$ 239,724</u>

Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019

Final budget to actual variances for 2019 is as follows:

In the above table the PILT Fund is combined with the General Fund per GASB 54. The favorable variance in intergovernmental revenue is due to the county receiving \$214,846 in PILT that was not anticipated. The County budgeted for \$330,000 and received \$544,846.

The favorable variance in general governmental expenditures is due to facility supplies not being purchased in fiscal year 2019 as anticipated.

The favorable variance in capital outlay is due facility capital outlay projects not materializing as anticipated.

The favorable variance in transfers-in was the result of immunization revenue being transferred from a special revenue fund in the amount of \$178,664 and closing an old grant fund in the amount of \$95,033. Both these transfers were not originally anticipated.

Budget amendments were approved as follows:

A budget amendment reducing revenue in the amount of \$2,000 to move rodent control revenue to a special revenue fund, was approved during fiscal year 2019. Also, a budget amendment in the amount of \$3,031 to increase personal services for facilities and a budget amendment to decrease public health services supplies in the amount of \$4,000 were approved during fiscal year 2019. This was a net decrease of \$969 to expenditures.

DEBT ADMINISTRATION

Total long-term debt, increased in fiscal year 2019 due to proceeds from a bond anticipation note for the Solid Waste Transfer Station improvements. Bond anticipation notes increased \$779,591 in fiscal year 2019. Compensated absence increased \$24,098 in governmental funds and \$4,474 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 \$4,045,913 and \$320,947 in the governmental and enterprise funds, respectively.

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

**Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019**

CAPITAL ASSETS

At the end of fiscal year 2019, the County had \$12,086,651 (governmental funds) and \$1,667,650 (enterprise funds) invested in a broad range of capital assets (net of depreciation), Governmental activity assets decreased \$22,511 over the prior year, while business type activities increased \$711,893. The large increase in business type activity – construction in progress is due to the construction of the solid waste transfer site station. This was completed in January 2020.

	Governmental		
	Activities		<u>Variance</u>
	<u>2019</u>	<u>2018</u>	
Land	\$ 2,345,924	\$ 2,345,924	\$ -
Construction in progress	98,143	7,000	91,143
Depreciable capital assets	9,642,584	9,756,238	(113,654)
Total	\$ 12,086,651	\$ 12,109,162	\$ (22,511)
	Business Type		
	Activities		<u>Variance</u>
	<u>2019</u>	<u>2018</u>	
Land	\$ 177,608	\$ 177,608	\$ -
Construction in progress	1,068,540	288,078	780,462
Depreciable capital assets	421,502	490,072	(68,570)
Total	\$ 1,667,650	\$ 955,758	\$ 711,892

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

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.

**Sanders County, Montana
Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2019**

The following factors were considered in preparing the budget for the 2020 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 \$42,244,210 in fiscal year 2019 to \$44,210,679 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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the County has changed their method of reporting the claims and payroll clearing funds. In past years these clearing funds were reported as Agency Funds. In accordance with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the clearing funds are now combined with the County General Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 8 and 57 through 63, 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 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 25, 2020, on our consideration of the 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, CPA's, P.C.

March 25, 2020

Sanders County, Montana
Statement of Net Position
June 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 11,330,719	\$ 341,859	\$ 11,672,578
Taxes and assessments receivable, net	147,353	148,964	296,317
Accounts receivable - net	17,417	-	17,417
Due from other governments	160,206	-	160,206
Inventories	264,894	-	264,894
Total current assets	<u>\$ 11,920,589</u>	<u>\$ 490,823</u>	<u>\$ 12,411,412</u>
Noncurrent assets			
Capital assets - land	\$ 2,345,924	\$ 177,608	\$ 2,523,532
Capital assets - construction in progress	98,143	1,068,540	1,166,683
Capital assets - depreciable, net	9,642,584	421,502	10,064,086
Total noncurrent assets	<u>\$ 12,086,651</u>	<u>\$ 1,667,650</u>	<u>\$ 13,754,301</u>
Total assets	<u>\$ 24,007,240</u>	<u>\$ 2,158,473</u>	<u>\$ 26,165,713</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,395,565	\$ 74,307	\$ 1,469,872
Total deferred outflows of resources	<u>\$ 1,395,565</u>	<u>\$ 74,307</u>	<u>\$ 1,469,872</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,402,805</u>	<u>\$ 2,232,780</u>	<u>\$ 27,635,585</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 1,233,787	\$ -	\$ 1,233,787
Accounts payable	63,331	-	63,331
Accrued payables	68,195	5,896	74,091
Current portion of long-term capital liabilities	199,064	1,021,084	1,220,148
Current portion of compensated absences payable	310,314	38,912	349,226
Total current liabilities	<u>\$ 1,874,691</u>	<u>\$ 1,065,892</u>	<u>\$ 2,940,583</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 99,901	\$ 7,289	\$ 107,190
Noncurrent portion of long-term capital liabilities	653,387	62,984	716,371
Noncurrent portion of compensated absences	103,438	12,970	116,408
Net pension liability	4,045,913	320,947	4,366,860
Total noncurrent liabilities	<u>\$ 4,902,639</u>	<u>\$ 404,190</u>	<u>\$ 5,306,829</u>
Total liabilities	<u>\$ 6,777,330</u>	<u>\$ 1,470,082</u>	<u>\$ 8,247,412</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 1,472,474	\$ 64,309	\$ 1,536,783
Total deferred inflows of resources	<u>\$ 1,472,474</u>	<u>\$ 64,309</u>	<u>\$ 1,536,783</u>
NET POSITION			
Net investment in capital assets	\$ 11,234,200	\$ 583,582	\$ 11,817,782
Restricted for special projects	4,722,694	-	4,722,694
Unrestricted	1,196,107	114,807	1,310,914
Total net position	<u>\$ 17,153,001</u>	<u>\$ 698,389</u>	<u>\$ 17,851,390</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 25,402,805</u>	<u>\$ 2,232,780</u>	<u>\$ 27,635,585</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2019

