

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

AUDIT REPORT

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

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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SANDERS COUNTY, MONTANA

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SANDERS COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

BOARD OF COUNTY COMMISSIONERS

Tony Cox
Claude Burlingame
Glen Magera

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Nichol Scribner
Naomi Leisz
Cynthia Neste
Doug Dryden
Nichol Scribner
Tom Rummel

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

Sanders County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

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, 2022. 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 and 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, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

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

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

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

THE COUNTY AS A WHOLE

Net Position

	Governmental Activities			Change
	FY22	FY21	Inc (Dec)	
Current and other assets	\$ 14,641,806	\$ 14,052,491	\$ 589,315	4.2%
Capital assets	31,900,345	29,427,866	\$ 2,472,479	8.4%
Total assets	\$ 46,542,151	\$ 43,480,357	\$ 3,061,794	7%
Long-term debt outstanding	\$ 4,965,822	\$ 7,778,459	\$ (2,812,637)	-36.2%
Other liabilities	4,540,141	1,789,943	\$ 2,750,198	153.6%
Total liabilities	\$ 9,505,963	\$ 9,568,402	\$ (62,439)	-0.7%
Net investment in capital assets	\$ 32,023,268	\$ 28,143,318	\$ 3,879,950	13.8%
Restricted	3,614,557	3,581,022	\$ 33,535	0.9%
Unrestricted (deficit)	1,398,363	2,187,615	\$ (789,252)	-36.1%
Total net position	\$ 37,036,188	\$ 33,911,955	\$ 3,124,233	9.2%

Governmental Activities:

Unrestricted net position of the County's governmental activities decreased \$789,252 or 36.1 percent in 2022. Capital assets increased \$2,472,479 primarily due to the Plains and Thompson Falls airport projects. Long term debt outstanding decreased \$2,812,637 due to a decrease in pension liability.

Other liabilities increased \$2,750,198 due to grants received in advance and a \$1,507,628 increase in deferred inflows related to pension liability. Previously, grants received in advance were not considered material, however due to large amounts of Covid 19 funds received it is necessary to not recognize revenue until timing requirements have been satisfied. Consequently, \$1,244,049 has been reclassified from revenue to unearned revenue, an other liability.

Sanders County, Montana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For Fiscal Year Ended June 30, 2022

THE COUNTY AS A WHOLE

Net Position

	Business-type Activities		Change	
	FY22	FY21	Inc (Dec)	% Change
Current and other assets	\$ 782,428	\$ 500,855	\$ 281,573	56.2%
Capital assets	5,347,668	5,370,460	\$ (22,792)	-0.4%
Total assets	\$ 6,130,096	\$ 5,871,315	\$ 258,781	4.4%
Long-term debt outstanding	\$ 5,161,927	\$ 5,433,089	\$ (271,162)	-5.0%
Other liabilities	170,277	28,818	\$ 141,459	490.9%
Total liabilities	\$ 5,332,204	\$ 5,461,907	\$ (129,703)	-2.4%
Net investment in capital assets	\$ 600,798	\$ 476,344	\$ 124,454	26.1%
Restricted	116,418	77,612	\$ 38,806	50.0%
Unrestricted (deficit)	80,676	(144,548)	\$ 225,224	-155.8%
Total net position	\$ 797,892	\$ 409,408	\$ 388,484	94.9%

Business Type Activities:

Net position of the County's business type activities increased \$388,484 or 94.9 percent in 2022. The change in long term debt outstanding and other liabilities is related to new pension liability. Net pension liability decreased \$141,250 while deferred inflows increased \$114,335. Current and other assets increased \$281,573 or 56.2% primarily due to an increased cash balance at June 30, 2022 of \$216,362 over the prior year.

Sanders County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

Changes in Net Position

	Governmental Activities		Change		Business-type Activities		Change	
	FY22	FY21	Inc (Dec)	% Change	FY22	FY21	Inc (Dec)	% Change
Revenues								
<i>Program revenues (by major source):</i>								
Charges for services	\$ 1,026,939	\$ 609,907	\$ 417,032	68.4%	\$ 1,438,043	\$ 1,337,377	\$ 100,666	7.5%
Operating grants and contributions	2,629,554	2,951,732	(322,178)	-10.9%				
Capital grants and contributions	3,667,360	327,039	3,340,321	1021.4%				
<i>General revenues (by major source):</i>								
Property taxes for general purposes	6,881,137	6,442,067	439,070	6.8%				
Licenses and permits	10,731	27,458	(16,727)	-60.9%				
Miscellaneous	59,366	38,244	21,122	55.2%				
Interest/investment earnings	25,798	44,973	(19,175)	-42.6%				
Unrestricted federal/state shared revenues	767,368	633,170	134,198	21.2%				
State entitlement	1,141,369	1,120,509	20,860	1.9%				
State on behalf payments	257,518	219,284	38,234	17.4%	28,872	24,193	4,679	19.3%
Total revenues	\$ 16,467,140	\$ 12,414,383	4,052,757	32.6%	\$ 1,467,455	\$ 1,384,815	82,640	6.0%
Program expenses								
General government	\$ 3,273,971	\$ 2,858,051	415,920	14.6%	\$ -	\$ -	\$ -	\$ -
Public safety	3,216,472	3,361,214	(144,742)	-4.3%				
Public works	4,821,148	4,819,338	1,810	0.0%				
Public health	490,729	502,498	(11,769)	-2.3%				
Social and economic services	490,802	480,472	10,330	2.1%				
Culture and recreation	766,218	245,014	521,204	212.7%				
Housing and community development	84,044	28,390	55,654	196.0%				
Debt service - interest	14,320	15,173	(853)	-5.6%				
Miscellaneous	4,285	3,135	1,150	36.7%				
Solid Waste	-	-	-	-	1,475,459	1,536,320	(60,861)	-4.0%
Total expenses	\$ 13,161,989	\$ 12,313,285	848,704	6.9%	\$ 1,475,459	\$ 1,536,320	(60,861)	-4.0%
Excess (deficiency) before special items and transfers	\$ 3,305,151	\$ 101,098	3,204,053	3169.3%	\$ (8,004)	\$ (151,505)	143,501	-94.7%
Gain (loss) on sale of capital assets	33,500	129,440	(95,940)	-74.1%				0.0%
Transfers - net	(399,127)	-	(399,127)	N/A	399,127	-	399,127	N/A
Increase (decrease) in net position	\$ 2,939,524	\$ 230,538	2,708,986	1175.1%	\$ 391,123	\$ (151,505)	542,628	-358.2%

Governmental Activities: Line items with more significant changes over the prior year include capital grants and contributions, which increased \$3,340,321. The county received more airport grant revenue than in the prior year, which are capital improvement grants. Charges for services revenue increased \$417,032 or 68.4% and culture and recreation expenses increased \$521,204 or 212.7%. Both increases can be attributed to the county fair being cancelled in FY 2021. Operating grants and contributions decreased \$322,178 primarily due to less Covid operating type grants received in fiscal year 2022. General government expenses increased \$415,920 or 14.6%. This is primarily due to additional employees and increased wages in fiscal year 2022.

