

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30,2024

AUDIT REPORT

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

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30,2024

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SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30,2024

BOARD OF COUNTY COMMISSIONERS

Tony Cox
John Holland
Dan Rowan

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Lisa Wadsworth
Cynthia Neste
Shawn Fielders
Doug Dryden
Jania Hatfield

Clerk & Recorder/Superintendent
Clerk of District Court
Sheriff/Coroner
Justice of the Peace
County Attorney

**Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024**

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, 2024. 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. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps determine if the County as a whole is better off or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

- **Governmental Activities:** The County's basic services are reported here, including the sheriff's department, road department, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business-Type Activities -** These services have a charge based upon the amount of usage. The solid waste fund is the county's only business type activity fund.

FUND FINANCIAL STATEMENTS

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

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

Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

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

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

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

THE COUNTY AS A WHOLE

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY24</u>	<u>FY23</u>	Change <u>Inc (Dec)</u>	<u>FY24</u>	<u>FY23</u>	Change <u>Inc (Dec)</u>
	\$ 23,199,042	\$ 18,819,353	\$ 4,379,689	\$ 636,067	\$ 680,232	\$ (44,165)
Current and other assets						
Capital assets	31,528,635	32,163,096	(634,461)	5,563,895	5,471,961	91,934
Total assets	\$ 54,727,677	\$ 50,982,449	\$ 3,745,228	\$ 6,199,962	\$ 6,152,193	\$ 47,769
Long-term debt outstanding	\$ 6,761,491	\$ 6,446,333	\$ 315,158	\$ 5,016,009	\$ 5,088,919	\$ (72,910)
Other liabilities	7,695,739	8,520,817	(825,078)	36,984	63,640	(26,656)
Total liabilities	\$ 14,457,230	\$ 14,967,150	\$ (509,920)	\$ 5,052,993	\$ 5,152,559	\$ (99,566)
Net investment in capital assets	\$ 31,708,332	\$ 32,278,731	\$ (570,399)	\$ 1,003,489	\$ 815,245	\$ 188,244
Restricted	3,825,175	3,612,754	212,421	194,030	155,224	38,806
Unrestricted (deficit)	4,736,940	123,814	4,613,126	(50,550)	29,165	(79,715)
Total net position	\$ 40,270,447	\$ 36,015,299	\$ 4,255,148	\$ 1,146,969	\$ 999,634	\$ 147,335

Governmental Activities:

Unrestricted net position of the County's governmental activities increased \$4,613,126 in 2024. This is primarily due to the county recognizing \$4,737,298 in federal grants that in previous years were reported as unearned revenue. The revenue was recognized in the general fund and then excess cash reserves were transferred to a capital projects fund.

Business Type Activities:

Net position of the County's business type activities increased \$147,335 or 14.7 percent in 2024. This is primarily due to a decrease in the long-term portion of capital liabilities of \$93,672.

Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities			Change Inc (Dec)	
	FY24	FY23	Change Inc (Dec)	FY24	FY23			
Revenues								
Program revenues (by major source):								
Charges for services	\$ 3,120,105	\$ 1,031,554	\$ 2,088,551	\$ 1,514,310	\$ 1,509,070	\$ 5,240		
Operating grants and contributions	7,252,814	2,217,510	5,035,304	-	-	-		
Capital grants and contributions	226,250	478,096	(251,846)	-	-	-		
General revenues (by major source):								
Property taxes for general purposes	7,947,084	7,467,992	479,092	-	-	-		
Licenses and permits	12,245	11,610	635	-	-	-		
Miscellaneous	232,036	153,501	78,535	-	-	-		
Interest/investment earnings	455,993	180,727	275,266	15,988	8,149	7,839		
Unrestricted federal/state shared revenues	933,165	877,177	55,988	-	-	-		
State entitlement	1,204,218	1,168,662	35,556	-	-	-		
State on behalf payments	117,726	129,886	(12,160)	10,345	11,939	(1,594)		
Total revenues	\$ 21,501,636	\$ 13,716,715	\$ 7,784,921	\$ 1,540,643	\$ 1,529,158	\$ 11,485		
Program expenses								
General government	\$ 5,478,555	\$ 3,355,229	\$ 2,123,326	\$ -	\$ -	\$ -		
Public safety	4,102,611	3,853,194	249,417	-	-	-		
Public works	5,431,504	5,336,072	95,432	-	-	-		
Public health	484,290	531,925	(47,635)	-	-	-		
Social and economic services	560,724	529,629	31,095	-	-	-		
Culture and recreation	991,436	999,667	(8,231)	-	-	-		
Housing and community development	9,361	9,814	(453)	-	-	-		
Conservation of natural resources	65,000	-	65,000	-	-	-		
Debt service - interest	4,715	11,553	(6,838)	-	-	-		
Miscellaneous	2,560	4,613	(2,053)	-	-	-		
Solid Waste				1,562,019	1,471,947	90,072		
Total expenses	\$ 17,130,756	\$ 14,631,696	\$ 2,499,060	\$ 1,562,019	\$ 1,471,947	\$ 90,072		
Excess (deficiency) before special items and transfers	\$ 4,370,880	\$ (914,981)	\$ 5,285,861	\$ (21,376)	\$ 57,211	\$ (78,587)		
Gain (loss) on sale of capital assets	(120,815)	25,287	(146,102)	-	34,531	(34,531)		
Transfers - net	-	(110,000)	110,000	-	110,000	(110,000)		
Increase (decrease) in net position	\$ 4,250,065	\$ (999,694)	\$ 5,249,759	\$ (21,376)	\$ 201,742	\$ (223,118)		

Governmental Activities: Line items with more significant changes over the prior year include charges for services, operating grants and contributions and general government expenditures. Charges for services increased due to contract work for the forest service. The forest service contracts with the county to facilitate forest service projects. The road department does not do the work themselves rather subcontracts the work to others and then is reimbursed by the forest service. The forest service contracted income increased from \$30,207 in FY 2023 to \$2,117,055 in FY 2024. Operating grants and contributions increased \$5,035,304 which is primarily due to the county recognizing \$4,737,298 in federal grants (LATCF -Local Assistance Tribal Consistency Funds). In previous years these federal funds were reported as unearned revenue. Lastly, general government expenditures increased \$2,123,326 in FY 2024. This variance is also due to the forest service contracts discussed earlier. The road fund spent \$2,110,605 on forest service projects which is reported as a general government expenditure.

**Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024**

Business Type Activities: The cost of all County enterprise activities for the year ending June 30, 2024 was \$1,562,019 compared to \$1,471,947 for the year ending June 30, 2023, an increase of \$90,072 or 6.1 percent. There were no significant changes from the prior year with the exception of a gain on the sale of assets which were \$34,531 in the prior year and \$0 in the current year. Also, in the previous year there was an operating transfer to the solid waste fund in the amount of \$110,000 to purchase equipment that was needed in fiscal year 2024.

THE COUNTY FUNDS

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

General Fund (Governmental Fund) - The General fund had an increase in fund balance of \$242,943. The General fund transferred \$5,629,851 to other funds, which included \$4,672,922 being transferred to the Building Improvements fund. The transfer was due to recognizing LATCF grant revenue in the general fund which created an excess of cash reserves allowing for the larger transfer to the capital projects fund.

Road Fund (Governmental Fund) - The Road fund had a decrease in fund balance of \$32,256 in 2024.

Public Safety Fund (Governmental Fund) - The Public Safety fund had an increase of \$168,573. The increase is not contributed to any particular activity.

ARPA Woodside (Governmental Fund) - The ARPA Woodside fund had no change in fund balance from the previous year.

Building Improvement Fund (Governmental Fund) - The Building Improvement fund had an increase of \$4,672,922 in fund balance. This is due to a transfer coming from the general fund. The general fund recognized LATCF grant revenue in FY 2024 which created an excess of cash reserves in that fund; consequently, allowing for the larger transfer to the capital projects fund.

Solid Waste Fund (Enterprise Fund) - Solid waste had a decrease in net position in FY 2024 of \$21,376. The decrease is not contributed to any particular activity.

Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

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

	General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	
	<u>ORIGINAL</u>	<u>FINAL</u>			
RESOURCES (INFLows):					
Taxes and assessments	\$ 1,822,368	\$ 1,822,368	\$ 2,045,892	\$ 223,524	
Intergovernmental	769,849	5,442,771	5,463,094	20,323	
Charges for services	341,180	341,180	327,552	(13,628)	
Fines and forfeitures	80,115	80,115	87,856	7,741	
Miscellaneous	68,570	68,570	98,651	30,081	
Investment earnings	105,000	105,000	431,877	326,877	
Amounts available for appropriation	<u>\$ 3,187,082</u>	<u>\$ 7,860,004</u>	<u>\$ 8,454,922</u>	<u>\$ 594,918</u>	
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
General government	\$ 3,553,090	\$ 3,553,090	\$ 3,244,699	\$ 308,391	
Public health	320,129	320,129	295,375	24,754	
Social and economic services	178,889	178,889	172,948	5,941	
Housing and community development	10,289	10,289	9,361	928	
Total charges to appropriations	<u>\$ 4,062,397</u>	<u>\$ 4,062,397</u>	<u>\$ 3,722,383</u>	<u>\$ 340,014</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 218,572	\$ 218,572	\$ 216,990	\$ (1,582)	
Transfers out	(100,000)	(4,772,922)	(4,779,850)	(6,928)	
Total other financing sources (uses)	<u>\$ 118,572</u>	<u>\$ (4,554,350)</u>	<u>\$ (4,562,860)</u>	<u>\$ (8,510)</u>	

Final budget to actual variances for 2024 is as follows:

The unfavorable variance in intergovernmental revenues was due to budgeting for all LATCF funds; however, not all LATCF funds were recognized in FY 2024. This is also the reason for the favorable variance in capital outlay. LATCF funds were entirely budgeted for as capital outlay however, instead they were used to offset general operations in the general fund.

Budget amendments were approved as follows:

There was one general fund budget amendment during fiscal year 2024. LATCF revenue and transfers to other funds both increased by \$4,672,922.

DEBT ADMINISTRATION

The governmental funds have no long-term debt. The enterprise fund had a decrease of \$91,841 due to making their annual payment on their revenue bonds. Compensated absence decreased \$106,449 in governmental funds and increased \$5,090 in the enterprise fund. The total OPEB liability reported is \$248,164. Sanders County implemented GASB 68 in FY 2015 and reported a net pension liability of \$6,282,292 and \$400,443 in the governmental and enterprise funds, respectively.

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

Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

CAPITAL ASSETS

At the end of fiscal year 2024, the County had \$31,528,635 (governmental funds) and \$5,563,895 (enterprise funds) invested in a broad range of capital assets (net of depreciation). Governmental activity decreased \$634,461 and enterprise assets increased \$91,934 over the prior year.

Governmental activities main purchases include new road equipment, new vehicles, jail improvements, fairgrounds improvements and a pilot lounge at both the Plains and Thompson Falls airports.

The solid waste department (business type activity) purchased a leased backhoe, two containers, 2015 Ford F350 and a compactor/baler.

	Governmental Activities		Variance
	2024	2023	
Land	\$ 2,345,924	\$ 2,345,924	\$ -
Construction in progress	269,939	116,440	153,499
Depreciable capital assets	28,912,772	29,700,732	(787,960)
Total	\$31,528,635	\$ 32,163,096	\$ (634,461)
Business Type			
	Activities		Variance
	2024	2023	
Land	\$ 177,608	\$ 177,608	\$ -
Construction in progress	-	-	-
Depreciable capital assets	5,386,287	5,294,353	91,934
Total	\$ 5,563,895	\$ 5,471,961	\$ 91,934

Detailed information about the County's capital assets is presented 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.

**Sanders County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024**

At the time of this analysis, inflation is still considered to be high, which could negatively impact the county as a whole. Tourism is a continuing strength in the economy and appears to be on the rise. Lastly, the population is increasing due to the influx of people moving to Montana from other states.

The following factors were considered in preparing the budget for the 2025 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 2025.
- Taxable value decreased from \$49,391,731 in fiscal year 2024 to \$48,576,019 in fiscal year 2025. The decrease was due to a devaluation of centrally assessed taxpayers.
- 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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sanders County, Montana as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Sanders County, Montana basic financial statements as listed in the table of contents.

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 the Sanders County, Montana, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sanders County, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024, the County adopted new accounting guidance, GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanders County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sanders County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanders County, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 content. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanders County, Montana's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 20, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sanders County, Montana's internal control over financial reporting and 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.

Dennings, Downey and Associates, CPA's, PC.

March 20, 2025

Sanders County, Montana
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 19,965,472	\$ 77,707	\$ 20,043,179
Taxes and assessments receivable, net	182,086	295,754	477,840
Due from other governments	376,484	-	376,484
Prepaid expenses	62,315	-	62,315
Inventories	455,499	-	455,499
Leases receivable	108,869	-	108,869
Total current assets	<u>\$ 21,150,725</u>	<u>\$ 373,461</u>	<u>\$ 21,524,186</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 194,030	\$ 194,030
Leased assets, net	664,093	-	664,093
Nondepreciable capital assets	2,615,863	177,608	2,793,471
Depreciable capital assets, net	28,912,772	5,386,287	34,299,059
Total noncurrent assets	<u>\$ 32,192,728</u>	<u>\$ 5,757,925</u>	<u>\$ 37,950,653</u>
Total assets	<u>\$ 53,343,453</u>	<u>\$ 6,131,386</u>	<u>\$ 59,474,839</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>\$ 1,384,224</u>	<u>\$ 68,576</u>	<u>\$ 1,452,800</u>
Total deferred outflows of resources	<u>\$ 1,384,224</u>	<u>\$ 68,576</u>	<u>\$ 1,452,800</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u><u>\$ 54,727,677</u></u>	<u><u>\$ 6,199,962</u></u>	<u><u>\$ 60,927,639</u></u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 1,210,806	\$ -	\$ 1,210,806
Accounts payable	190,355	36	190,391
Accrued liabilities	91,425	7,031	98,456
Unearned revenue	5,174,655	-	5,174,655
Current portion of long-term capital liabilities	-	93,674	93,674
Current portion of compensated absences payable	359,399	41,370	400,769
Current portion of lease liabilities	206,433	-	206,433
Total current liabilities	<u>\$ 7,233,073</u>	<u>\$ 142,111</u>	<u>\$ 7,375,184</u>
Noncurrent liabilities			
Deposits payable	\$ 2,074	\$ -	\$ 2,074
Other post-employment benefit liability	232,530	15,634	248,164
Noncurrent portion of long-term capital liabilities	-	4,466,732	4,466,732
Noncurrent portion of compensated absences	119,800	13,790	133,590
Net pension liability	6,282,292	400,443	6,682,735
Noncurrent portion of lease liabilities	277,963	-	277,963
Total noncurrent liabilities	<u>\$ 6,914,659</u>	<u>\$ 4,896,599</u>	<u>\$ 11,811,258</u>
Total liabilities	<u><u>\$ 14,147,732</u></u>	<u><u>\$ 5,038,710</u></u>	<u><u>\$ 19,186,442</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - leases	<u>\$ 108,869</u>	<u>\$ -</u>	<u>\$ 108,869</u>
Deferred inflows of resources - pensions	<u>200,629</u>	<u>14,283</u>	<u>214,912</u>
Total deferred inflows of resources	<u><u>\$ 309,498</u></u>	<u><u>\$ 14,283</u></u>	<u><u>\$ 323,781</u></u>
NET POSITION			
Net investment in capital assets	\$ 31,708,332	\$ 1,003,489	\$ 32,711,821
Restricted	3,825,175	194,030	4,019,205
Unrestricted	4,736,940	(50,550)	4,686,390
Total net position	<u>\$ 40,270,447</u>	<u>\$ 1,146,969</u>	<u>\$ 41,417,416</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	<u><u>\$ 54,727,677</u></u>	<u><u>\$ 6,199,962</u></u>	<u><u>\$ 60,927,639</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities			
Primary government:							
Governmental activities:							
General government	\$ 5,478,555	\$ 130,404	\$ 5,035,104	\$ -	\$ (313,047)	\$ -	\$ (313,047)
Public safety	4,102,611	200,604	293,269	-	(3,608,738)	-	(3,608,738)
Public works	5,431,504	2,312,847	1,535,684	226,250	(1,356,723)	-	(1,356,723)
Public health	484,290	2,693	300,765	-	(180,832)	-	(180,832)
Social and economic services	560,724	443	87,992	-	(472,289)	-	(472,289)
Culture and recreation	991,436	473,114	-	-	(518,322)	-	(518,322)
Housing and community development	9,361	-	-	-	(9,361)	-	(9,361)
Conservation of natural resources	65,000	-	-	-	(65,000)	-	(65,000)
Debt service - interest	4,715	-	-	-	(4,715)	-	(4,715)
Miscellaneous	2,560	-	-	-	(2,560)	-	(2,560)
Total governmental activities	\$ 17,130,756	\$ 3,120,105	\$ 7,252,814	\$ 226,250	\$ (6,531,587)	\$ -	\$ (6,531,587)
Business-type activities:							
Solid Waste	\$ 1,562,019	\$ 1,514,310	\$ -	\$ -	\$ (47,709)	\$ -	\$ (47,709)
Total business-type activities	\$ 1,562,019	\$ 1,514,310	\$ -	\$ -	\$ (47,709)	\$ -	\$ (47,709)
Total primary government	\$ 18,692,775	\$ 4,634,415	\$ 7,252,814	\$ 226,250	\$ (6,531,587)	\$ (47,709)	\$ (6,579,296)
General Revenues:							
Property taxes for general purposes			\$ 7,947,084	\$ -	\$ -	\$ 7,947,084	
Licenses and permits			12,245	-	-	12,245	
Miscellaneous			232,036	-	-	232,036	
Interest/investment earnings			455,993	15,988	-	471,981	
Unrestricted federal/state shared revenues			933,165	-	-	933,165	
State entitlement			1,204,218	-	-	1,204,218	
State on behalf payments			117,726	10,345	-	128,071	
Gain (loss) on sale of capital assets			(120,815)	-	-	(120,815)	
Total general revenues, special items and transfers			\$ 10,781,652	\$ 26,333	\$ -	\$ 10,807,985	
Change in net position			\$ 4,250,065	\$ (21,376)	\$ -	\$ 4,228,689	
Net position - beginning			\$ 36,015,299	\$ 999,631	\$ -	\$ 37,014,930	
Restatements			5,083	168,714	-	173,797	
Net position - beginning - restated			\$ 36,020,382	\$ 1,168,345	\$ -	\$ 37,188,727	
Net position - end			\$ 40,270,447	\$ 1,146,969	\$ -	\$ 41,417,416	