<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>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$ 2,511,060	\$ 375,516	\$ 34,546	\$ (2,100,998)	\$ -	\$ (2,100,998)
Public safety	2,916,375	377,984	213,488	(2,324,903)	-	(2,324,903)
Public works	3,614,327	206,994	1,167,947	(2,239,386)	-	(2,239,386)
Public health	404,831	59,147	153,794	(191,890)	-	(191,890)
Social and economic services	427,433	-	11,548	(415,885)	-	(415,885)
Culture and recreation	487,182	354,589	5,001	(127,592)	-	(127,592)
Housing and community development	9,944	-	18,000	8,056	-	8,056
Debt service - interest	37,747	-	-	(37,747)	-	(37,747)
Miscellaneous	2,765	-	-	(2,765)	-	(2,765)
Total governmental activities	\$ <u>10,411,664</u>	\$ <u>1,374,230</u>	\$ <u>1,604,324</u>	\$ <u>(7,433,110)</u>	\$ <u>-</u>	\$ <u>(7,433,110)</u>
Business-type activities:						
Solid Waste	\$ 1,041,804	\$ 968,696	\$ -	\$ -	\$ (73,108)	\$ (73,108)
Total business-type activities	\$ <u>1,041,804</u>	\$ <u>968,696</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(73,108)</u>	\$ <u>(73,108)</u>
Total primary government	\$ <u>11,453,468</u>	\$ <u>2,342,926</u>	\$ <u>1,604,324</u>	\$ <u>(7,433,110)</u>	\$ <u>(73,108)</u>	\$ <u>(7,506,218)</u>
General Revenues:						
Property taxes for general purposes				\$ 6,040,857	\$ -	\$ 6,040,857
Licenses and permits				11,685	-	11,685
Miscellaneous				88,901	185	89,086
Interest/investment earnings				133,024	4,934	137,958
Unrestricted federal/state shared revenues				567,870	-	567,870
State entitlement				1,057,232	-	1,057,232
State on behalf payments				-	7,150	7,150
Gain (loss) on sale of capital assets				35,709	-	35,709
Extraordinary item -				478,330	-	478,330
Total general revenues, special items and transfers				\$ <u>8,413,608</u>	\$ <u>12,269</u>	\$ <u>8,425,877</u>
Change in net position				\$ <u>980,498</u>	\$ <u>(60,839)</u>	\$ <u>919,659</u>
Net position - beginning				\$ 16,172,503	\$ 759,228	\$ 16,931,731
Net position - end				\$ <u>17,153,001</u>	\$ <u>698,389</u>	\$ <u>17,851,390</u>

See accompanying Notes to the Financial Statements

**Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2019**

	<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	\$ 5,991,708	\$ 1,689,084	\$ 636,473	\$ 3,013,454	\$ 11,330,719
Taxes and assessments receivable, net	45,341	16,429	45,203	40,380	147,353
Accounts receivable - net	7,793	9,624	-	-	17,417
Due from other funds	14,959	-	-	-	14,959
Due from other governments	-	-	37,861	122,345	160,206
Inventories	17,742	209,645	-	37,507	264,894
TOTAL ASSETS	<u>\$ 6,077,543</u>	<u>\$ 1,924,782</u>	<u>\$ 719,537</u>	<u>\$ 3,213,686</u>	<u>\$ 11,935,548</u>
LIABILITIES					
Current liabilities:					
Warrants payable	\$ 1,233,787	\$ -	\$ -	\$ -	\$ 1,233,787
Accounts payable	22,533	8,547	-	32,251	63,331
Accrued payables	24,411	17,970	25,814	-	68,195
Due to other funds	-	-	-	14,959	14,959
Total liabilities	<u>\$ 1,280,731</u>	<u>\$ 26,517</u>	<u>\$ 25,814</u>	<u>\$ 47,210</u>	<u>\$ 1,380,272</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes	\$ 45,341	\$ 16,429	\$ 45,203	\$ 40,380	\$ 147,353
Total deferred inflows of resources	<u>\$ 45,341</u>	<u>\$ 16,429</u>	<u>\$ 45,203</u>	<u>\$ 40,380</u>	<u>\$ 147,353</u>
FUND BALANCES					
Nonspendable	\$ 17,742	\$ 209,645	\$ -	\$ 37,507	\$ 264,894
Restricted	-	1,672,191	648,520	2,052,817	4,373,528
Committed	-	-	-	1,061,522	1,061,522
Unassigned fund balance	4,733,729	-	-	(25,750)	4,707,979
Total fund balance	<u>\$ 4,751,471</u>	<u>\$ 1,881,836</u>	<u>\$ 648,520</u>	<u>\$ 3,126,096</u>	<u>\$ 10,407,923</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,077,543</u>	<u>\$ 1,924,782</u>	<u>\$ 719,537</u>	<u>\$ 3,213,686</u>	<u>\$ 11,935,548</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, 2019

Total fund balances - governmental funds	\$ 10,407,923
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,086,651
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.	147,353
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,366,104)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,045,913)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	1,395,565
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(1,472,474)
Total net position - governmental activities	\$ <u><u>17,153,001</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, 2019