Business Type Activities: The cost of all county enterprise activities for the year ending June 30, 2022 was \$1,475,459 compared to \$1,536,320 for the year ending June 30, 2021, a decrease of \$60,861 or 4.0 percent. The primary reason for the decrease is due to lower repair and maintenance fees in fiscal year 2022. Charges for services increased \$100,666 or 7.5% primarily due to more users and increased construction. Lastly, the general fund transferred \$399,127 to the enterprise fund which was not transferred in the prior year. The transfer was to assist in paving the transfer site and purchase a new truck.

Sanders County, Montana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For Fiscal Year Ended June 30, 2022

THE COUNTY FUNDS

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

General Fund (Governmental Fund) - The General fund had a decrease in fund balance of \$1,080,331. The primary reason for the decrease was transfers to other funds. The General fund transferred \$1,799,831 to other funds, which included \$1,400,000 to the road fund, \$399,127 to the Solid Waste enterprise fund and \$704 to the DNRC Grant fund.

Road Fund (Governmental Fund) - The Road fund had an increase in fund balance of \$58,502 in 2022.

Airport (Governmental Fund) - The Airport fund had an increase in fund balance of \$132,123 in 2022.

Public Safety Fund (Governmental Fund) - The Public Safety fund had a decrease of \$50,924 in fund balance in 2022.

ARPA (Governmental Fund) - The ARPA had no change in fund balance in 2022.

Building Improvement Fund (Governmental Fund) - The Building Improvement fund had an increase of \$3,211 in fund balance in 2022.

Solid Waste Fund (Enterprise Fund) - Solid waste had an increase in net position in FY 2022 of \$391,122. The primary reason for the increase is due to a \$399, 127 transfer from the general fund.

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

	General Fund			
	Original Budget	Final Budget	Actual	Final Variance
Resources (Inflows):				
Taxes/assessments	\$ 1,769,109	\$ 1,769,109	\$ 1,922,024	\$ 152,915
Licenses and permits	600	600	-	\$ (600)
Intergovernmental revenues	1,296,202	1,296,202	1,476,277	\$ 180,075
Charges for services	328,967	328,967	420,995	\$ 92,028
Fines and forfeitures	75,115	75,115	84,037	\$ 8,922
Miscellaneous	141,630	141,630	55,578	\$ (86,052)
Investment and royalty earnings	105,000	105,000	19,847	\$ (85,153)
Amounts available for appropriation	3,716,623	3,716,623	3,978,758	262,135
Charges to Appropriations (Outflows):				
General government	3,305,816	3,305,816	3,052,594	253,222
Public works	-	-	-	-
Public health	295,082	295,082	248,813	46,269
Social and economic services	160,486	160,486	146,353	14,133
Housing and Community Development	10,000	10,000	9,844	156
Miscellaneous	38,000	38,000	28,653	9,347
Capital outlay	-	-	-	-
Total charges to appropriations	3,809,384	3,809,384	3,486,257	323,127
OTHER FINANCING SOURCES/USES:				
Proceeds from sale of capital assets	-	-	-	-
Fund transfers in	261,693	261,693	226,999	(34,694)
Fund transfers (out)	(2,099,531)	(2,099,531)	(1,799,831)	299,700
Total other financing sources/uses	(1,837,838)	(1,837,838)	(1,572,832)	265,006

Sanders County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

Final budget to actual variances for 2022 is as follows:

The favorable variance in general government expenditures in the amount of \$253,222 is not due to any particular item, but rather the majority of departments within the general fund spending less than budgeted. The favorable variance in intergovernmental revenue in the amount of \$180,075 is primarily due to actual PILT revenue being \$158,269 greater than budgeted. Lastly, transfers out did not materialize as budgeted.

Budget amendments were approved as follows:

There were no general fund budget amendments during fiscal year 2022.

DEBT ADMINISTRATION

Total long-term debt, in both the governmental funds and enterprise fund decreased in fiscal year 2022 primarily due to the county implementing GASB 87 – Leases. This resulted in the reclassification of leased equipment from a long term debt liability (capital lease) to a lease liability.

Compensated absence increased \$18,344 in governmental funds and \$3,076 in the enterprise fund. Other long term liabilities as of June 30, 2022 include OPEB liability of \$272,737 and Net Pension liability of \$3,824,027 and \$329,719 in the governmental and enterprise funds, respectively.

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

CAPITAL ASSETS

At the end of fiscal year 2022, the County had \$31,900,345 (governmental funds) and \$5,347,668 (enterprise funds) invested in a broad range of capital assets (net of depreciation). Governmental activity and enterprise assets increased \$2,472,479 and decreased \$22,792, respectively over the prior year.

Governmental activities main purchases include airport improvement projects in both Plains and Thompson Falls.

The solid waste department (business type activity) paved the transfer site in Thompson Falls.

Also, the county implemented GASB 87 – Leases. This resulted in the removal of leased equipment in both the road fund and solid waste fund. This equipment has been reclassified from a capital asset to a leased asset.

Sanders County, Montana
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For Fiscal Year Ended June 30, 2022

	Governmental Activities		Variance
	2022	2021	
Land	\$ 2,345,924	\$ 2,345,924	\$ -
Construction in progress	3,533,771	295,805	3,237,966
Depreciable capital assets	26,020,650	26,786,137	(765,487)
Total	\$31,900,345	\$ 29,427,866	\$ 2,472,479

	Business Type Activities		Variance
	2022	2021	
Land	\$ 177,608	\$ 177,608	\$ -
Construction in progress	-	-	-
Depreciable capital assets	5,170,060	5,192,852	(22,792)
Total	\$ 5,347,668	\$ 5,370,460	\$ (22,792)

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

ECONOMIC FACTORS, BUDGETS AND RATES

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

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

At the time of this analysis, tourism is a continuing strength in the economy and appears to be on the rise. Lastly, the population is increasing due to the mass influx of people moving to Montana from other states.

The following factors were considered in preparing the budget for the 2023 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 2023.
- Taxable value increased from \$43,449,111 in fiscal year 2022 to \$45,515,404 in fiscal year 2023. The increase was primarily due to new construction.

Sanders County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

- Revenues are expected to remain relatively consistent with the prior year, except for the Local Assistance and Tribal Consistency funding. Due to Covid 19 the federal government created and gave counties a Local Assistance and Tribal Consistency grant. Sanders County will receive \$7,775,400, with \$3,887,700,000 being received in FY 2023 and \$3,887,700 in FY 2024. There are no spending restrictions on these funds.

It is our goal to maintain and provide the services needed for 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 citizens' 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 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, 2022, 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, 2022, 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 responsibilities 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 2022, Sanders County adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). 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 29, 2023, 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.