See accompanying Notes to the Financial Statements

Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2024

	General	Road	Public Safety	ARPA Woodsid	Building Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 7,083,794	\$ 708,535	\$ 399,670	\$ 962,195	\$ 6,736,918	\$ 4,074,359	\$ 19,965,471
Taxes and assessments receivable, net	37,881	18,830	74,026	-	-	51,349	182,086
Due from other funds	65,648	-	-	-	-	-	65,648
Due from other governments	-	31,600	12,172	-	-	332,712	376,484
Prepaid expenses	32,837	-	29,478	-	-	-	62,315
Inventories	16,845	396,731	-	-	-	41,924	455,500
Leases receivable	-	-	-	-	-	108,869	108,869
TOTAL ASSETS	\$ 7,237,005	\$ 1,155,696	\$ 515,346	\$ 962,195	\$ 6,736,918	\$ 4,609,213	\$ 21,216,373
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 1,210,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,210,806
Accounts payable	1,769	559	28,737	-	-	159,290	190,355
Accrued liabilities	32,327	25,587	33,512	-	-	-	91,426
Due to other funds	-	-	-	-	-	65,648	65,648
Unearned revenue	3,038,102	-	-	962,195	-	1,174,358	5,174,655
Total current liabilities	\$ 4,283,004	\$ 26,146	\$ 62,249	\$ 962,195	\$ -	\$ 1,399,296	\$ 6,732,890
Noncurrent liabilities:							
Deposits payable	\$ 2,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,074
Total noncurrent liabilities	\$ 2,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,074
Total liabilities	\$ 4,285,078	\$ 26,146	\$ 62,249	\$ 962,195	\$ -	\$ 1,399,296	\$ 6,734,964
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,869	\$ 108,869
Deferred inflows of resources - taxes and assessments	37,881	18,830	74,026	-	-	51,349	182,086
Total deferred inflows of resources	\$ 37,881	\$ 18,830	\$ 74,026	\$ -	\$ -	\$ 160,218	\$ 290,955
FUND BALANCES							
Nonspendable	\$ 16,845	\$ 396,731	\$ -	\$ -	\$ -	\$ 41,924	\$ 455,500
Restricted	-	713,989	379,071	-	-	2,167,660	3,260,720
Committed	-	-	-	-	6,736,918	840,115	7,577,033
Unassigned fund balance	2,897,201	-	-	-	-	-	2,897,201
Total fund balance	\$ 2,914,046	\$ 1,110,720	\$ 379,071	\$ -	\$ 6,736,918	\$ 3,049,699	\$ 14,190,454
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 7,237,005	\$ 1,155,696	\$ 515,346	\$ 962,195	\$ 6,736,918	\$ 4,609,213	\$ 21,216,373

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, 2024

Total fund balances - governmental funds	\$ 14,190,454
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,528,635
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.	182,086
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(479,199)
Net pension liabilities and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.	(5,098,696)
Other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported in the funds.	(232,530)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	664,093
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(484,396)
Total net position - governmental activities	<u>\$ 40,270,447</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, 2024

	General	Road	Public Safety	ARPA Woodsid	Building Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 2,045,892	\$ 884,167	\$ 3,033,210	-	-	\$ 1,939,925	\$ 7,903,194
Licenses and permits	-	-	12,245	-	-	-	12,245
Intergovernmental	6,450,735	1,325,001	6,800	2,175	-	1,318,000	9,102,711
Charges for services	327,553	2,175,234	216,753	-	-	710,582	3,430,122
Fines and forfeitures	87,856	-	-	-	-	3,759	91,615
Miscellaneous	98,651	10,638	25,658	-	-	209,195	344,142
Investment earnings	431,877	-	-	-	-	24,116	455,993
Total revenues	\$ 9,442,564	\$ 4,395,040	\$ 3,294,666	\$ 2,175	-	\$ 4,205,577	\$ 21,340,022
EXPENDITURES							
General government	\$ 3,216,604	\$ 2,110,604	-	-	-	\$ 7,232	\$ 5,334,440
Public safety	-	-	3,184,630	-	-	637,693	3,822,323
Public works	16,000	3,066,714	-	2,175	-	1,043,222	4,128,111
Public health	295,376	-	-	-	-	164,082	459,458
Social and economic services	172,948	-	-	-	-	379,263	552,211
Culture and recreation	-	-	-	-	-	927,734	927,734
Housing and community development	9,361	-	-	-	-	-	9,361
Conservation of natural resources	-	-	-	-	-	65,000	65,000
Miscellaneous	-	-	-	-	-	2,560	2,560
Capital outlay	76,471	574,178	182,771	-	-	395,842	1,229,262
Debt Service	-	232,034	-	-	-	-	232,034
Total expenditures	\$ 3,786,760	\$ 5,983,530	\$ 3,367,401	\$ 2,175	-	\$ 3,622,628	\$ 16,762,494
Excess (deficiency) of revenues over expenditures	\$ 5,655,804	\$ (1,588,490)	\$ (72,735)	-	-	\$ 582,949	\$ 4,577,528
OTHER FINANCING SOURCES (USES)							
Inception of lease	\$ -	\$ 464,551	-	-	-	-	\$ 464,551
Transfers in	216,990	1,091,693	248,707	-	4,672,922	70,487	6,300,799
Transfers out	(5,629,851)	-	(7,399)	-	-	(663,549)	(6,300,799)
Total other financing sources (uses)	\$ (5,412,861)	\$ 1,556,244	\$ 241,308	\$ 4,672,922	\$ (593,062)	\$ 464,551	
Net Change in Fund Balance	\$ 242,943	\$ (32,246)	\$ 168,573	\$ 4,672,922	\$ (10,113)	\$ 5,042,079	
Fund balances - beginning	\$ 2,674,547	\$ 1,122,965	\$ 210,498	-	\$ 2,063,996	\$ 3,048,681	\$ 9,120,687
Change in inventory	(3,444)	20,001	-	-	-	11,131	27,688
Fund balances - beginning, restated	\$ 2,671,103	\$ 1,142,966	\$ 210,498	-	\$ 2,063,996	\$ 3,059,812	\$ 9,148,375
Fund balance - ending	\$ 2,914,046	\$ 1,110,720	\$ 379,071	-	\$ 6,736,918	\$ 3,049,699	\$ 14,190,454

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, 2024

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

Net change in fund balances - total governmental funds \$ 5,042,079

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 and assets leased	1,229,262
- Depreciation and lease amortization expense	(1,446,695)

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:

- Gain on the sale of capital assets	(120,815)
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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 inflows)	43,889
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The change in compensated absences is shown as an expense in the Statement of Activities 106,449

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

- Lease liability principal payments	227,318
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Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Inception of lease	(464,551)
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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	47,578
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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 (442,137)

The change in inventory is shown as an expense on the Statement of Activities 27,688