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 2,154,549	\$ 710,905	\$ 1,704,218	\$ 1,503,109	\$ 6,072,781
Licenses and permits	-	-	11,685	-	11,685
Intergovernmental	836,395	1,415,489	177,893	786,823	3,216,600
Charges for services	298,727	17,482	338,228	569,764	1,224,201
Fines and forfeitures	79,635	-	-	7,100	86,735
Miscellaneous	73,114	19,111	16,196	56,598	165,019
Investment earnings	127,375	-	-	5,649	133,024
Total revenues	<u>\$ 3,569,795</u>	<u>\$ 2,162,987</u>	<u>\$ 2,248,220</u>	<u>\$ 2,929,043</u>	<u>\$ 10,910,045</u>
EXPENDITURES					
General government	\$ 2,418,806	\$ 7,625	\$ -	\$ 24,559	\$ 2,450,990
Public safety	-	-	2,306,897	618,293	2,925,190
Public works	-	2,450,578	-	576,661	3,027,239
Public health	226,602	-	-	178,891	405,493
Social and economic services	131,492	-	-	295,457	426,949
Culture and recreation	-	-	-	445,058	445,058
Housing and community development	9,944	-	-	-	9,944
Debt service - principal	-	144,539	66,957	22,661	234,157
Debt service - interest	-	27,818	8,740	1,189	37,747
Miscellaneous	-	-	-	2,765	2,765
Capital outlay	120,827	445,298	83,325	140,158	789,608
Total expenditures	<u>\$ 2,907,671</u>	<u>\$ 3,075,858</u>	<u>\$ 2,465,919</u>	<u>\$ 2,305,692</u>	<u>\$ 10,755,140</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 662,124</u>	<u>\$ (912,871)</u>	<u>\$ (217,699)</u>	<u>\$ 623,351</u>	<u>\$ 154,905</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of general capital asset disposition	\$ 1,500	\$ 39,900	\$ 6,800	\$ -	\$ 48,200
Transfers in	523,586	419,170	230,554	1,051,192	2,224,502
Transfers out	(1,268,618)	-	-	(955,884)	(2,224,502)
Total other financing sources (uses)	<u>\$ (743,532)</u>	<u>\$ 459,070</u>	<u>\$ 237,354</u>	<u>\$ 95,308</u>	<u>\$ 48,200</u>
SPECIAL AND EXTRAORDINARY ITEMS					
Extraordinary item - insurance proceeds	\$ -	\$ 498,081	\$ -	\$ -	\$ 498,081
Net Change in Fund Balance	<u>\$ (81,408)</u>	<u>\$ 44,280</u>	<u>\$ 19,655</u>	<u>\$ 718,659</u>	<u>\$ 701,186</u>
Fund balances - beginning	\$ 4,839,829	\$ 1,836,756	\$ 628,865	\$ 2,401,287	\$ 9,706,737
Restatements	(6,950)	800	-	6,150	-
Fund balances - beginning, restated	<u>\$ 4,832,879</u>	<u>\$ 1,837,556</u>	<u>\$ 628,865</u>	<u>\$ 2,407,437</u>	<u>\$ 9,706,737</u>
Fund balance - ending	<u>\$ 4,751,471</u>	<u>\$ 1,881,836</u>	<u>\$ 648,520</u>	<u>\$ 3,126,096</u>	<u>\$ 10,407,923</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ 701,186
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	789,608
- Depreciation expense	(779,878)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Proceeds from the sale of capital assets	(48,200)
- Gain on the sale of capital assets	35,709
- Proceeds from insurance carrier to cover loss on capital asset	(19,751)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	(31,925)
The change in compensated absences is shown as an expense in the Statement of Activities	
	(24,098)
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	234,157
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(9,861)
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	
	133,551
Change in net position - Statement of Activities	\$ <u><u>980,498</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities
	- Enterprise Funds
	Solid Waste
ASSETS	
Current assets:	
Cash and investments	\$ 341,859
Taxes and assessments receivable, net	148,964
Total current assets	\$ 490,823
Noncurrent assets:	
Capital assets - land	\$ 177,608
Capital assets - construction in progress	1,068,540
Capital assets - depreciable, net	421,502
Total noncurrent assets	\$ 1,667,650
Total assets	\$ 2,158,473
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 74,307
Total deferred outflows of resources	\$ 74,307
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,232,780
LIABILITIES	
Current liabilities:	
Accrued payables	\$ 5,896
Current portion of long-term capital liabilities	1,021,084
Current portion of compensated absences payable	38,912
Total current liabilities	\$ 1,065,892
Noncurrent liabilities:	
Noncurrent portion of long-term liabilities	\$ 7,289
Noncurrent portion of long-term capital liabilities	62,984
Noncurrent portion of compensated absences	12,970
Net pension liability	320,947
Total noncurrent liabilities	\$ 404,190
Total liabilities	\$ 1,470,082
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 64,309
Total deferred inflows of resources	\$ 64,309
NET POSITION	
Net investment in capital assets	\$ 583,582
Unrestricted	114,807
Total net position	\$ 698,389
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,232,780

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, 2019

		Business-Type Activities - Enterprise Funds
		<u>Solid Waste</u>
OPERATING REVENUES		
Charges for services	\$	968,696
Miscellaneous revenues		185
Total operating revenues	\$	<u>968,881</u>
OPERATING EXPENSES		
Personal services	\$	399,052
Supplies		81,253
Purchased services		449,783
Fixed charges		19,013
Depreciation		90,055
Total operating expenses	\$	<u>1,039,156</u>
Operating income (loss)	\$	<u>(70,275)</u>
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	\$	7,150
Interest revenue		4,934
Debt service interest expense		(2,648)
Total non-operating revenues (expenses)	\$	<u>9,436</u>
Change in net position	\$	<u>(60,839)</u>
Net Position - Beginning of the year	\$	759,228
Net Position - End of the year	\$	<u><u>698,389</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2019

	Business - Type
	Activities - Enterprise
	Funds
	Solid Waste
Cash flows from operating activities:	
Cash received from providing services	\$ 1,036,017
Cash received from miscellaneous sources	185
Cash payments to suppliers	(100,266)
Cash payments for professional services	(449,783)
Cash payments to employees	(401,444)
Net cash provided (used) by operating activities	\$ 84,709
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (801,948)
Principal paid on debt	(9,734)
Interest paid on debt	(2,648)
Proceeds from bonds, loans and advances	779,591
Net cash provided (used) by capital and related financing activities	\$ (34,739)
Cash flows from investing activities:	
Interest on investments	\$ 4,934
Net cash provided (used) by investing activities	\$ 4,934
Net increase (decrease) in cash and cash equivalents	\$ 54,904
Cash and cash equivalents at beginning	286,955
Cash and cash equivalents at end	\$ 341,859
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (70,275)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	90,055
Changes in assets and liabilities:	
Taxes and assessments receivable	67,321
Accrued wages	105
Compensated absence liability	4,474
Deferred outflows of resources - pension	14,853
Deferred inflows of resources - pension	61,035
Other post-employment benefits	(9,861)
Net pension liability	(72,998)
Net cash provided (used) by operating activities	\$ 84,709

See accompanying notes to the financial statements

Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2019

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 8,534,466	\$ 3,589	\$ 475,002
Taxes receivable	-	-	565,453
Total assets	<u>\$ 8,534,466</u>	<u>\$ 3,589</u>	<u>\$ 1,040,455</u>
LIABILITIES			
Due to others	\$ -	\$ -	\$ 1,040,455
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,455</u>
NET POSITION			
Assets held in trust	<u>\$ 8,534,466</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, 2019

	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 23,079,364	\$ -
Total contributions	\$ 23,079,364	\$ -
Investment earnings:		
Interest and change in fair value of investments	\$ 88,518	\$ -
Total additions	\$ 23,167,882	\$ -
DEDUCTIONS		
Distributions from investment trust fund	\$ 26,304,633	\$ -
Total deductions	\$ 26,304,633	\$ -
Change in net position	\$ (3,136,751)	\$ -
Net Position - Beginning of the year	\$ 11,671,217	\$ 3,589
Net Position - End of the year	\$ 8,534,466	\$ 3,589

See accompanying Notes to the Financial Statements

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

New Accounting Pronouncements

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the County, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as financed purchased of an asset, or accounts payable. In addition, the Statement requires that the County disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The County has implemented this pronouncement current fiscal year and is related in the debt footnotes below if applicable.