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

March 29, 2023

Sanders County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 11,671,449	\$ 349,407	\$ 12,020,856
Taxes and assessments receivable, net	148,746	207,892	356,638
Accounts receivable - net	44,688	-	44,688
Lease receivables	117,123	-	117,123
Due from other governments	470,194	-	470,194
Inventories	251,269	-	251,269
Total current assets	<u>\$ 12,703,469</u>	<u>\$ 557,299</u>	<u>\$ 13,260,768</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 116,418	\$ 116,418
Capital assets - land	2,345,924	177,608	2,523,532
Capital assets - construction in progress	3,533,771	-	3,533,771
Capital assets - depreciable, net	26,020,650	5,170,060	31,190,710
Leased assets - net	487,341	17,145	504,486
Total noncurrent assets	<u>\$ 32,387,686</u>	<u>\$ 5,481,231</u>	<u>\$ 37,868,917</u>
Total assets	<u>\$ 45,091,155</u>	<u>\$ 6,038,530</u>	<u>\$ 51,129,685</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>\$ 1,450,996</u>	<u>\$ 91,566</u>	<u>\$ 1,542,562</u>
Total deferred outflows of resources	<u>\$ 1,450,996</u>	<u>\$ 91,566</u>	<u>\$ 1,542,562</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 46,542,151</u>	<u>\$ 6,130,096</u>	<u>\$ 52,672,247</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 1,014,696	\$ -	\$ 1,014,696
Accounts payable	265,600	27,654	293,254
Accrued liabilities	77,380	6,663	84,043
Unearned revenue	1,244,049	-	1,244,049
Current portion of long-term liabilities	-	89,239	89,239
Current portion of compensated absences payable	393,821	35,804	429,625
Current portion of lease liability	117,911	10,493	128,404
Total current liabilities	<u>\$ 3,113,457</u>	<u>\$ 169,853</u>	<u>\$ 3,283,310</u>
Noncurrent liabilities			
Deposits payable	\$ 11,675	\$ -	\$ 11,675
Noncurrent portion of OPEB	252,282	20,455	272,737
Noncurrent portion of long-term liabilities	-	4,653,477	4,653,477
Noncurrent portion of compensated absences	131,274	11,934	143,208
Net pension liability	3,824,027	329,719	4,153,746
Noncurrent portion of lease liability	246,507	10,806	257,313
Total noncurrent liabilities	<u>\$ 4,465,765</u>	<u>\$ 5,026,391</u>	<u>\$ 9,492,156</u>
	<u>\$ 7,579,222</u>	<u>\$ 5,196,244</u>	<u>\$ 12,775,466</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - taxes	\$ 117,123	\$ -	\$ 117,123
Deferred inflows of resources - pensions	1,809,618	135,960	1,945,578
Total deferred inflows of resources	<u>\$ 1,926,741</u>	<u>\$ 135,960</u>	<u>\$ 2,062,701</u>
NET POSITION			
Net investment in capital assets	\$ 32,023,268	\$ 600,798	\$ 32,624,066
Restricted for special projects	3,614,557	-	3,614,557
Restricted for debt service	-	116,418	116,418
Unrestricted	1,398,363	80,676	1,479,039
Total net position	<u>\$ 37,036,188</u>	<u>\$ 797,892</u>	<u>\$ 37,834,080</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	<u>\$ 46,542,151</u>	<u>\$ 6,130,096</u>	<u>\$ 52,672,247</u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Operating		Capital	Primary Government	Business-type Activities	
		Grants and Contributions	Grants and Contributions	Governmental Activities			
Primary government:							
Governmental activities:							
General government	\$ 3,273,971	\$ 135,793	\$ 402,507	\$ (2,735,671)	\$ (2,735,671)	\$ (2,696,267)	\$ (2,735,671)
Public safety	3,216,472	194,981	325,224	-	-	-	-
Public works	4,821,148	321,769	1,315,010	3,667,360	482,991	-	482,991
Public health	490,729	2,421	536,700	-	48,392	-	48,392
Social and economic services	490,802	-	12,506	-	(478,296)	-	(478,296)
Culture and recreation	766,218	371,975	-	-	(394,243)	-	(394,243)
Housing and community development	84,044	-	37,607	-	(46,437)	-	(46,437)
Debt service - interest	14,320	-	-	-	(14,320)	-	(14,320)
Miscellaneous	4,285	-	-	-	(4,285)	-	(4,285)
Total governmental activities	\$ 13,161,989	\$ 1,026,939	\$ 2,629,554	\$ 3,667,360	\$ (5,838,136)	\$ -	\$ (5,838,136)
Business-type activities:							
Solid Waste	\$ 1,475,459	\$ 1,438,043	\$ -	\$ -	\$ (37,416)	\$ (37,416)	\$ (37,416)
Total business-type activities	\$ 1,475,459	\$ 1,438,043	\$ -	\$ -	\$ (37,416)	\$ (37,416)	\$ (37,416)
Total primary government	\$ 14,637,448	\$ 2,464,982	\$ 2,629,554	\$ 3,667,360	\$ (5,838,136)	\$ (37,416)	\$ (5,875,552)
General Revenues:							
Property/taxes for general purposes	\$ -	\$ 6,881,137	\$ -	\$ -	\$ 6,881,137	\$ -	\$ 6,881,137
Permits & licenses	\$ -	\$ 10,731	\$ -	\$ -	\$ 10,731	\$ -	\$ 10,731
Miscellaneous	\$ -	\$ 59,366	\$ -	\$ -	\$ 59,366	\$ -	\$ 59,366
Interest/investment earnings	\$ -	\$ 25,798	\$ -	\$ -	\$ 25,798	\$ 540	\$ 26,338
Unrestricted federal/state shared revenues	\$ -	\$ 76,368	\$ -	\$ -	\$ 76,368	\$ -	\$ 76,368
State entitlement	\$ -	\$ 1,141,369	\$ -	\$ -	\$ 1,141,369	\$ -	\$ 1,141,369
State on behalf payments	\$ -	\$ 257,518	\$ -	\$ -	\$ 257,518	\$ 28,872	\$ 28,872
Gain (loss) on sale of capital assets	\$ -	\$ 33,500	\$ -	\$ -	\$ 33,500	\$ -	\$ 33,500
Transfers - net	\$ -	\$ (399,127)	\$ -	\$ -	\$ (399,127)	\$ 399,127	\$ 399,127
Total general revenues, special items and transfers	\$ -	\$ 8,777,660	\$ -	\$ -	\$ 8,777,660	\$ 428,539	\$ 9,206,199
Change in net position	\$ -	\$ 2,939,524	\$ -	\$ -	\$ 2,939,524	\$ 391,123	\$ 3,330,647
Net position - beginning	\$ -	\$ 33,911,955	\$ -	\$ -	\$ 33,911,955	\$ 409,407	\$ 34,321,362
Restatements	\$ -	\$ 184,709	\$ -	\$ -	\$ 184,709	\$ (2,638)	\$ 182,071
Net position - beginning - restated	\$ -	\$ 34,096,664	\$ -	\$ -	\$ 34,096,664	\$ 406,769	\$ 34,503,433
Net position - end	\$ -	\$ 37,036,188	\$ -	\$ -	\$ 37,036,188	\$ 797,892	\$ 37,834,980