Change in net position - Statement of Activities \$ 4,250,065

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds
	Solid Waste
ASSETS	
Current assets:	
Cash and investments	\$ 77,707
Taxes and assessments receivable, net	<u>295,754</u>
Total current assets	<u>\$ 373,461</u>
Noncurrent assets:	
Restricted cash and investments	\$ 194,030
Nondepreciable capital assets	177,608
Depreciable capital assets, net	<u>5,386,287</u>
Total noncurrent assets	<u>\$ 5,757,925</u>
Total assets	<u>\$ 6,131,386</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 68,576
Total deferred outflows of resources	<u>\$ 68,576</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,199,962</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 36
Accrued liabilities	7,031
Current portion of long-term capital liabilities	93,674
Current portion of compensated absences payable	<u>41,370</u>
Total current liabilities	<u>\$ 142,111</u>
Noncurrent liabilities:	
Other post-employment benefit liability	\$ 15,634
Noncurrent portion of long-term capital liabilities	4,466,732
Noncurrent portion of compensated absences	13,790
Net pension liability	<u>400,443</u>
Total noncurrent liabilities	<u>\$ 4,896,599</u>
Total liabilities	<u>\$ 5,038,710</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 14,283
Total deferred inflows of resources	<u>\$ 14,283</u>
NET POSITION	
Net investment in capital assets	\$ 1,003,489
Restricted for debt service	194,030
Unrestricted	<u>(50,550)</u>
Total net position	<u>\$ 1,146,969</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 6,199,962</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds
	Solid Waste
OPERATING REVENUES	
Charges for services	\$ 1,514,310
Total operating revenues	<u>\$ 1,514,310</u>
OPERATING EXPENSES	
Personal services	\$ 505,744
Supplies	67,198
Purchased services	782,936
Fixed charges	30,219
Depreciation	94,363
Total operating expenses	<u>\$ 1,480,460</u>
Operating income (loss)	<u>\$ 33,850</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	\$ 10,344
Interest revenue	15,988
Debt service interest expense	<u>(81,558)</u>
Total non-operating revenues (expenses)	<u>\$ (55,226)</u>
Change in net position	<u>\$ (21,376)</u>
Net Position - Beginning of the year	\$ 999,632
Restatements	168,714
Net Position - Beginning of the year - Restated	<u>\$ 1,168,346</u>
Net Position - End of the year	<u>\$ 1,146,969</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2024

	Business - Type Activities
	Solid Waste
Cash flows from operating activities:	
Cash received from customers	\$ 1,493,273
Cash payments to suppliers	(67,198)
Cash payments for professional services	(813,119)
Cash payments to employees	(494,904)
Net cash provided (used) by operating activities	<u><u>\$ 118,052</u></u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (167,965)
Principal paid on debt	(102,649)
Interest paid on debt	(81,558)
Net cash provided (used) by capital and related financing activities	<u><u>\$ (352,172)</u></u>
Cash flows from non-capital financing activities:	
Cash received from other Governments	\$ 10,344
Net cash provided (used) from non-capital financing activities	<u><u>\$ 10,344</u></u>
Cash flows from investing activities:	
Interest on investments	\$ 15,988
Net cash provided (used) by investing activities	<u><u>\$ 15,988</u></u>
Net increase (decrease) in cash and cash equivalents	\$ (207,788)
Cash and cash equivalents at beginning	399,913
Restatements - Includes beginning restricted cash	79,612
Cash and cash equivalents at end	<u><u>\$ 271,737</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 33,850
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	94,363
Pension expense	7,615
OPEB expense	(3,199)
Changes in assets and liabilities:	
Accounts receivable	(21,037)
Accrued payable	1,333
Accounts payable	36
Compensated absences payable	5,091
Net cash provided (used) by operating activities	<u><u>\$ 118,052</u></u>

See accompanying notes to the financial statements

Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2024

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 721,814	\$ 8,941,398
Taxes receivable	351,345	228,604
TOTAL ASSETS	<u>\$ 1,073,159</u>	<u>\$ 9,170,002</u>
LIABILITIES		
Due to State of Montana	\$ 344,330	-
Due to City/Town Governments	173,226	-
Due to Other Governments	553,558	-
Due to others	2,045	-
Total liabilities	<u>\$ 1,073,159</u>	<u>\$ -</u>
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 9,170,002
Total net position	\$ -	\$ 9,170,002
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,073,159</u>	<u>\$ 9,170,002</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, 2024

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Interest and change in fair value of investments	\$ -	\$ 399,779
Property taxes collected for school districts	8,558,403	8,224,282
Intergovernmental grants and entitlements collected for school districts	1,147,454	13,423,630
Miscellaneous	2,262,569	187,399
Total additions	<u>\$ 11,968,426</u>	<u>\$ 22,235,090</u>
DEDUCTIONS		
Distributions to State of Montana	\$ 7,569,434	\$ -
Distributions to City/Town	1,480,387	-
Distributions to School Districts	2,194,462	-
Distributions to Others	724,143	107,291
Distributions related to school district activity	-	20,307,092
Distributions related to local government entities	-	1,172,803
Total deductions	<u>\$ 11,968,426</u>	<u>\$ 21,587,186</u>
Change in net position	<u>\$ -</u>	<u>\$ 647,904</u>
Net Position - Beginning of the year	\$ -	\$ 8,522,098
Net Position - End of the year	<u>\$ -</u>	<u>\$ 9,170,002</u>

See accompanying Notes to the Financial Statements

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The County has implemented this pronouncement in the current fiscal year.

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 unit's board; the County is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

Primary Government

The County is a political subdivision of the State of Montana governed by an elected Board of 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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, 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Fund Financial Statements

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the 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 as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized 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.

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

Major Funds:

The County reports the following major governmental funds:

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

Road Fund – 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.

ARPA Woodside – A special revenue fund that is used to account for the revenues and expenditures of the American Rescue Plan Act revenues that will be used on the Woodside Water project.

Building Improvement Fund – A capital project fund to account for revenues and expenses for future building improvements and capital projects around the County.

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.

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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.

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:

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the County in a custodial capacity. This fund primarily consists of reporting resources held by the County as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2024, are as follows:

	<u>Primary</u>	<u>Government</u>
<u>Cash on hand and deposits:</u>		
Cash on hand		
Petty Cash	\$ 1,900	
Cash in banks:		
Demand deposits	152,099	
Time deposits	8,702,018	
<u>Investments:</u>		
Repurchase agreements	21,044,404	
Total	<u>\$ 29,900,421</u>	

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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, and time deposits, repurchase agreements, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

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 Montana Code Annotated (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

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

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

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

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

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, 2024, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>June 30, 2024</u>
	<u>Balance</u>
Insured	\$ 8,280,162
- Collateral held by the pledging bank's trust department but not in the County's name	572,247
Total deposits and investments	<u>\$ 8,852,409</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%.

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The amount of collateral held for County deposits at June 30, 2024, equaled or exceeded the amount required by State statutes.

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%

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. The County has one pooled fund, invested in repurchase agreement.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2024 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2024.

As noted above state statutes limit the type of investments but provide no other regulatory oversight, and the pool is not registered with the Securities and Exchange Commission.

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.

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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, 2024.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 19,154,168
Equity of external pool participants	<u>9,170,002</u>
Total equity	<u><u>\$ 28,324,170</u></u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 399,779	\$ 526,854
Contributions to trust	21,835,311	14,485,786
Distributions paid	<u>(21,587,186)</u>	<u>(11,256,248)</u>
Net change in net position	\$ 647,904	\$ 3,756,392
Net position at beginning of year	<u>8,522,098</u>	<u>15,397,776</u>
Net position at end of year	<u><u>\$ 9,170,002</u></u>	<u><u>\$ 19,154,168</u></u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2024. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Solid Waste	Revenue bond reserve	\$ 86,530
Solid Waste	Revenue bond asset replacement	<u>107,500</u>
		<u><u>\$ 194,030</u></u>

NOTE 4. 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 County. 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.

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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.