Change in Accounting Principle

Beginning in fiscal year 2019, the County changed the method of reporting its clearing funds, claims and payroll clearing. Previously, these funds were reported as agency funds, but it was determined in the current year that these funds did not meet the definition of an agency fund as outlined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as the resources are not being held by the County in a custodial capacity. As explained further in the major fund descriptions, these funds were combined with the General Fund of the County for reporting purposes.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

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 County except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the County at year end. 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.

Measurement Focus and Basis of Accounting

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

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:

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

- 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 current financial resources measurement focus and 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 is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is 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.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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. The County’s payroll and claims clearing funds are reported in this fund.

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.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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.

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the County as an agent for individuals, private organizations, other local governmental entities.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2019, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,700
Cash in banks:	
Savings deposits	100,037
<u>Investments:</u>	
Repurchase agreements	<u>20,583,898</u>
Total	<u><u>\$ 20,685,635</u></u>

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The County’s cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and repurchase agreements, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

Fair Value Measurements

Investments, including pooled and non-pooled investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date.

Repurchase Agreements

An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

As a means of limiting exposure to credit risk, the County is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state MCA:

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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 investment policy that would further limit its investment choices.

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 other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2019 the governments bank balance was exposed to custodial credit risk as follows:

	June 30, 2019 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 461,610
- Collateral held by the pledging bank's trust department but not in the County's name	449,753
Total deposits and investments	\$ <u><u>911,363</u></u>

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, 2019, equaled or exceeded the amount required by State statutes.

Investment Income

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Concentration of Credit Risk

The government places no limit on the amount the entity may invest in any one issuer. The government's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

	<u>% of credit risk</u>
Repurchase agreements	100%

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, 2019.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 11,338,143
Equity of external pool participants	8,534,466
Total equity	<u>\$ 19,872,609</u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 88,518	\$ 114,259
Contributions to trust	23,079,364	32,888,131
Distributions paid	<u>(26,304,633)</u>	<u>(31,614,343)</u>
Net change in net position	\$ (3,136,751)	\$ 1,388,047
Net position at beginning of year	<u>11,671,217</u>	<u>9,950,096</u>
Net position at end of year	<u>\$ 8,534,466</u>	<u>\$ 11,338,143</u>

NOTE 3. RECEIVABLES

Tax Receivables

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

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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

Inventories are recorded as an expense when purchased. At year-end, if the value of inventory is significant, it must be recorded as an asset. Inventories are account 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	60 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 2019 Basic Financial Statements.

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

Governmental activities:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
	<u>July 1, 2018</u>				<u>June 30, 2019</u>
Capital assets not being depreciated:					
Land	\$ 2,345,924	\$ -	\$ -	\$ -	\$ 2,345,924
Construction in progress	7,000	102,917		(11,774)	98,143
Total capital assets not being depreciated	<u>\$ 2,352,924</u>	<u>\$ 102,917</u>	<u>\$ -</u>	<u>\$ (11,774)</u>	<u>\$ 2,444,067</u>
Other capital assets:					
Buildings	\$ 2,926,047	\$ 30,604	\$ (8,500)	\$ 11,774	\$ 2,959,925
Improvements other than buildings	9,772,421	-	-	-	9,772,421
Machinery and equipment	10,060,218	656,087	(284,332)	-	10,431,973
Total other capital assets at historical cost	\$ 22,758,686	\$ 686,691	\$ (292,832)	\$ 11,774	\$ 23,164,319
Less: accumulated depreciation	\$ (13,002,448)	\$ (779,878)	\$ 260,591	\$ -	\$ (13,521,735)
Total	<u>\$ 12,109,162</u>	<u>\$ 9,730</u>	<u>\$ (32,241)</u>	<u>\$ -</u>	<u>\$ 12,086,651</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 39,399
Public safety	127,275
Public works	572,197
Culture and recreation	<u>41,007</u>
Total governmental activities depreciation expense	<u>\$779,878</u>

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

Business-type activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 177,608	\$ -	\$ 177,608
Construction in progress	<u>288,078</u>	<u>780,462</u>	<u>1,068,540</u>
Total capital assets not being depreciated	<u>\$ 465,686</u>	<u>\$ 780,462</u>	<u>\$ 1,246,148</u>
Other capital assets:			
Buildings	\$ 398,473	\$ -	\$ 398,473
Improvements other than buildings	24,583	-	24,583
Machinery and equipment	<u>1,799,447</u>	<u>21,486</u>	<u>1,820,933</u>
Total other capital assets at historical cost	\$ 2,222,503	\$ 21,486	\$ 2,243,989
Less: accumulated depreciation	<u>\$ (1,732,432)</u>	<u>\$ (90,055)</u>	<u>\$ (1,822,487)</u>
Total	<u>\$ 955,757</u>	<u>\$ 711,893</u>	<u>\$ 1,667,650</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Loans/Contracted debt	\$ 300,000	\$ -	\$ (100,000)	\$ 200,000	\$ 100,000
Compensated absences	389,654	24,098	-	413,752	310,314
Intercap loans	45,395	-	(22,662)	22,733	15,170
Capital leases	741,213	-	(111,495)	629,718	83,894
Net pension liability*	4,819,620	-	(773,707)	4,045,913	-
Other post-employment benefits**	<u>90,040</u>	<u>9,861</u>	<u>-</u>	<u>99,901</u>	<u>-</u>
Total	<u>\$ 6,385,922</u>	<u>\$ 33,959</u>	<u>\$ (1,007,864)</u>	<u>\$ 5,412,017</u>	<u>\$ 509,378</u>

*See Note 9

**See Note 7

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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

Business-type Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Bond Anticipation Note	\$ 231,448	\$ 779,591	\$ -	\$ 1,011,039	\$ 1,011,039
Compensated absences	47,408	4,474	-	51,882	38,912
Capital leases	82,763	-	(9,734)	73,029	10,045
Net pension liability*	401,095	-	(80,148)	320,947	-
Other post-employment benefits**	17,150	-	(9,861)	7,289	-
Total	<u>\$ 779,864</u>	<u>\$ 784,065</u>	<u>\$ (99,743)</u>	<u>\$ 1,464,186</u>	<u>\$ 1,059,996</u>

*See Note 9

**See Note 7

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2019 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>Annual Payment</u>	<u>Balance June 30, 2019</u>
Gravel pit purchase	7/28/16	4.00%	5 yrs	7/28/21	\$ <u>400,000</u>	\$ <u>110,196</u>	\$ <u>200,000</u>
Reported in the governmental activities.							