See accompanying Notes to the Financial Statements

Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Road	Airport	Public Safety	ARPA	Building Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS								
Current assets:								
Cash and investments	\$ 4,205,408	\$ 755,723	\$ 558,691	\$ 219,154	\$ 979,414	\$ 2,030,887	\$ 2,922,172	\$ 11,671,449
Taxes and assessments receivable, net	37,472	15,800	1,818	51,290	-	-	42,365	148,745
Accounts receivable - net	14,689	30,000	-	-	-	-	-	44,689
Lease receivables	-	117,123	-	-	-	-	-	117,123
Due from other funds	45,201	-	-	-	-	-	-	45,201
Due from other governments	-	40,005	-	175,933	10,027	-	244,209	470,194
Inventories	26,409	182,279	-	-	-	-	42,581	251,269
TOTAL ASSETS	\$ 4,329,179	\$ 1,140,930	\$ 736,462	\$ 280,471	\$ 979,414	\$ 2,030,887	\$ 3,251,327	\$ 12,748,670
LIABILITIES								
Current liabilities:								
Warrants payable	\$ 1,014,696	\$ 156,005	\$ 69,680	\$ 11,544	\$ -	\$ -	\$ 22,059	\$ 1,014,696
Accounts payable	6,313	19,925	-	26,292	-	-	-	265,601
Accrued liabilities	31,204	-	-	-	-	-	-	77,381
Due to other funds	-	-	-	-	-	-	45,201	45,201
Unearned revenue	-	-	-	-	979,414	-	91,434	1,244,048
Total current liabilities:	\$ 1,052,213	\$ 175,930	\$ 242,880	\$ 37,796	\$ 979,414	\$ -	\$ 158,694	\$ 2,646,927
Noncurrent liabilities:								
Deposits payable	\$ 11,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,675
Total noncurrent liabilities	\$ 11,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,675
Total liabilities	\$ 1,063,888	\$ 175,930	\$ 242,880	\$ 37,796	\$ 979,414	\$ -	\$ 158,694	\$ 2,658,662
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources - taxes	\$ 37,472	\$ 15,800	\$ 1,818	\$ 51,290	\$ -	\$ -	\$ 42,365	\$ 148,745
Deferred inflows of resources - leases	-	117,123	-	-	-	-	-	117,123
Total deferred inflows of resources	\$ 37,472	\$ 132,923	\$ 1,818	\$ 51,290	\$ -	\$ -	\$ 42,365	\$ 265,868
FUND BALANCES								
Nonspendable	\$ 26,409	\$ 182,279	\$ 491,764	\$ 191,385	\$ -	\$ -	\$ 42,581	\$ 251,269
Restricted	-	649,798	-	-	-	-	1,945,477	3,278,424
Committed	-	-	-	-	-	2,030,887	1,084,211	3,115,098
Unassigned fund balance	3,201,410	832,077	\$ 491,764	\$ 191,385	\$ -	\$ 2,030,887	(22,001)	3,179,499
Total fund balance	\$ 3,227,819	\$ -	-	-	-	-	3,050,268	\$ 9,824,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,329,179	\$ 1,140,930	\$ 736,462	\$ 280,471	\$ 979,414	\$ 2,030,887	\$ 3,251,327	\$ 12,748,670

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, 2022

Total fund balances - governmental funds	\$ 9,824,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,900,345
Taxes and assessments 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.	148,746
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,824,027)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	1,450,996
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(1,809,618)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(252,282)
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(525,095)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	487,341
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(364,418)
Total net position - governmental activities	\$ 37,036,188

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, 2022

	General	Road	Airport	Public Safety	ARPA	Building Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes and assessments	\$ 1,922,024	\$ 780,722	\$ 86,071	\$ 2,265,410	\$ 10,730	\$ -	\$ -	\$ 6,858,101
Licenses and permits	1,476,277	1,337,025	3,744,074	6,800	196,990	-	-	10,730
Intergovernmental	420,995	133,085	45,828	207,680	-	-	932,557	7,713,723
Charges for services	84,037	-	-	-	-	-	554,146	1,361,734
Fines and forfeitures	55,578	6,988	8,295	15,929	-	-	2,800	86,837
Miscellaneous	19,847	-	-	-	-	-	42,872	129,662
Investment earnings	<u>\$ 3,978,758</u>	<u>\$ 2,257,820</u>	<u>\$ 3,884,268</u>	<u>\$ 2,527,549</u>	<u>\$ 196,990</u>	<u>\$ 3,211</u>	<u>\$ 2,740</u>	<u>25,798</u>
Total revenues	<u><u>\$ 3,978,758</u></u>	<u><u>\$ 2,257,820</u></u>	<u><u>\$ 3,884,268</u></u>	<u><u>\$ 2,527,549</u></u>	<u><u>\$ 196,990</u></u>	<u><u>\$ 3,211</u></u>	<u><u>\$ 2,740</u></u>	<u><u>25,798</u></u>
EXPENDITURES								
General government	\$ 3,032,594	\$ 58,648	\$ -	\$ 2,705,501	\$ -	\$ -	\$ 71,587	\$ 3,182,829
Public safety	-	2,949,799	61,317	-	59,430	-	501,493	3,206,994
Public works	248,813	-	-	-	-	-	642,066	3,712,612
Public health	146,353	-	-	-	-	-	223,196	472,099
Social and economic services	-	-	-	-	-	-	318,571	489,719
Culture and recreation	-	-	-	-	97,765	-	615,147	712,912
Housing and community development	9,844	-	-	-	15,000	-	59,200	84,044
Debt service payments	-	174,094	-	-	-	-	-	174,094
Miscellaneous	-	-	-	-	-	-	-	4,285
Capital outlay	28,653	602,892	3,690,828	134,787	-	-	381,830	4,838,990
Lease capital outlay	-	213,655	-	-	-	-	-	213,655
Total expenditures	<u>\$ 3,466,257</u>	<u>\$ 3,959,088</u>	<u>\$ 3,752,145</u>	<u>\$ 2,840,288</u>	<u>\$ 196,990</u>	<u>\$ 3,211</u>	<u>\$ 2,817,375</u>	<u>\$ 17,092,143</u>
Excess (deficiency) of revenues over expenditures	<u><u>\$ 492,501</u></u>	<u><u>\$ (1,741,268)</u></u>	<u><u>\$ 132,123</u></u>	<u><u>\$ (312,759)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 520,614</u></u>	<u><u>\$ (905,558)</u></u>
OTHER FINANCING SOURCES (USES)								
Proceeds from the sale of general capital asset disposition	\$ -	\$ 33,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,500
Inception of leases	226,999	213,655	-	261,815	-	-	-	213,655
Transfers in	(1,799,831)	1,532,615	-	-	-	-	-	2,079,56
Transfers out	<u><u>\$ (1,572,832)</u></u>	<u><u>\$ 1,799,770</u></u>	<u><u>\$ 132,123</u></u>	<u><u>\$ (50,924)</u></u>	<u><u>\$ 261,815</u></u>	<u><u>\$ 3,211</u></u>	<u><u>\$ (678,332)</u></u>	<u><u>(2,478,183)</u></u>
Total other financing sources (uses)	<u><u>\$ (1,080,331)</u></u>	<u><u>\$ 38,502</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (640,729)</u></u>	<u><u>(151,972)</u></u>
Net Change in Fund Balance	<u><u>\$ 4,302,217</u></u>	<u><u>\$ 812,147</u></u>	<u><u>\$ 532,841</u></u>	<u><u>\$ 242,309</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,027,676</u></u>	<u><u>\$ 2,962,574</u></u>	<u><u>10,879,764</u></u>
Fund balances - beginning	\$ 5,933	(38,572)	(173,200)	-	-	-	13,907	(18,732)
Change in inventory	-	-	-	-	-	-	193,898	20,698
Restatement	<u><u>\$ 4,308,150</u></u>	<u><u>\$ 773,575</u></u>	<u><u>\$ 359,641</u></u>	<u><u>\$ 242,309</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,027,676</u></u>	<u><u>\$ 3,170,379</u></u>	<u><u>\$ 10,881,730</u></u>
Fund balances - beginning, restated	<u><u>\$ 3,227,819</u></u>	<u><u>\$ 832,077</u></u>	<u><u>\$ 491,764</u></u>	<u><u>\$ 191,385</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,030,887</u></u>	<u><u>\$ 3,050,268</u></u>	<u><u>\$ 9,824,200</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds \$ (1,057,530)