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 5. INVENTORIES AND PREPAIDS

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 6. 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

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

Governmental activities:

	<u>Balance</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Restatements</u>	<u>Balance</u>	<u>June 30, 2024</u>
Capital assets not being depreciated:							
Land	\$ 2,345,924	\$ -	\$ -	\$ -	\$ -	\$ 2,345,924	\$ 2,345,924
Construction in progress	116,440	269,939	(116,440)	-	-	269,939	269,939
Total capital assets not being depreciated	<u>\$ 2,462,364</u>	<u>\$ 269,939</u>	<u>\$ (116,440)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,615,863</u>	<u>\$ 2,615,863</u>
Other capital assets:							
Buildings	\$ 4,732,797	\$ 8,376	\$ (6,080)	\$ -	\$ -	\$ 4,735,093	\$ 4,735,093
Improvements other than buildings	30,794,329	127,556	(11,842)	-	-	30,910,043	30,910,043
Machinery and equipment	10,844,455	358,840	(369,049)	(29,846)	-	10,804,400	10,804,400
Total other capital assets at historical cost	<u>\$ 46,371,581</u>	<u>\$ 494,772</u>	<u>\$ (386,971)</u>	<u>\$ (29,846)</u>	<u>\$ -</u>	<u>\$ 46,449,536</u>	<u>\$ 46,449,536</u>
Less: accumulated depreciation	(16,670,849)	(1,283,439)	382,596	34,928	-	(17,536,764)	(17,536,764)
Total	<u>\$ 32,163,096</u>	<u>\$ (518,728)</u>	<u>\$ (120,815)</u>	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 31,528,635</u>	<u>\$ 31,528,635</u>

SANDERS COUNTY, MONTANA
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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 45,037
Public Safety	96,729
Public Works	1,081,618
Public Health	5,003
Social & Economic	5,897
Culture & Recreation	<u>49,155</u>
Total governmental activities depreciation expense	<u>\$ 1,283,439</u>

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

Business-type activities:

	Balance	Additions	Deletions	Restatements	Balance
	July 1, 2023				June 30, 2024
Capital assets not being depreciated:					
Land	\$ 177,608	\$ -	\$ -	\$ -	\$ 177,608
Total capital assets not being depreciated	<u>\$ 177,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,608</u>
Other capital assets:					
Buildings	\$ 4,651,505	\$ -	\$ -	\$ -	\$ 4,651,505
Improvements other than buildings	156,237	-	-	-	156,237
Machinery and equipment	1,745,415	167,962	(12,000)	-	1,901,377
Total other capital assets at historical cost	<u>\$ 6,553,157</u>	<u>\$ 167,962</u>	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>\$ 6,709,119</u>
Less: accumulated depreciation	(1,258,804)	(88,028)	12,000	12,000	(1,322,832)
Total	<u>\$ 5,471,961</u>	<u>\$ 79,934</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 5,563,895</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

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, 2024, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance	Deletions	Balance	Due Within
	July 1, 2023		June 30, 2024	One Year
Compensated absences	\$ 585,648	\$ (106,449)	\$ 479,199	\$ 359,399
Total	<u>\$ 585,648</u>	<u>\$ (106,449)</u>	<u>\$ 479,199</u>	<u>\$ 359,399</u>

In prior years the General Fund was used to liquidate Compensated Absences and claims and judgments.

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Business-type Activities:

	<u>Balance</u>		<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>		<u>Due Within One Year</u>
	<u>July 1, 2023</u>				<u>June 30, 2024</u>		
Revenue bonds	\$ 4,652,245		\$ -	\$ (91,839)	\$ 4,560,406		\$ 93,674
Compensated absences	50,070		5,090	-	55,160		41,370
Total	\$ 4,702,315		\$ 5,090	\$ (91,839)	\$ 4,615,566		\$ 135,044

Revenue Bonds – The County also issues bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2024</u>
Series 2019A							
Revenue bond	12/12/19	1.75%	40yrs	12/12/59	\$ 5,538,000	\$ 123,406	\$ 3,251,658
Series 2019B							
Revenue bond	12/12/19	1.75%	40yrs	12/12/59	1,124,000	39,205	1,033,027
Series 2019C							
Revenue bond	12/12/19	1.75%	40yrs	12/12/59	<u>300,000</u>	<u>10,463</u>	<u>275,721</u>
					<u>\$ 6,962,000</u>	<u>\$ 173,074</u>	<u>\$ 4,560,406</u>

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The most significant covenants are summarized in detail below:

The County is to maintain a Reserve Account for the USDA Series A, B, and C Bonds equal to at least one annual loan installment that accumulates at a rate of 10% of one annual payment per year for ten years or until the balance of the reserve is equal to one annual loan payment. The amount of required reserve at the end of June 30, 2024 equaled \$86,530, which the County reported in its restricted cash as described in Note 3. The County is in compliance with this requirement at June 30, 2024.

The County is also required to a Short-Lived Asset Account for the USDA Series A, B, C Bonds. The County is required to deposit \$21,500 annually into this account over the life of the revenue bonds. The required amount at the end of June 30, 2024 equaled \$107,500 and the Solid Waste Fund reported a restricted cash in the amount of \$107,500 disclosed in further detail at Note 3. The County is in compliance with this requirement at June 30, 2024.

SANDERS COUNTY, MONTANA
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Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2025	\$ 93,674	\$ 79,402
2026	95,321	77,755
2027	96,996	76,080
2028	98,499	74,577
2029	100,433	72,643
2030	102,199	70,877
2031	103,994	69,082
2032	105,639	67,437
2033	107,679	65,397
2034	109,572	63,504
2035	111,498	61,578
2036	113,294	59,780
2037	115,448	57,628
2038	117,478	55,598
2039	119,543	53,533
2040	121,504	51,572
2041	123,780	49,296
2042	125,955	47,121
2043	128,169	44,907
2044	130,306	42,770
2045	132,712	40,363
2046	135,045	38,031
2047	137,418	35,658
2048	139,745	33,331
2049	142,291	30,785
2050	144,791	28,285
2051	147,336	25,740
2052	149,864	23,212
2053	152,560	20,516
2054	155,241	17,835
2055	157,970	15,106
2056	160,714	12,362
2057	163,570	9,506
2058	166,446	6,630
2059	169,371	3,705
2060	84,351	740
Total	<u>\$ 4,560,406</u>	<u>\$ 1,582,342</u>

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Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward 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 8. LEASES

Leased Assets and Lease Liabilities

The County has multiple lease agreements with Caterpillar Financial Services Corporation for machinery and equipment. Each agreement is a five year term requiring annual payments with a purchase option in year six. Historically, the County has not executed the purchase options on these agreements and is reasonably certain they will not execute these options on the existing leases, therefore the purchase options have been excluded from the determination of the leased asset and liability amounts.

A summary of changes in governmental leased assets and liabilities was as follows as of June 30, 2024:

Governmental Activities:

	<u>Balance</u>		<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>
Leased Assets:					
Machinery and equipment	\$ 622,715	\$ 464,551	\$ -	\$ 1,087,266	\$ -
Less: accumulated depreciation	(259,917)	(163,256)		(423,173)	-
Total Leased Assets, net	\$ 362,798	\$ 301,295	\$ -	\$ 664,093	\$ -
 Leased Liability	 \$ 247,163	\$ 464,551	\$ (227,318)	\$ 484,396	\$ 206,433

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A summary of changes in Business-type leased assets and liabilities was as follows as of June 30, 2024:

Business-type Activities:

	<u>Balance</u>			<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>		<u>One Year</u>
Leased Assets:						
Machinery and equipment	\$ 32,429	\$ -	\$ (32,429)	\$ -	\$ -	\$ -
Less: accumulated depreciation	<u>(26,094)</u>	<u>(6,335)</u>	<u>32,429</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Leased Assets, net	<u>\$ 6,335</u>	<u>\$ (6,335)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Leased Liability	 <u>\$ 10,806</u>	<u>\$ -</u>	<u>\$ (10,806)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Below is the annual principal and interest requirements for the lease liabilities:

	For Fiscal		
	<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 206,433	\$ 27,600	
2026	86,765	18,460	
2027	92,527	12,698	
2028	98,671	6,553	
Total	<u>\$ 484,396</u>	<u>\$ 65,311</u>	

Leased Receivables

The County leases out land lots at both Thompson Falls and Plains Airports to the general public. The term of the agreements is between ten and twenty years. Each agreement requires annual payments to the County, and no interest rate is stated in the agreements. The 30-year municipal bond rate that equaled 3.60% was used for calculation of the receivables. As of June 30, 2024 the County had 30 active lease agreements, and the total value of the receivables equaled \$108,869. The total lease payments received during the fiscal year equaled \$12,005.

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, 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 above described OPEB plan does not provide a stand-alone financial report.

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Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. 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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	<u>89</u>
Total employees	<u><u>90</u></u>

Total OPEB Liability

The County's total OPEB liability of \$248,164 at June 30, 2024, and was determined by alternative measurement method. The measurement date of the determined liability was June 30, 2024.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2024, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.40%
Average salary increase (Consumer Price Index)	3.00%
Participation rate	5.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2024	3.00%
2025	3.00%
2026	3.00%
2027	3.00%
2028	3.00%
2029	3.00%
2030	3.00%
2031	3.00%
2032	3.00%
2033	3.00%
2034 and after	3.00%

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

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Life expectancy of employees was based on the Montana Life Tables, 2021 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 73, No. 3, August 21, 2024.