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 100,000	\$ 10,196
2021	100,000	10,196
Total	<u>\$ 200,000</u>	<u>\$ 20,392</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, 2019 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>Annual Payment</u>	<u>Balance June 30, 2019</u>
#2328 Concession Stand/Fairgrounds		1.00-					
Imp. Draws 1-2	7/30/10	1.95%	10yrs	8/15/20	\$ <u>140,556</u>	Varies	\$ <u>22,733</u>
Reported in the governmental activities.							

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2020	\$ 15,170	\$ 185
2021	7,563	37
Total	<u>\$ 22,733</u>	<u>\$ 222</u>

Capital Leases

The County has entered into several leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2019 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>Annual Payment</u>	<u>Balance June 30, 2019</u>
RD #1 Motor Grader (1)	3/10/16	3.20%	5yrs	3/10/21	\$ 219,348	\$ 16,572	\$ 189,763
RD #2 Motor Grader (1)	11/16/16	2.25%	5yrs	10/16/21	245,723	22,622	190,077
RD #3 Motor Grader (1)	3/10/16	3.20%	5yrs	3/10/21	243,003	22,966	195,959
2017 Dodge Durango (1)	2/1/17	3.30%	4yrs	2/1/21	30,642	8,338	7,740
2017 Dodge Rams-2 (1)	2/1/17	3.40%	4yrs	2/1/21	61,010	16,992	15,775
2018 Dodge Rams-2 (1)	12/7/18	8.16%	4yrs	5/21/21	61,010	17,160	30,404
Caterpillar Backhoe Loader (2)	4/12/16	3.20%	5yrs	4/21/21	<u>113,417</u>	<u>12,382</u>	<u>73,029</u>
Total					<u>\$1,193,501</u>	<u>\$133,604</u>	<u>\$ 702,747</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2020	\$ 93,939	\$ 23,022
2021	455,910	18,871
2022	152,898	702
Total	<u>\$ 702,747</u>	<u>\$ 42,595</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Bond Anticipation Note

The County obtained bond anticipation notes from Glacier Bank to start its Solid Waste Transfer Site project that has been ongoing for the past few years. The 2017 note was used for engineering costs for planning and design, and the 2019 note for construction costs. The notes were in anticipation of future USDA bonds.

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2019</u>
2017 Bond Anticipation Note	11/1/17	2.55%	2yrs	1/1/20	\$ 500,000	\$ 500,000
2019 Bond Anticipation Note	5/1/19	3.50%	8months	1/1/20	<u>4,462,000</u>	<u>511,039</u>
Total					<u>\$4,962,000</u>	<u>\$1,011,039</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ <u>1,011,039</u>	\$ <u>43,386</u>
Total	\$ <u><u>1,011,039</u></u>	\$ <u><u>43,386</u></u>

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	3
Active employees	87
Total employees	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 90

Total OPEB Liability

The County’s total OPEB liability of \$107,190 at June 30, 2019, and was determined by using the alternative measurement method as of June 30, 2018 and applying roll forward procedures.

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	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 11, 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Changes in the Total OPEB Liability

Balance at 6/30/2018	\$ <u>107,190</u>
Changes for the year:	
Service Cost	-
Interest	<u>-</u>
Benefit Payments	<u>-</u>
Balance at 6/30/2019	\$ <u><u>107,190</u></u>

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

	1% Decrease (1.70%)	Discount Rate (2.70%)	1% Increase (3.70%)
Total OPEB Liability \$	\$ 123,769	\$ 107,190	\$ 93,227

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 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, 2019, the County did not recognize an OPEB expense. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019, was as follows:

Due to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Eliminate negative cash balance	General – Major Governmental	Pre-Disaster Mitigation – Nonmajor Governmental	\$ 4,601
Eliminate negative cash balance	General – Major Governmental	WIC – Nonmajor Governmental	567
Eliminate negative cash balance	General – Major Governmental	Tobacco Grant – Nonmajor Governmental	<u>9,791</u>
Total			<u>\$ 14,959</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2019:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Future building capital projects	Building Improvement – Nonmajor Governmental	General – Major Governmental	\$ 925,000
Eliminate deficit fund balance	Trails Grant – Nonmajor Governmental	General – Major Governmental	15,750
Eliminate deficit fund balance	Comm Dev Corp Projects – Nonmajor Governmental	General – Major Governmental	16,022
Eliminate deficit fund balance	Law Enforcement Block Grant – Nonmajor Governmental	General – Major Governmental	20,817
Operating transfer	Road – Major Governmental	General – Major Governmental	291,030
Operating transfer	Noxious Weed – Nonmajor Governmental	Weed Control – Nonmajor Governmental	11,524
Residual equity transfer	General – Major Governmental	Comprehensive Insurance – Nonmajor Governmental	3
Future library capital improvements	Library Capital Improvement – Nonmajor Governmental	Library – Nonmajor Governmental	9,000
Residual equity transfer	Senior Citizens – Nonmajor Governmental	Senior Citizens – Nonmajor Governmental	1,247
Sheriff’s SRS Levy Transfer	Public Safety – Major Governmental	SRS Permissive Levy – Nonmajor Governmental	25,833

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Permissive Mill Levy	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	204,721
Permissive Mill Levy	General – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	233,195
Permissive Mill Levy	Road – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	128,140
Residual equity transfer	Search & Rescue – Nonmajor Governmental	Search & Rescue Auxillary – Nonmajor Governmental	130
Future junk motor vehicle capital projects	JMV Capitol Improvements – Nonmajor Governmental	Junk Motor Vehicle – Nonmajor Governmental	15,516
Future junk motor vehicle capital projects	JMV Capitol Improvements – Nonmajor Governmental	Junk Motor Vehicle – Nonmajor Governmental	13,226
Future junk motor vehicle capital projects	JMV Capitol Improvements – Nonmajor Governmental	Junk Motor Vehicle – Nonmajor Governmental	22,960
Residual equity transfer	General – Major Governmental	Eurasian Watermilfoil – Nonmajor Governmental	15,772
Residual equity transfer	General – Major Governmental	CTEP – Nonmajor Governmental	95,033
Residual equity transfer	General – Major Governmental	Youth Suicide Prevention Grant – Nonmajor Governmental	3
Residual equity transfer	General – Major Governmental	Family Planning – Nonmajor Governmental	884
Move immunization revenue collected in prior years to the general fund	General – Major Governmental	MCH Grant – Nonmajor Governmental	178,664
Residual equity transfer	General – Major Governmental	Environmental Public Health Tracking Project – Nonmajor Governmental	<u>32</u>
Total			<u>\$2,224,502</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 9. NET PENSION LIABILITY

Summary of Significant Accounting Policies

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

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

- 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.