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	4,838,990
- Depreciation expense	(1,171,616)
- Lease amortization expense	(111,211)

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)	23,036
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The change in compensated absences is shown as an expense in the Statement of Activities (18,344)

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	159,774
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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:

- Proceeds from the lease of right to use assets	(213,655)
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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	35,599
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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 473,212

The change in inventory is shown as an expense on the Statement of Activities (18,731)

Change in net position - Statement of Activities \$ 2,939,524

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

Business-Type Activities	
- Enterprise Funds	
Solid Waste	
ASSETS	
Current assets:	
Cash and investments	\$ 349,407
Taxes and assessments receivable, net	207,892
Total current assets	<u><u>\$ 557,299</u></u>
Noncurrent assets:	
Restricted cash and investments	\$ 116,418
Capital assets - land	177,608
Capital assets - depreciable, net	5,170,060
Leased assets - net	17,145
Total noncurrent assets	<u><u>\$ 5,481,231</u></u>
Total assets	<u><u>\$ 6,038,530</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 91,566
Total deferred outflows of resources	<u><u>\$ 91,566</u></u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,130,096</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 27,654
Accrued liabilities	6,663
Current portion of long-term liabilities	89,239
Current portion of compensated absences payable	35,804
Current portion of lease liability	10,493
Total current liabilities	<u><u>\$ 169,853</u></u>
Noncurrent liabilities:	
Noncurrent portion of OPEB	\$ 20,455
Noncurrent portion of long-term liabilities	4,653,477
Noncurrent portion of compensated absences	11,934
Net pension liability	329,719
Noncurrent portion of lease liability	10,806
Total noncurrent liabilities	<u><u>\$ 5,026,391</u></u>
Total liabilities	<u><u>\$ 5,196,244</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources pensions	\$ 135,960
Total deferred inflows of resources	<u><u>\$ 135,960</u></u>
NET POSITION	
Net investment in capital assets	\$ 600,798
Restricted for debt service	116,418
Unrestricted	80,676
Total net position	<u><u>\$ 797,892</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 6,130,096</u></u>

See accompanying Notes to the Financial Statements

Sanders County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds
	Solid Waste
OPERATING REVENUES	
Charges for services	\$ 1,438,043
Total operating revenues	<u><u>\$ 1,438,043</u></u>
OPERATING EXPENSES	
Personal services	\$ 537,667
Supplies	69,210
Purchased services	676,533
Fixed charges	26,065
Depreciation	81,816
Total operating expenses	<u><u>\$ 1,391,291</u></u>
Operating income (loss)	<u><u>\$ 46,752</u></u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	\$ 28,872
Interest revenue	539
Debt service interest expense	(84,168)
Total non-operating revenues (expenses)	<u><u>\$ (54,757)</u></u>
Income (loss) before contributions and transfers	\$ (8,005)
Transfers in	399,127
Change in net position	<u><u>\$ 391,122</u></u>
Net Position - Beginning of the year	\$ 409,408
Restatements	(2,638)
Net Position - Beginning of the year - Restated	<u><u>\$ 406,770</u></u>
Net Position - End of the year	<u><u>\$ 797,892</u></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, 2022

	Business - Type
	Solid Waste
Cash flows from operating activities:	
Receipts from Customers	\$ 1,411,095
Cash payments to suppliers	(69,210)
Cash payments for professional services	(674,944)
Cash payments to employees	<u>(547,236)</u>
Net cash provided (used) by operating activities	<u>\$ 119,705</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	\$ (88,908)
Interest paid on debt	<u>(84,168)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (173,076)</u>
Cash flows from non-capital financing activities:	
Receipts from other Governments	\$ 28,872
Transfers from Governmental Funds	<u>279,127</u>
Net cash provided (used) from non-capital financing activities	<u>\$ 307,999</u>
Cash flows from investing activities:	
Interest on investments	\$ 539
Net cash provided (used) by investing activities	<u>\$ 539</u>
Net increase (decrease) in cash and cash equivalents	\$ 255,167
Cash and cash equivalents at beginning	210,657
Cash and cash equivalents at end	<u>465,824</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 46,752
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	81,816
OPEB expense	(2,886)
Pension expense	(9,228)
Changes in assets and liabilities:	
Accounts receivables	(26,948)
Accrued payables	(530)
Accounts payable	27,655
Compensated absence payable	3,074
Net cash provided (used) by operating activities	<u>\$ 119,705</u>

See accompanying notes to the financial statements

Sanders County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Funds
ASSETS		
Cash and short-term investments	\$ 826,747	\$ 7,975,019
Taxes receivable	277,319	264,754
Total receivables	<u>277,319</u>	<u>264,754</u>
TOTAL ASSETS	<u>1,104,066</u>	<u>8,239,773</u>
LIABILITIES		
Due to State of Montana	\$ 146,635	\$ -
Due to City/Town Governments	199,702	-
Due to Other Governments	754,140	-
Due to others	3,589	-
Total liabilities	<u>1,104,066</u>	<u>-</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$ -	\$ 8,239,773
Total net position	<u>-</u>	<u>8,239,773</u>
TOTAL LIABILITIES AND NET POSITION	<u>1,104,066</u>	<u>8,239,773</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, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Funds
ADDITIONS		
Contributions:		
Tax	\$ 7,879,741	\$ 7,901,856
Intergovernmental	1,445,718	11,031,381
Contributions from others	2,073,101	430,366
Interest and change in fair value of investments	-	19,203
Total additions	<u>\$ 11,398,560</u>	<u>\$ 19,382,806</u>
DEDUCTIONS		
Distributions to state of Montana	\$ 6,977,928	\$ -
Distributions to city/town entities	1,493,469	-
Distributions to school districts	2,278,808	-
Distributions to others	648,355	-
Distributions applicable to school district activity	-	18,329,713
Distributions applicable to local government entities	-	1,013,938
Distributions applicable to others	-	229,839
Total deductions	<u>\$ 11,398,560</u>	<u>\$ 19,573,490</u>
Change in net position	<u>\$ -</u>	<u>\$ (190,684)</u>
Net Position - Beginning of the year	<u>\$ -</u>	<u>\$ 8,430,457</u>
Net Position - End of the year	<u>\$ -</u>	<u>\$ 8,239,773</u>

See accompanying Notes to the Financial Statements

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. 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 unit's 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, 2022

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, 2022

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 leases are reported as other financing sources.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

Airport Fund – A special revenue fund that is used to account for the revenues and expenditures of the airports in County and account for the Federal Aviation Administration (FAA) grants for airport construction.