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

Changes in the Total OPEB Liability

Balance at 6/30/2023	\$ 298,940
Changes for the year:	
Service Cost	\$ 41,548
Interest	10,164
Differences in experience	(2,011)
Change in assumptions	(48,765)
Benefit payments	<u>(51,712)</u>
Net Changes	<u>\$ (50,776)</u>
Balance at 6/30/2024	<u>\$ 248,164</u>

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

	1% Decrease (2.40%)	Discount Rate (3.40%)	1% Increase (4.40%)
Total OPEB Liability	\$ 285,442	\$ 248,164	\$ 216,867

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%:

	Healthcare		
	1% Decrease	Cost Trends*	1% Increase
Total OPEB Liability	\$ 212,644	\$ 248,164	\$ 291,076

**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

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For the year ended June 30, 2024, the County recognized an OPEB expense of \$(50,776). The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 10. NET PENSION LIABILITY (NPL)

As of June 30, 2024, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	<u>PERS</u>	<u>SRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 4,957,651	\$ 1,725,084	\$ 6,682,735
Deferred outflows of resources*	\$ 849,000	\$ 603,800	\$ 1,452,800
Deferred inflows of resources	\$ 176,828	\$ 38,084	\$ 214,912
Pension expense	\$ 773,947	\$ 366,127	\$ 1,140,074

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$384,788 and \$179,888, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2024.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

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Plan Descriptions

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 defined contribution retirement plan (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 a third option to join the university system's Montana University System Retirement Program (MUS-RP).

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

Summary of Benefits

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 2.02% effective July 1, 2018).
- b. No service credit for second employment;

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- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

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

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

Contributions

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

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

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

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2024	7.900%	7.900%	9.070%	0.100%
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

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

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2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,979,900.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024 (reporting period), is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$4,957,651 and the County's proportionate share was 0.203153 percent.

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	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 4,957,651	\$ 4,592,442	0.203153%	0.193131%	0.010022%
State of Montana Proportionate Share associated with Employer	1,365,142	1,368,302	0.055940%	0.057543%	-0.001603%
Total	\$ 6,322,793	\$ 5,960,744	0.259093%	0.250674%	0.008419%

Changes in actuarial assumptions and methods:

There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

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

Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2024, the County recognized a Pension Expense of \$645,876 for its proportionate share of the pension expense. The County also recognized grant revenue of \$128,071 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	Pension Expense as of 6/30/24	Pension Expense as of 6/30/23
Employer Proportionate Share	\$ 645,876	\$ 643,295
State of Montana Proportionate Share associated with the Employer	128,071	141,825
Total	\$ 773,947	\$ 785,120

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$907,222.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2024, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 197,455	-
Actual vs. Expected Investment Earnings	12,579	-
Changes in Assumptions	-	176,828
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	254,178	-
Employer contributions subsequent to the measurement date - FY24*	384,788	-
Total	\$ 849,000	\$ 176,828

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
2024	\$ 40,540	-
2025	\$ (16,219)	-
2026	\$ 293,153	-
2027	\$ (30,091)	-
Thereafter	\$ -	-

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Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2023 actuarial valuation, and was determined using the following actuarial assumptions.

• Investment Return (net of admin expense)	7.30%
• General Wage Growth*	3.50%
*includes Inflation at	2.75%
• Merit Increases	0% to 4.80%

Postretirement Benefit Increases - Guaranteed Annual Benefit Adjustment (GABA)

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

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

Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

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Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. 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 2127. 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.

1.0% Decrease	Current	1.0% Increase
(6.30%)	\$ 4,957,651	(8.30%)
\$ 7,161,310	\$ 4,957,651	\$ 3,108,980

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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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2023, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 both are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

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Sheriff's Retirement System

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (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

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

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 an 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:

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- 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.

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Contributions

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

Fiscal Year	Member	Employer
2018-2024	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

For reporting date June 30, 2025: During the 2023 Legislative session, House Bill 569 was signed into law which states that an actuarially determined contribution will be developed and contributed beginning fiscal year end 2025. The new policy will use a layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability and 10-year closed amortization period for contemporary unfunded liabilities for SRS. For July 1, 2024 and after, contribution rates are actuarially determined beginning with the June 30, 2023 actuarial valuation and applying to the year beginning July 1, 2024 and ending June 30, 2025. For July 1, 2024 through June 30, 2025, the contribution rate will be 12.074%. This rate may not exceed last year's statutory rate of 13.115% by more than the statutory rate increase limit of 0.500%. This is a change in actuarial methods.

For reporting date June 30, 2025: House Bill 569 also provides a one-time appropriation of general fund dollars to the SRS of \$26.8 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024 (reporting period), is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2024, and 2023 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$1,725,084 and the County's proportionate share was 1.1736 percent.

	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,725,084	\$ 1,654,847	1.1736%	1.2086%	-0.0350%
Total	\$ 1,725,084	\$ 1,654,847	1.1736%	1.2086%	-0.0350%

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Changes in actuarial assumptions and methods:

There have been no changes to the actuarial assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

The change in benefit terms since the previous measurement date:

- Effective July 1, 2023, the retirement eligibility criteria for new hires first entering the system on or after July 1, 2023, changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

Changes in proportionate share:

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

Pension Expense:

At June 30, 2024, the County recognized a Pension Expense of \$366,127 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/24	Pension Expense as of 6/30/23
Employer Proportionate Share	\$ 366,127	\$ 286,240
Total	<u><u>\$ 366,127</u></u>	<u><u>\$ 286,240</u></u>

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$157,688.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 272,658	\$ -
Actual vs. Expected Investment Earnings	12,256	-
Changes in Assumptions	138,998	25,802
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	12,282
Employer contributions subsequent to the measurement date - FY24*	179,888	-
Total	\$ 603,800	\$ 38,084

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
2024	\$	187,065
2025	\$	95,612
2026	\$	115,800
2027	\$	(12,648)
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2023 actuarial valuation, and was determined using the following actuarial assumptions.

• Investment Return (net of admin expense)	7.30%
• General Wage Growth*	3.50%
*includes inflation at	2.75%
• Merit Increases	1.0% to 6.40%

Post Retirement Benefit Increased - 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 on or after July 1, 2207

Mortality

- Mortality assumptions among contributing members are based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for males.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 105% for males. Projected generationally using MP-2021.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. 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 2127. 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.

	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$	2,802,370	\$ 1,725,084	\$ 848,430

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena 620-0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balance	General – Major Governmental	Coalition for Families – Nonmajor Governmental	\$ 2,922
Cover negative cash balance	General – Major Governmental	Junk Motor Vehicle – Nonmajor Governmental	35,452
Cover negative cash balance	General – Major Governmental	Eurasian Watermilfoil – Nonmajor Governmental	5,279
Cover negative cash balance	General – Major Governmental	ICAC Grant – Nonmajor Governmental	755
Cover negative cash balance	General – Major Governmental	Homeland Security – Nonmajor Governmental	4,456
Cover negative cash balance	General – Major Governmental	Immunization – Nonmajor Governmental	2,196
Cover negative cash balance	General – Major Governmental	WIC Grant – Nonmajor Governmental	13,602
Cover negative cash balance	General – Major Governmental	MCH Grant – Nonmajor Governmental	986
			\$ <u>65,648</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2024:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Health insurance transfer	General – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	\$ 216,990
Operating transfer	Road – Major Governmental	General – Major Governmental	850,000
Operating transfer	Road – Major Governmental	General – Major Governmental	100,000
Health insurance transfer	Road – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	141,692
Health insurance transfer	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	209,135
SRS pension transfer	Public Safety – Major Governmental	SRS Permissive Levy – Nonmajor Governmental	39,573
Operating transfer	Sanders County Coalition for Families – Nonmajor Governmental	Public Safety – Major Governmental	7,399
Operating transfer	DNRC Grant – Nonmajor Governmental	General – Major Governmental	6,929
Fund future capital costs	JMV Capital Improvements – Nonmajor Governmental	Junk Motor Vehicle – Nonmajor Governmental	25,159
Fund future capital costs	Building Improvement – Major Governmental	General – Major Governmental	4,672,922
Fund future capital costs	Library Capital Improvement – Nonmajor Governmental	Library – Nonmajor Governmental	<u>31,000</u>
			<u>\$ 6,300,799</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 12. 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 13. 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 purposes 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 County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The County 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	\$ 16,845	Inventory
Road	396,731	Inventory
All Other Aggregate	41,924	Inventory
	<u>\$ 455,500</u>	