- 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:

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

- 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

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.

Second Retirement:

Applies to retirement system members re-employed in a SRS position on or after July 1, 2017:

- 1) 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.
- 2) 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.
- 3) A member who returns to covered service is not eligible for a disability benefit.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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;
 - 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

- 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.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

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>
2018-2019	10.245%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

Stand-Alone Statements

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

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2018 and June 30, 2019 (reporting dates).

	PERS NPL as of 6/30/2018	PERS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2019	SRS NPL as of 6/30/2018	SRS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2019	Total Collective NPL as of 6/30/2019	Percent Totals as of 6/30/2019
Employer Proportionate Share	\$ 4,321,466	\$ 3,516,559	0.1685%	\$ 899,249	\$ 850,301	1.1311%	\$ 4,366,860	1.35300%
State of Montana Proportionate Share associated with Employer	54,016	1,174,041	0.2258%	-	-	-	\$ 1,174,041	0.27530%
Total	\$ 4,375,482	\$ 4,690,600	0.3943%	\$ 899,249	\$ 850,301	1.1311%	\$ 5,540,901	1.62830%

At June 30, 2019, the employer recorded a liability of \$4,366,860 for its proportionate share of the net pension liability of 1.35300 percent. The net pension liability of PERS and SRS was measured as of June 30, 2018 and applying roll forward procedures. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS and SRS participating employers.

Changes in actuarial assumptions and methods:

PERS and SRS

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

PERS and SRS

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

Changes in proportionate share:

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Pension Expense as of 6/30/19

	PERS	SRS	Total
Employer Proportionate Share	\$ 250,429	\$ (21,277)	\$ 229,152
State of Montana Proportionate Share associated with the Employer	78,354	-	78,354
Total	\$ 328,783	\$ (21,277)	\$ 307,506

At June 30, 2019, the employer recognized a Pension Expense of \$229,152 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$78,354 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, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of \$357,992.

Deferred Inflows and Outflows

At June 30, 2019, 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	\$ 267,411	\$ -	\$ 46,897	\$ 1,894	\$ 314,308	\$ 1,894
Actual vs. Expected Investment Earnings	-	54,612	-	23,803	-	78,415
Changes in Assumptions	299,032	-	483,530	804,062	782,562	804,062
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	650,010	-	2,402	-	652,412
Employer contributions subsequent to the measurement date - FY19	247,714	-	125,288		373,002	-
Total	\$ 814,157	\$ 704,622	\$ 655,715	\$ 832,161	\$ 1,469,872	\$ 1,536,783

*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, 2019.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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
2020	\$ 93,964
2021	\$ 31,001
2022	\$ (240,706)
2023	\$ (22,440)
2024	\$ -
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
2020	\$ (66,857)
2021	\$ (87,088)
2022	\$ (138,075)
2023	\$ (9,714)
2024	\$ -
Thereafter	\$ -

Actuarial Assumptions

PERS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

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:

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

- 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, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. 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% |
| • Postretirement Benefit Increases | |

Guaranteed Annual Benefit Adjustment(GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Mortality assumptions among contributing members, 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.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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 and SRS

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

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. The above table outlines the best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Sensitivity Analysis

			Current			
	<u>1.0% Decrease</u>		<u>Discount Rate</u>		<u>1.0% Increase</u>	
PERS	\$ 5,085,759	\$	3,516,559	\$	2,227,996	\$
SRS	\$ 1,547,435	\$	850,301	\$	279,407	\$

PERS and 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.

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

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

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

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

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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 Fund	\$ 17,742	Inventory
Road	209,645	Inventory
All Other Aggregate	<u>37,507</u>	Inventory
Total	<u>\$ 264,894</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 1,672,191	Road maintenance
Public Safety	648,520	Law enforcement
All Other Aggregate	196,247	Bridge maintenance
	109,013	Weed control
	9,365	Miscellaneous
	136,756	Fair activities and services
	288,390	Airport services
	360,026	Public wellness and safety
	93,879	Park and recreation
	20,248	Library services
	13,602	Senior living
	364,156	Law enforcement
	364,358	Local conservation
	75,853	Road maintenance
	<u>20,924</u>	Endowment
Total	<u>\$4,373,528</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of the Assignment</u>
All Other Aggregate	\$ <u>1,061,522</u>	Capital Improvements

NOTE 12. DEFICIT FUND BALANCES

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Road Shop District 3	<u>\$25,750</u>	Accounts payable recorded with no assets	Budgeted for FY20

NOTE 13. 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

City-County Library

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

NOTE 14. 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 15. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Property and Casualty Insurance

The County is part of a public entity risk pool called the Montana Association of Counties Property and Casualty Trust (MACo PCT). The MACo PCT pool is a group self-insurance program that offers a package concept combining multiple lines of coverages designed to meet the coverage and service needs for Montana Counties and Special Districts. Liability coverages are provided for at \$750,000/claim and \$1,500,000/occurrence.

PCT Coverage Includes:

- Public officials' errors and omissions
- Employment practices including legal advice on employment issues
- Law enforcement liability
- Auto liability
- General liability
- Defense only coverage for subdivisions approval and denials
- Property
- Faithful performance of duty
- Boiler and Machinery
- Fidelity and Crime
- Professional liability

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers' compensation called the Montana Association of Counties Workers' Compensation Trust (MACo WCT). Coverage is proved to member counties to protect member employees from on-the-job injuries and occupational diseases.

Health Care Insurance

The County is part of a public entity risk sharing pool that provides group health benefits for Montana Counties called the Montana Association of Counties Health Care Trust (MACo HCT). The plan provides medical, pharmacy, Vision and Dental benefits.

NOTE 16. EXTRAORDINARY ITEMS

In January 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 County's insurance policy with MACO covered an extensive portion of the damage. During the fiscal year, the County was reimbursed \$498,081 from insurance that is reported in the Road Fund. Per the subsequent events below, the County has started the rebuilding of the shop in fiscal year 2020.