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 – A special revenue fund that is used to account for the revenues and expenditures of the American Rescue Plan Act revenues.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 consist reporting of 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, 2022, are as follows:

	<u>Primary</u> <u>Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,800
<u>Cash in banks:</u>	
Demand deposits	259,601
<u>Investments:</u>	
Repurchase agreements	20,677,639
Total	<u>\$ 20,939,040</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 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

(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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the government's bank balance was exposed to custodial credit risk as follows:

<u>June 30, 2022</u>	
<u>Balance</u>	
<u>Depository Account</u>	
Insured	\$ 259,601
Total deposits and investments	<u>\$ 259,601</u>

Deposit Security

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

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

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2022, equaled or exceeded the amount required by State statutes.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 custodial fund. 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, 2022 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, 2022.

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

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 12,702,620
Equity of external pool participants	<u>8,239,773</u>
Total equity	<u><u>\$ 20,942,393</u></u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 19,203	\$ 26,796
Contributions to trust	<u>19,363,603</u>	<u>20,549,794</u>
Distributions paid	<u>(19,573,490)</u>	<u>(20,497,741)</u>
Net change in net position	<u>(190,684)</u>	<u>\$ 78,849</u>
Net position at beginning of year	<u>8,430,457</u>	<u>12,623,771</u>
Net position at end of year	<u><u>\$ 8,239,773</u></u>	<u><u>\$ 12,702,620</u></u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2022. These amounts are reported within the cash/investment account on the Statement of Net Position.

Fund	Description	Amount
Solid Waste	Revenue bond reserve	\$ 51,918
Solid Waste	Revenue bond asset replacement	<u>64,500</u>
Total		<u><u>\$ 116,418</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 Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

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

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Governmental activities:

	<u>Balance</u>			<u>Transfer to</u>		<u>Balance</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Leases</u>		<u>June 30, 2022</u>
Capital assets not being depreciated:						
Land	\$ 2,345,924	\$ -	\$ -	\$ -	\$ -	\$ 2,345,924
Construction in progress	<u>295,805</u>	<u>3,237,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,533,771</u>
Total capital assets not being depreciated	<u>\$ 2,641,729</u>	<u>\$ 3,237,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,879,695</u>
Other capital assets:						
Buildings	\$ 4,428,586	\$ 128,612	\$ -	\$ -	\$ -	\$ 4,557,198
Improvements other than buildings	<u>25,958,612</u>	<u>647,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,606,162</u>
Machinery and equipment	<u>10,972,504</u>	<u>824,862</u>	<u>(83,800)</u>	<u>(1,230,617)</u>	<u>-</u>	<u>10,482,949</u>
Total other capital assets at historical cost	<u>\$ 41,359,702</u>	<u>\$ 1,601,024</u>	<u>\$ (83,800)</u>	<u>\$ (1,230,617)</u>	<u>\$ -</u>	<u>\$ 41,646,309</u>
Less: accumulated depreciation	<u>(14,573,565)</u>	<u>(1,171,616)</u>	<u>83,800</u>	<u>35,722</u>	<u>-</u>	<u>(15,625,659)</u>
Total	<u>\$ 29,427,866</u>	<u>\$ 3,667,374</u>	<u>\$ -</u>	<u>\$ (1,194,895)</u>	<u>\$ -</u>	<u>\$ 31,900,345</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 48,159
Public safety	120,896
Public works	949,000
Culture and recreation	48,558
Public health	<u>5,003</u>
Total governmental activities depreciation expense	<u>\$1,171,616</u>

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

Business-type activities:

	<u>Balance</u>			<u>Transfer to</u>		<u>Balance</u>
	<u>July 1, 2021</u>	<u>Additions</u>		<u>Leases</u>		<u>June 30, 2022</u>
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>\$ -</u>	<u>\$ 177,608</u>
Other capital assets:						
Buildings	\$ 4,651,505	\$ -	\$ -	\$ -	\$ -	\$ 4,651,505
Improvements other than buildings	<u>36,237</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,237</u>
Machinery and equipment	<u>1,681,857</u>	<u>-</u>	<u>(73,622)</u>	<u>-</u>	<u>(73,622)</u>	<u>1,608,235</u>
Total other capital assets at historical cost	<u>\$ 6,369,599</u>	<u>\$ 120,000</u>	<u>\$ (73,622)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,415,977</u>
Less: accumulated depreciation	<u>(1,176,747)</u>	<u>(71,006)</u>	<u>1836</u>	<u>-</u>	<u>-</u>	<u>(1,245,917)</u>
Total	<u>\$ 5,370,460</u>	<u>\$ 48,994</u>	<u>\$ (71,786)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,347,668</u>

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u>	<u>Transfer to</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Leases</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>One Year</u>
Compensated absences	\$ 506,751	\$ 18,344	\$ -	\$ -	\$ 525,095	\$ 393,821
Capital leases	1,284,548	-	(1,132,094)	(152,454)	-	-
Total	\$ 1,791,299	\$ 18,344	\$ (1,132,094)	\$ (152,454)	\$ 525,095	\$ 393,821

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	<u>Balance</u>	<u>Transfer to</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Leases</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>One Year</u>
Revenue bonds	\$ 4,831,624	\$ -	\$ -	\$ (88,908)	\$ 4,742,716	\$ 89,239
Compensated absences	44,662	3,076	-	-	47,738	35,804
Capital leases	62,492	-	(62,492)	-	-	9,261
Total	\$ 4,938,778	\$ 3,076	\$ (62,492)	\$ (88,908)	\$ 4,790,454	\$ 134,304

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, 2022</u>
Series 2019A Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	\$ 5,538,000	\$ 123,406	\$ 3,381,649
Series 2019B Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	1,124,000	39,205	1,074,326
Series 2019C Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	<u>300,000</u> \$ 6,962,000	<u>10,463</u> \$ 173,074	<u>286,741</u> \$ 4,742,716

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022 equaled \$51,918, which the County reported in its restricted cash as described in Note 3. The County is in compliance with this requirement at June 30, 2022.