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 713,989	Road Repair, maintenance and supplies
Public Safety	379,071	Law Enforcement, emergency services, and supplies
All Other Aggregate	103,014	General Government administration and services
	523,479	Law Enforcement, emergency services, and supplies
	54,158	Road Repair, maintenance and supplies
	177,834	Public Health Services and Supplies
	116,687	Noxious Weed Management
	219,963	Airport services
	63,964	Animal Control
	23,997	Social and Economic Services and travel
	316,748	Culture and recreation
	77,379	Housing and Community Development
	61,274	Parks and recreation services and supplies
	8,916	Conservation of Natural Resources
	97,667	Constructions and/or capital asset purchases
	21,670	Permanent Endowment
	300,910	Bridge Maintenance
	<u>\$ 3,260,720</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Building Improvements	\$ 6,736,918	Constructions and/or capital asset purchases
All Other Aggregate	<u>840,115</u>	Constructions and/or capital asset purchases
	<u>\$ 7,577,033</u>	

NOTE 14. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Solid Waste	\$ 12,000	Restate beginning accumulated depreciation
Solid Waste	156,714	Close out Dixon and Hot Springs Refuse Funds cash and receivables to solid waste
Governmental	<u>5,083</u>	Restate beginning accumulated depreciation
	<u>\$ 173,797</u>	

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 15. JOINT VENTURES

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

City-County Library

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

NOTE 16. SERVICES PROVIDED FROM 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 17. 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

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 18. PENDING LITIGATION

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case. The County has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Kirkman, Raymond Kree v. Sanders County, Christopher Stough, and Nadia Kirkman</i>	Unknown	Unlikely
<i>Karl Thomas v. Sanders County, Lauri Hines and Robert T. Day</i>	Unknown	Unlikely
<i>Cheryl Copperstone v. Sanders County Board of Commissioners, and County Attorney Naomi Leisz</i>	Unknown	Unlikely

REQUIRED SUPPLEMENTARY INFORMATION

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			
RESOURCES (INFLows):					
Taxes and assessments	\$ 1,822,368	\$ 1,822,368	\$ 2,045,892	\$ 223,524	
Intergovernmental	769,849	5,442,771	5,463,094	20,323	
Charges for services	341,180	341,180	327,552	(13,628)	
Fines and forfeitures	80,115	80,115	87,856	7,741	
Miscellaneous	68,570	68,570	98,651	30,081	
Investment earnings	<u>105,000</u>	<u>105,000</u>	<u>431,877</u>	<u>326,877</u>	
Amounts available for appropriation	<u>\$ 3,187,082</u>	<u>\$ 7,860,004</u>	<u>\$ 8,454,922</u>	<u>\$ 594,918</u>	
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
General government	\$ 3,553,090	\$ 3,553,090	\$ 3,244,699	\$ 308,391	
Public health	320,129	320,129	295,375	24,754	
Social and economic services	178,889	178,889	172,948	5,941	
Housing and community development	10,289	10,289	9,361	928	
Total charges to appropriations	<u>\$ 4,062,397</u>	<u>\$ 4,062,397</u>	<u>\$ 3,722,383</u>	<u>\$ 340,014</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 218,572	\$ 218,572	\$ 216,990	\$ (1,582)	
Transfers out	<u>(100,000)</u>	<u>(4,772,922)</u>	<u>(4,779,850)</u>	<u>(6,928)</u>	
Total other financing sources (uses)	<u>\$ 118,572</u>	<u>\$ (4,554,350)</u>	<u>\$ (4,562,860)</u>	<u>\$ (8,510)</u>	
Net change in fund balance			<u>\$ 169,679</u>		
Fund balance - beginning of the year			\$ 1,844,315		
Restatements			<u>(3,444)</u>		
Fund balance - beginning of the year - restated			<u>\$ 1,840,871</u>		
Fund balance - end of the year			<u>\$ 2,010,550</u>		

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	Road		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET		
	BUDGETED AMOUNTS					
	<u>ORIGINAL</u>	<u>FINAL</u>				
RESOURCES (INFLOWS):						
Taxes and assessments	\$ 890,833	\$ 890,833	\$ 884,167	\$ (6,666)		
Intergovernmental	1,391,203	1,391,203	1,325,001	(66,202)		
Charges for services	3,005,000	3,005,000	2,175,234	(829,766)		
Miscellaneous	10,000	10,000	10,638	638		
Amounts available for appropriation	<u>\$ 5,297,036</u>	<u>\$ 5,297,036</u>	<u>\$ 4,395,040</u>	<u>\$ (901,996)</u>		
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General government	\$ 3,000,250	\$ 3,000,250	\$ 2,110,605	\$ 889,645		
Public works	3,875,922	3,830,922	3,298,747	532,175		
Capital outlay	168,000	213,000	109,626	103,374		
Total charges to appropriations	<u>\$ 7,044,172</u>	<u>\$ 7,044,172</u>	<u>\$ 5,518,978</u>	<u>\$ 1,525,194</u>		
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of general capital asset disposition	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)		
Transfers in	1,092,725	1,092,725	1,091,692	(1,033)		
Total other financing sources (uses)	<u>\$ 1,192,725</u>	<u>\$ 1,192,725</u>	<u>\$ 1,091,692</u>	<u>\$ (101,033)</u>		
Net change in fund balance			<u>\$ (32,246)</u>			
Fund balance - beginning of the year			\$ 1,122,966			
Restatements			20,000			
Fund balance - beginning of the year - restated			<u>\$ 1,142,966</u>			
Fund balance - end of the year			<u>\$ 1,110,720</u>			

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	Public Safety				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			
RESOURCES (INFLows):					
Taxes and assessments	\$ 3,066,286	\$ 3,066,286	\$ 3,033,210	\$ (33,076)	
Licenses and permits	13,000	13,000	12,245	(755)	
Intergovernmental	6,800	6,800	6,800	-	
Charges for services	135,140	135,140	216,753	81,613	
Miscellaneous	20,000	33,391	25,658	(7,733)	
Amounts available for appropriation	<u>\$ 3,241,226</u>	<u>\$ 3,254,617</u>	<u>\$ 3,294,666</u>	<u>\$ 40,049</u>	
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Public safety	\$ 3,386,592	\$ 3,399,983	\$ 3,184,631	\$ 215,352	
Capital outlay	205,859	205,859	182,771	23,088	
Total charges to appropriations	<u>\$ 3,592,451</u>	<u>\$ 3,605,842</u>	<u>\$ 3,367,402</u>	<u>\$ 238,440</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 250,666	\$ 250,666	\$ 248,708	\$ (1,958)	
Transfers out	-	-	(7,399)	(7,399)	
Total other financing sources (uses)	<u>\$ 250,666</u>	<u>\$ 250,666</u>	<u>\$ 241,309</u>	<u>\$ (9,357)</u>	
Net change in fund balance			<u>\$ 168,573</u>		
Fund balance - beginning of the year			<u>\$ 210,498</u>		
Fund balance - end of the year			<u>\$ 379,071</u>		

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	ARPA Woodside				VARIANCE WITH FINAL <u>BUDGET</u>	
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A			
	<u>ORIGINAL</u>	<u>FINAL</u>				
RESOURCES (INFLows):						
Intergovernmental	\$ 325,000	\$ 325,000	\$ 2,175	\$	(322,825)	
Amounts available for appropriation	\$ 325,000	\$ 325,000	\$ 2,175	\$	(322,825)	
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
Public works	\$ 1,289,370	\$ 1,289,370	\$ 2,175	\$	1,287,195	
Total charges to appropriations	\$ 1,289,370	\$ 1,289,370	\$ 2,175	\$	1,287,195	
Net change in fund balance			\$ -	\$		
Fund balance - beginning of the year			\$ -	\$		
Fund balance - end of the year			\$ -	\$		

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>	<u>ARPA Woodside</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 8,671,912	\$ 5,486,732	\$ 3,294,666	\$ 2,175
Combined funds (GASBS 54) revenues	987,642	-	-	-
Inception of lease (GASB 87) revenues	-	464,551	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 9,659,554</u>	<u>\$ 5,951,283</u>	<u>\$ 3,294,666</u>	<u>\$ 2,175</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,502,233	\$ 5,518,978	\$ 3,367,402	\$ 2,175
Combined funds (GASBS 54) expenditures	914,378	-	-	-
Inception of lease (GASB 87) expenditures	-	464,551	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,416,611</u>	<u>\$ 5,983,529</u>	<u>\$ 3,367,402</u>	<u>\$ 2,175</u>