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>Schobers Towing and Repair vs Sanders County</i>	Unknown	Not Likely
<i>Richar Raugust vs Sanders County</i>	Unknown	Not Likely
<i>Estate of Phillip Roullier vs Sanders County</i>	Unknown	Not Likely
<i>Barbara Rodgers vs Sanders County</i>	Unknown	Not Likely
<i>Alexander vs Sanders County</i>	Unknown	Not Likely

NOTE 18. SUBSEQUENT EVENTS

In December 2019, the County executed the sale of new Solid Waste Revenue Bonds totaling \$4,962,000. The revenue bond consisted of \$3,538,000 Series 2019A Bond, \$1,124,000 Series 2019B, and \$300,000 Series 2019C Bond. The revenue bonds were sold to USDA Rural Development. The bonds are to be used to finance the payoff of the bond anticipation notes used by the County to pay for the engineering and construction of the County Solid Waste Transfer Site. Prior to the issuance of the bonds, the County increased its Solid Waste assessment rates from \$125 per Equivalent Residential Unit (ERU) to \$160 per ERU. The increase was necessary to pay for the annual principal and interest payments and meet reserve requirements of the above bonds.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

The County continued to work Great West Engineering with the planning and design of the rebuild of Beaver Creek Shop Project. The shop is the replacement of the shop that had fire during fiscal year 2019. The planning and design was completed in late July 2019, and County began bidding process. In August 2019, the County contracted with St. Clair Construction for the construction of the rebuild shop. The contract price of the award totaled \$1,035,400. As March 2020, the construction and engineering costs incurred in the subsequent period totaled \$797,020.

Covid 19 Virus

The government, like all governments in the United States, is dealing with the effects of the Covid 19 virus. Possible government operational changes or even shutdowns may occur. Additionally, the financial effects to the government are equally as uncertain.

NOTE 19. SIGNIFICANT CONSTRUCTION COMMITMENTS AND/OR OTHER CONTINGENCIES

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Solid Waste Transfer Site	\$ 5,089,800	\$ 1,068,540	\$ 5,089,800	\$ -

**REQUIRED SUPPLEMENTAL
INFORMATION**

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,392,307	\$ 2,114,007	\$ 2,154,548	\$ 40,541
Licenses and permits	600	600	-	(600)
Intergovernmental	18,070	296,370	291,549	(4,821)
Charges for services	271,625	269,625	298,727	29,102
Fines and forfeitures	67,130	67,130	79,635	12,505
Miscellaneous	154,240	154,240	73,114	(81,126)
Investment earnings	20,000	20,000	127,375	107,375
Amounts available for appropriation	<u>\$ 2,923,972</u>	<u>\$ 2,921,972</u>	<u>\$ 3,024,948</u>	<u>\$ 102,976</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,998,413	\$ 3,001,444	\$ 2,418,806	\$ 582,638
Public health	288,846	284,846	226,601	58,245
Social and economic services	144,059	144,059	131,492	12,567
Housing and community development	10,000	10,000	9,944	56
Capital outlay	408,259	408,259	120,828	287,431
Total charges to appropriations	<u>\$ 3,849,577</u>	<u>\$ 3,848,608</u>	<u>\$ 2,907,671</u>	<u>\$ 940,937</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 1,500	\$ 1,500
Transfers in	232,774	232,774	523,586	290,812
Transfers out	(1,216,030)	(1,216,030)	(1,268,618)	(52,588)
Total other financing sources (uses)	<u>\$ (983,256)</u>	<u>\$ (983,256)</u>	<u>\$ (743,532)</u>	<u>\$ 239,724</u>
Net change in fund balance			<u>\$ (626,255)</u>	
Fund balance - beginning of the year			\$ 3,448,429	
Restatements			(6,950)	
Fund balance - beginning of the year - restated			<u>\$ 3,441,479</u>	
Fund balance - end of the year			<u>\$ 2,815,224</u>	

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

Road				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,158,770	\$ 709,406	\$ 710,905	\$ 1,499
Intergovernmental	954,610	1,403,974	1,415,489	11,515
Charges for services	31,500	31,500	17,482	(14,018)
Miscellaneous	10,000	10,000	19,111	9,111
Amounts available for appropriation	\$ 2,154,880	\$ 2,154,880	\$ 2,162,987	\$ 8,107
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 5,750	\$ 5,750	\$ 7,625	\$ (1,875)
Public works	3,271,990	3,334,150	2,581,551	752,599
Capital outlay	223,000	223,000	445,298	(222,298)
Total charges to appropriations	\$ 3,500,740	\$ 3,562,900	\$ 3,034,474	\$ 528,426
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 39,900	\$ 39,900
Other financing source (revenue)	-	-	498,081	498,081
Transfers in	418,939	418,939	419,170	231
Total other financing sources (uses)	\$ 418,939	\$ 418,939	\$ 957,151	\$ 538,212
Net change in fund balance			\$ 85,664	
Fund balance - beginning of the year			\$ 1,836,756	
Restatements			(40,584)	
Fund balance - beginning of the year - restated			\$ 1,796,172	
Fund balance - end of the year			\$ 1,881,836	

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Public Safety			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,880,108	\$ 1,702,216	\$ 1,704,218	\$ 2,002
Licenses and permits	11,000	11,000	11,685	685
Intergovernmental	5,800	183,692	177,893	(5,799)
Charges for services	297,700	297,700	338,228	40,528
Miscellaneous	17,375	17,375	16,196	(1,179)
Amounts available for appropriation	<u>\$ 2,211,983</u>	<u>\$ 2,211,983</u>	<u>\$ 2,248,220</u>	<u>\$ 36,237</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 2,290,216	\$ 2,323,919	\$ 2,382,594	\$ (58,675)
Capital outlay	142,000	142,000	83,325	58,675
Total charges to appropriations	<u>\$ 2,432,216</u>	<u>\$ 2,465,919</u>	<u>\$ 2,465,919</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 6,800	\$ 6,800
Transfers in	230,580	230,580	230,554	(26)
Total other financing sources (uses)	<u>\$ 230,580</u>	<u>\$ 230,580</u>	<u>\$ 237,354</u>	<u>\$ 6,774</u>
Net change in fund balance			<u>\$ 19,655</u>	
Fund balance - beginning of the year			<u>\$ 628,865</u>	
Fund balance - end of the year			<u>\$ 648,520</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	\$ 3,024,949	\$ 2,162,987	\$ 2,248,220
Combined funds (GASBS 54) revenues	<u>544,846</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,569,795</u>	<u>\$ 2,162,987</u>	<u>\$ 2,248,220</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 2,907,671</u>	<u>\$ 3,075,858</u>	<u>\$ 2,465,919</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,907,671</u>	<u>\$ 3,075,858</u>	<u>\$ 2,465,919</u>