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, 2022 equaled \$64,500 and the Solid Waste Fund reported a restricted cash in the amount of \$64,500 disclosed in further detail at Note 3. The County is in compliance with this requirement at June 30, 2022.

Annual requirement to amortize debt:

For Fiscal			
<u>Year Ended</u>		<u>Principal</u>	<u>Interest</u>
2023	\$ 89,239	\$ 82,605	
2024	91,839	81,237	
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	

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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	85,584	740
Total	<u>\$ 4,742,717</u>	<u>\$ 1,746,184</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but 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.

SANDERS COUNTY, MONTANA
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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, 2022:

Governmental activities:

	<u>Balance</u>			<u>Transfer from</u>		<u>Balance</u>		<u>Principal</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets</u>	<u>Restatement</u>	<u>June 30, 2022</u>		<u>Due Within Year</u>
Leased Assets:								
Machinery and equipment	\$ -	\$ 213,655	\$ -	\$ 1,230,617	\$ (821,557)	\$ 622,715	\$ -	\$ -
Less: accumulated amortization	\$ -	\$ (111,211)	\$ -	\$ (35,721)	\$ 11,558	\$ (135,374)	\$ -	\$ -
Total Leased Assets, net	<u>\$ -</u>	<u>\$ 102,444</u>	<u>\$ -</u>	<u>\$ 1,194,896</u>	<u>\$ (809,999)</u>	<u>\$ 487,341</u>	<u>\$ -</u>	<u>\$ -</u>
 Lease liability	 \$ -	 \$ 213,655	 \$ (159,774)	 \$ 1,132,094	 \$ (821,557)	 \$ 364,418	 \$ -	 117,911

A summary of changes in Business-type leased assets and liabilities was as follows as of June 30, 2022:

Business-type activities:

	<u>Balance</u>			<u>Transfer from</u>		<u>Balance</u>		<u>Principal</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Additions</u>	<u>Capital Assets</u>	<u>Restatement</u>	<u>June 30, 2022</u>		<u>Due Within Year</u>
Leased Assets:								
Machinery and equipment	\$ -	\$ -	\$ -	\$ 73,622	\$ (41,193)	\$ 32,429	\$ -	\$ -
Less: accumulated amortization	\$ -	\$ (10,810)	\$ (10,810)	\$ (1,836)	\$ (2,638)	\$ (26,094)	\$ -	\$ -
Total Leased Assets, net	<u>\$ -</u>	<u>\$ (10,810)</u>	<u>\$ (10,810)</u>	<u>\$ 71,786</u>	<u>\$ (43,831)</u>	<u>\$ 6,335</u>	<u>\$ -</u>	<u>\$ -</u>
 Lease liability	 \$ -	 \$ -	 \$ -	 \$ 62,492	 \$ (41,193)	 \$ 21,299	 \$ -	 10,493

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

<u>For Fiscal</u>		<u>Principal</u>	<u>Interest</u>
<u>Year Ended</u>		<u>Year Ended</u>	
2023	\$	128,404	\$ 11,533
2024		132,244	7,693
2025		125,071	3,737
Total	<u>\$</u>	<u>385,719</u>	<u>\$ 385,719</u>

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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, 2022 the County had 31 active lease agreements, and the total value of the receivables equaled \$117,123. The total lease payments received during the fiscal year equaled \$7,916.

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

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	<u>90</u>
Total employees	<u><u>91</u></u>

Total OPEB Liability

The County's total OPEB liability of \$272,737 at June 30, 2022, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022 alternative measurement method was determined using the following assumptions and

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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)	3.30%
Average salary increase (Consumer Price Index)	4.00%
Participation rate	5%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2022	3.00%
2023	3.00%
2024	3.00%
2025	3.00%
2026	3.00%
2027	3.00%
2028	3.00%
2029	3.00%
2030	3.00%
2031 and after	3.00%

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

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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 6/30/2021	\$ 311,223
Changes for the year:	
Service Cost	\$ 45,003
Interest	10,270
Differences in experience	(92,566)
Change in assumptions	54,080
Benefit payments	(55,273)
Net Changes	\$ (38,486)
Balance at 6/30/2022	\$ 272,737

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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%	Discount	
	Decrease	Rate	1% Increase
	(2.30%)	(3.30%)	(4.30%)
Total OPEB Liability	\$ 312,713	\$ 272,737	\$ 238,888

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%	Cost	1% Increase
	Decrease	Trends*	1% Increase
Total OPEB Liability	\$ 233,409	\$ 272,737	\$ 320,109

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

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

For the year ended June 30, 2022, the County recognized an OPEB expense of \$(38,486). 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. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, 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 Fund – Major Governmental	Weed Control – Nonmajor Governmental	\$ 2,430
Cover negative cash balance	General Fund – Major Governmental	Coalition for Families – Nonmajor Governmental	5,736
Cover negative cash balance	General Fund – Major Governmental	Eurasian Watermilfoil – Nonmajor Governmental	20,768

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Cover negative cash balance	General Fund– Major Governmental	DNRC Grant– Nonmajor Governmental	1,198
Cover negative cash balance	General Fund– Major Governmental	Immunization Grant– Nonmajor Governmental	1,812
Cover negative cash balance	General Fund– Major Governmental	WIC Grant– Nonmajor Governmental	5,296
Cover negative cash balance	General Fund– Major Governmental	MCH Grant – Nonmajor Governmental	1,661
Cover negative cash balance	General Fund-- Major Governmental	Tobacco Grant – Nonmajor Governmental	<u>6,300</u>
			<u><u>\$ 45,201</u></u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<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	\$ 226,999
Health insurance transfer	Road – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	152,615
Operating transfer	Road – Major Governmental	PILT – Major Governmental	750,000
Operating transfer	Road – Major Governmental	General – Major Governmental	650,000
SRS pension transfer	Public Safety – Major Governmental	SRS Permissive Levy – Nonmajor Governmental	32,401
Health insurance transfer	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	229,414
Operating transfer	DNRC Grant – Nonmajor Governmental	General – Major Governmental	704
Fund future capital costs	JMV Capital Improvement – Nonmajor Governmental	Junk Motor Vehicle- Nonmajor Governmental	21,923
Fund future capital costs	Library Capital Improvement – Nonmajor Governmental	Library – Nonmajor Governmental	15,000

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Operating transfer	Solid Waste – Major Proprietary	General – Major Governmental	120,000
Operating transfer	Solid Waste – Major Proprietary	General – Major Governmental	73,900
Operating transfer	Solid Waste – Major Proprietary	General – Major Governmental	<u>205,227</u>
			<u><u>\$2,478,183</u></u>

NOTE 11. NET PENSION LIABILITY (NPL)

As of June 30, 2022, 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	\$ 3,270,540	\$ 883,206	\$ 4,153,746
Deferred outflows of resources*	\$ 908,232	\$ 634,330	\$ 1,542,562
Deferred inflows of resources	\$ 1,348,606	\$ 596,972	\$ 1,945,578
Pension expense	\$ 450,229	\$ 30,829	\$ 481,058

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$312,974 and \$152,769, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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

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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).