Sanders County, Montana
Schedules of Required Supplementary Information
SCHEDEULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service Cost	\$ 41,548	\$ 50,220	\$ 45,003	\$ 92,705	\$ 97,074	\$ -	\$ 12,316
Interest	10,164	8,728	10,270	-	-	-	-
Differences in experience	(2,011)	26,912	(92,566)	-	-	-	-
Change in assumptions and inputs	(48,765)	(709)	54,080	(76,005)	(1,088,838)	-	-
Benefit payments	(51,712)	(58,948)	(55,273)	-	-	-	-
Net change in total OPEB liability	(50,776)	26,203	(38,486)	16,700	(991,764)	-	12,316
Total OPEB Liability - beginning	298,940	272,737	311,223	294,523	107,190	107,190	69,052
Restatement	-	-	-	-	1,179,097	-	25,822
Total OPEB Liability - ending	<u>\$ 248,164</u>	<u>\$ 298,940</u>	<u>\$ 272,737</u>	<u>\$ 311,223</u>	<u>\$ 294,523</u>	<u>\$ 107,190</u>	<u>\$ 107,190</u>
Covered-employee payroll	\$ 5,065,730	\$ 4,635,242	\$ 4,117,073	\$ 4,117,073	\$ 3,757,651	\$ 3,435,487	\$ 3,435,487
Total OPEB liability as a percentage of covered -employee payroll	5%	6%	7%	8%	8%	3%	3%

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**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 provided as it becomes available.*

Sanders County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.203153%	0.193131%	0.180372%	0.179700%	0.169800%	0.168500%	0.221900%	0.221300%	0.219400%	0.218300%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,957,651	\$ 4,592,442	\$ 3,270,540	\$ 4,739,879	\$ 3,548,340	\$ 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	\$ 1,365,142	\$ 1,368,302	\$ 960,857	\$ 1,488,776	\$ 1,151,681	\$ 1,174,041	\$ 54,016	\$ 46,057	\$ 37,672	\$ 33,219
Total	\$ 6,322,793	\$ 5,960,744	\$ 4,231,397	\$ 6,228,655	\$ 4,700,021	\$ 4,690,600	\$ 4,375,482	\$ 3,815,406	\$ 3,104,643	\$ 2,753,510
Employer's covered payroll	\$ 3,768,881	\$ 3,384,959	\$ 3,157,534	\$ 3,014,441	\$ 2,800,882	\$ 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	131.54%	135.67%	103.58%	157.24%	126.69%	126.47%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.93%	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	SRS 2024	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportion of the net pension liability	1.1736%	1.2086%	1.2125%	1.1735%	1.1900%	1.1311%	1.1817%	1.1459%	1.1577%	1.0855%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,725,084	\$ 1,654,847	\$ 883,206	\$ 1,430,369	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Total	\$ 1,725,084	\$ 1,654,847	\$ 883,206	\$ 1,430,369	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Employer's covered payroll	\$ 1,202,354	\$ 1,164,843	\$ 1,101,974	\$ 996,419	\$ 955,300	\$ 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	143.48%	142.07%	80.15%	143.55%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	77.09%	77.07%	86.94%	75.92%	81.89%	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
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 384,788	\$ 340,903	\$ 301,855	\$ 282,345	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 221,558	\$ 210,993
Contributions in relation to the contractually required contributions	\$ 384,788	\$ 340,903	\$ 301,855	\$ 282,345	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 223,547	\$ 212,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 4,242,426	\$ 3,768,881	\$ 3,384,959	\$ 3,157,534	\$ 3,014,441	\$ 2,800,882	\$ 2,780,634	\$ 2,752,489	\$ 2,650,677	\$ 2,560,475
Contributions as a percentage of covered payroll	9.07%	9.05%	8.92%	89.94%	8.76%	8.60%	8.44%	8.37%	8.43%	8.29%
	SRS 2024	SRS 2023	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 179,888	\$ 158,228	\$ 152,532	\$ 144,254	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contributions in relation to the contractually required contributions	\$ 179,888	\$ 158,228	\$ 152,532	\$ 144,254	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,371,620	\$ 1,202,354	\$ 1,164,843	\$ 1,101,974	\$ 996,419	\$ 955,300	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786
Contributions as a percentage of covered payroll	13.12%	13.16%	13.18%	13.09%	13.16%	13.17%	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, 2024

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, 2024

- 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.

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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, 2024

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investment and administrative expenses
*Includes inflation at Merit salary increase	2.75%
Asset valuation method	0% to 4.80%
Actuarial cost method	Four-year smoothed market
Amortization method	Entry age Normal
Remaining amortization period	Level percentage of payroll, open
Mortality	30 years
• Active Participation	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Disabled Retirees	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
• Contingent Survivors	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
• Health Retirees	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

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, 2024

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

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.

2017 Legislative Changes

Increase in SRS Employee and Employer Contributions, effective July 1, 2017:

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

Second Retirement Benefit – for SRS

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;

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, 2024

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

2023:

Retirement eligibility

- Effective July 1, 2023, the retirement eligibility criteria in SRS for new hires first entering the system changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

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, 2024

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investments and administrative expenses
*Includes inflation at	2.75%
Merit salary increases	1% to 6.40%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality	
• Active Participation	PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Healthy Retiree	PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021, set forward one year and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.
• Disabled Retiree	PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.
• Contingent Survivor	PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.

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

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

SINGLE AUDIT SECTION

Sanders County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures</i>
<u>Department of Homeland Security</u>			
Passed through Montana Department of Military Affairs			
Emergency Management Performance Grants	97.042	EMD-2023-EP-00005	\$ 29,000
Passed through Montana Disaster and Emergency Services			
Homeland Security Grant Program	97.067	EMW-2020-SS-00018	14,910
Total Department of Homeland Security			<u>\$ 43,910</u>
<u>United States Department of Justice</u>			
Passed through Montana Board of Crime Control			
Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	16.800		\$ 1,934
Passed through Sanders County Coalition for Families			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	15 JOVW-22-GG-01161-RURA	42,924
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	OVW-2019-15825	13,600
Total United States Department of Justice			<u>\$ 58,458</u>
<u>Department of Health and Human Services</u>			
Passed through Montana Department of Health and Human Services			
Public Health Emergency Preparedness (PHEP)	93.069	24-07-6-11-049-0	\$ 35,531
Immunization Cooperative Agreements	93.268	24-07-4-31-141-0	6,148
Immunization Cooperative Agreements	93.268	22-07-4-31-141-0 COVID	3,328
Maternal and Child Health Services Block Grants to the States	93.994	24-25-5-01-045-0	5,123
Maternal and Child Health Services Block Grants to the States	93.994	23-25-5-01-045-0	1,802
Passed through Flathead City-County Health Department			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CDPHP Subgrant	2,485
Injury Prevention and Control Research and State and Community Based Programs	93.136	CDPHP Subgrant	1,274
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	CDPHP Subgrant	637
Total Department of Health and Human Services			<u>\$ 56,328</u>
<u>United States Department of Transportation</u>			
Passed through Federal Aviation Administration			
Airport Improvement Program	20.106	3-30-0076-017-2024	\$ 90,199
Airport Improvement Program	20.106	3-30-0059-015-2024	42,723
Airport Improvement Program	20.106	3-30-0059-016-2024	92,592
Total United States Department of Transportation			<u>\$ 225,514</u>
<u>United States Department of Treasury</u>			
Direct			
Local Assistance and Tribal Consistency Fund	21.032	N/A	\$ 4,737,298
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	51,426
Total United States Department of Treasury			<u>\$ 4,788,724</u>
<u>Department of Agriculture</u>			
Passed through Montana Department of Health and Human Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	24-25-5-21-017-0	\$ 50,394
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-25-5-21-017-0	16,660
Passed through Montana State Auditors Office			
Schools and Roads - Grants to States	10.665	N/A	872,746
Total Department of Agriculture			<u>\$ 939,800</u>
Total Federal Financial Assistance			<u>\$ 6,112,734</u>

SANDERS COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2024

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

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, 2024, 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 20, 2025.

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) as basis for designing 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. 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*.

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.

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

March 20, 2025

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

Opinion on Each Major Federal Program

We have audited Sanders County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sanders County's Major federal programs for the year ended June 30, 2024. Sanders County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sanders County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sanders County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sanders County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sanders County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sanders County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sanders County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sanders County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sanders County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sanders County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 20, 2025

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	
not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	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>
21.032	Local Assistance and Tribal Consistency Fund
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 findings.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.