Sanders County, Montana
Schedule of Changes in the County's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2019

	<u>2019</u>	<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	107,190	69,052	69,052	864,050
Restatement	-	25,822	-	(801,105)
Total OPEB Liability - ending	<u>\$ 107,190</u>	<u>\$ 107,190</u>	<u>\$ 69,052</u>	<u>\$ 69,052</u>
Covered-employee payroll	<u>\$ 3,435,487</u>	<u>\$ 3,435,487</u>	<u>\$ 3,127,928</u>	<u>\$ 3,127,928</u>
 Total OPEB liability as a percentage of covered -employee payroll	 3%	 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, additional data will be reported as it becomes available.*

Sanders County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019

	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.1685%	0.2219%	0.2213%	0.2194%	0.2183%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 3,516,559	\$ 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	\$ 1,174,041	\$ 54,016	\$ 46,057	\$ 37,672	\$ 33,219
Total	<u>\$ 4,690,600</u>	<u>\$ 4,375,482</u>	<u>\$ 3,815,406</u>	<u>\$ 3,104,643</u>	<u>\$ 2,753,510</u>
Employer's covered payroll	\$ 2,780,634	\$ 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 liability	126.47%	157.00%	142.20%	119.78%	111.22%
	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>SRS</u> <u>2019</u>	<u>SRS</u> <u>2018</u>	<u>SRS</u> <u>2017</u>	<u>SRS</u> <u>2016</u>	<u>SRS</u> <u>2015</u>
Employer's proportion of the net pension liability	1.1311%	1.1817%	1.1459%	1.1577%	1.0855%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Total	<u>\$ 850,301</u>	<u>\$ 899,249</u>	<u>\$ 2,013,058</u>	<u>\$ 1,116,043</u>	<u>\$ 451,745</u>
Employer's covered payroll	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786	\$ 702,009
Employer's proportionate share of the net pension liability as a percentage of its covered payroll liability	96.89%	101.71%	248.86%	141.67%	64.35%
	82.68%	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, 2019

	PERS	PERS	PERS	PERS	PERS
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 247,714	\$ 234,692	\$ 230,387	\$ 223,547	\$ 212,353
Contributions in relation to the contractually required	\$ 247,714	\$ 234,692	\$ 230,387	\$ 223,547	\$ 212,354
District's covered payroll	\$ 2,857,140	\$ 2,780,634	\$ 2,752,489	\$ 2,650,677	\$ 2,560,475
Contributions as a percentage of covered payroll	8.67%	8.44%	8.37%	8.43%	8.29%

	SRS	SRS	SRS	SRS	SRS
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 125,288	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contributions in relation to the contractually required contributions	\$ 125,288	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
District's covered payroll	\$ 955,303	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786
Contributions as a percentage of covered payroll	13.115%	13.36%	10.11%	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, 2019

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% 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.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

- 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 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

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, 2019

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- 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 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

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

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

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, 2019

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All SRS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes

There were no legislative changes with regards to SRS in 2015.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%
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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, 2019

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.17%
SRS Discount Rate – Used to measure the TPL	7.75%, which is the assumed long-term expected rate of return on System’s investments

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

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System’s investments and a municipal bond index rate of 4.27%
---	--

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SINGLE AUDIT SECTION

**Sanders County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<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>
Highway Planning and Construciton Cluster			
<u>Department of Transportation</u>			
<i>Passed through Montana Department of Fish, Wildlife and Parks</i>			
Recreational Trails Program	20.219	RTP1735	\$ 2,261
Total Department of Transportation			<u>2,261</u>
Total Highway Planning and Construction Cluster			<u>\$ 2,261</u>
Other Programs			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMD-2017-EP-00003	\$ 7,015
Emergency Management Performance Grants	97.042	EMD-2018-EP-00005-S01	26,896
Total Department of Homeland Security			<u>\$ 33,911</u>
<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	\$ 29,335
Total United States Department of Justice			<u>\$ 29,335</u>
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Health and Human Services</i>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	19-07-6-11-047-0	\$ 36,447
Immunization Cooperative Agreements	93.268	18-07-4-31-141-0	3,412
Immunization Cooperative Agreements	93.268	19-07-4-31-141-0	7,223
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	19-07-3-01-005-0	7,484
Organized Approaches to Increase Colorectal Cancer Screening	93.800	19-07-3-01-005-0	2,911
Maternal and Child Health Services Block Grats to the States	93.994	18-07-5-01-045-0	2,047
Maternal and Child Health Services Block Grats to the States	93.994	19-07-5-01-045-0	9,467
Total Department of Health and Human Services			<u>\$ 68,991</u>
<u>United States Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grants/Entitlement Grants	14.218	MT-CDBG-PL-17-15	\$ 18,000
Total United States Department of Housing and Urban Development			<u>18,000</u>
<u>Department of Agriculture</u>			
<i>Passed through Montana Departmnet of Health and Human Services</i>			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	18-07-5-21-017-0	\$ 20,261
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	19-07-5-21-017-0	44,072
<i>Passed through Montana Department of Agriculture</i>			
Forest Health Protection	10.680	MDA-2017-025	2,673
Forest Health Protection	10.680	MDA-2018-707	11,860
<i>Passed through Montana State Auditors Office</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 1,003,101
Total Department of Agriculture			<u>\$ 1,081,967</u>
Total Other Programs			<u>\$ 1,232,204</u>
Total Federal Financial Assitance			<u><u>\$ 1,234,465</u></u>

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, 2019

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 County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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 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.

The 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

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

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

Board of County Commissioners
Sanders County
Thompson Falls, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanders County, Montana, as of and for the year ended June 30, 2019, 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 25, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Sanders County's Response to Findings

Sanders 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, CPAs, P.C.

March 25, 2020

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 County's major federal programs for the year ended June 30, 2019. 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, 2019.

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 25, 2020

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	No
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	Schools and Roads – Grants to States

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no financial statement finding reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Sanders County
Thompson Falls, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2018-001 Road Inventory	Not Repeated
2018-002 Restatements	Implemented
2018-003 Comprehensive Insurance	Implemented

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

March 25, 2020



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

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2018-001: Road Inventory

Response: Implemented in FY 2019

FINDING 2018-002: Restatements

Response: Implemented in FY 2019

FINDING 2018-003: Comprehensive Insurance

Response: Implemented in FY 2019