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

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

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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;
 - 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;

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Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

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.

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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
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.
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 \$34,290,660.

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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 TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

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, 2022, and 2021 (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 \$3,270,540 and the County's proportionate share was 0.180372 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 3,270,540	\$ 4,739,879	0.180372%	0.179663%	0.000709%
State of Montana Proportionate Share associated with Employer	960,857	1,488,776	0.052992%	0.056431%	-0.003439%
Total	\$ 4,231,397	\$ 6,228,655	0.233364%	0.236094%	-0.002730%

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in benefit terms:

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

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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, 2022, the County recognized a Pension Expense of \$163,838 for its proportionate share of the pension expense. The County also recognized grant revenue of \$286,391 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
Employer Proportionate Share	\$ 163,838	\$ 630,066
State of Montana Proportionate Share associated with the Employer	286,391	143,477
Total	\$ 450,229	\$ 773,543

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$284,365.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 34,903	\$ 23,675
Actual vs. Expected Investment Earnings	-	1,324,931
Changes in Assumptions	484,396	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	75,959	-
Employer contributions subsequent to the measurement date - FY22*	312,974	-
Total	\$ 908,232	\$ 1,348,606

*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, 2023.

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	
	\$	\$
2022	\$	85,980
2023	\$	(96,341)
2024	\$	(320,004)
2025	\$	(422,950)
Thereafter	\$	-

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2021 actuarial valuation, and was determined using the following actuarial assumptions.

• Investment Return (net of admin expense)	7.06%
• Admin Expense as % of Payroll	0.28%
• General Wage Growth*	3.50%
*includes Inflation at	2.40%
• Merit Increases	0% to 4.8%
• Postretirement Benefit Increase Below:	

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 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 assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected 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	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. 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 (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 5,191,473	\$ 3,270,540	\$ 1,659,324

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) 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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

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 <http://mpera.mt.gov/index.shtml>.

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).

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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:
 - 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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

- 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.

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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.

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2022	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

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, 2022, and 2021 (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 \$883,206 and the County's proportionate share was 1.2125 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 883,206	\$ 1,430,369	1.2125%	1.1735%	0.0390%
Total	\$ 883,206	\$ 1,430,369	1.2125%	1.1735%	0.0390%

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in benefit terms:

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

Changes in proportionate share:

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

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Pension Expense:

At June 30, 2022, the County recognized a Pension Expense of \$30,829 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ 30,829	\$ 145,778
Total	<u>\$ 30,829</u>	<u>\$ 145,778</u>

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$144,524.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 114,344	\$ -
Actual vs. Expected Investment Earnings	-	596,972
Changes in Assumptions	334,559	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	32,658	-
Employer contributions subsequent to the measurement date - FY22*	152,769	-
Total	<u>\$ 634,330</u>	<u>\$ 596,972</u>

*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, 2023.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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
2022	\$ 5,520
2023	\$ 15,099
2024	\$ (20,735)
2025	\$ (115,327)
Thereafter	\$ -

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of payroll 0.16%
- General Wage Growth* 3.50%
 - *includes inflation at 2.40%
- Merit Increases 0% to 6.30%
- 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 assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u> <u>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 7.06%. 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 2124. 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 (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 1,865,483	\$ 883,206	\$ 81,571

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

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.

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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	\$ 26,409	Inventory
Road	182,279	Road repair, maintenance, and supplies
All Other Aggregate	<u>42,581</u>	Inventory
Total	<u>\$ 251,269</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 649,798	Road Repair, maintenance and supplies
Airport	491,764	Airport services
Public Safety	191,385	Law Enforcement, emergency services, and supplies
All Other Aggregate	60,679	General Government administration and services
	500,238	Law Enforcement, emergency services, and supplies
	175,959	Road Repair, maintenance and supplies
	190,829	Public Health Services and Supplies
	26,622	Noxious Weed Management
	41,083	Animal Control
	30,556	Social and Economic Services and travel
	351,186	Culture and recreation
	93,037	Housing and Community Development

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

	45,878	Parks and recreation services and supplies
	112,336	Conservation of Natural Resources
	41,021	Constructions and/or capital asset purchases
	20,623	Permanent Endowment
	<u>255,430</u>	Bridge Maintenance
Total	<u>\$ 3,278,424</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Building Improvements	\$ 2,030,887	Constructions and/or capital asset purchases
All Other Aggregate	<u>1,084,211</u>	Constructions and/or capital asset purchases
Total	<u>\$ 3,115,098</u>	

NOTE 14. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Eurasian Watermilfoil	\$ 20,767	Insufficient resources to cover current liabilities	Transfer from general fund
911 Grant Program	36	Insufficient resources to cover current liabilities	Future grant revenues
DNRC Grant	1,198	Insufficient resources to cover current liabilities	Future grant revenues
Total	<u>\$ 22,001</u>		

NOTE 15. 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>
Airport	\$(173,200)	Restate unearned revenue liability
Library - Plains	97,922	Restate beginning cash to create special revenue fund
Library - T Falls	95,330	Restate beginning cash to create special revenue fund
Crime Victim	646	Reclass custodial fund to special revenue
Solid waste	41,193	Restate beginning lease liabilities for implementation of GASB 87
Solid waste	(43,831)	Restate beginning leased asset balances for implementation of GASB 87
Governmental	152,453	Restate beginning capital lease that should have been operating
Governmental	821,557	Restate beginning lease liabilities for implementation of GASB 87
Governmental	<u>(809,999)</u>	Restate beginning leased asset balances for implementation of GASB 87
	<u>\$ 182,071</u>	

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 16. 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 17. 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 18. 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, 2022

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 19. 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>Stites, Ralph Estate of v. Sanders County</i>	Unknown	Not Likely
<i>Kirkman, Raymond Kree v. Sanders County, Christopher Stough, and Nadia Krikman</i>	Unknown	Not Likely
<i>Gray, Zane v. Sanders County</i>	Unknown	Not Likely
<i>Hawley, John David v. Sanders County</i>	Unknown	Not Likely
<i>Holden, Bonnie v. Lorne Riddell, Sanders County, Thomas Rummel</i>	Unknown	Not Likely
<i>McCracken, Jimmy v. Sanders County</i>	Unknown	Not Likely

SANDERS COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 20. SUBSEQUENT EVENT

In March 2021, Congress Passed the American Rescue Plan (ARPA). This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, Sanders County is received a total in direct allocation of \$2,352,808. Initial eligible use of the funds includes investments in water, sewer or broadband infrastructure, premium pay to essential workers or providing grants to local employers for premium pay, respond to public health emergency with respect to COVID-19 or its negative economic impacts, and to backfill reduced or lost revenues. The County received half of its ARPA funding in July 2021 equal to \$1,176,404 and the remaining funding of \$1,176,404 in September 2022. The County is using the direct allocation funding for meeting the matching requirements on several water and sewer projects that will receive indirect ARPA funding. As of March 2023, the County has committed \$2,330,985 of its ARPA funding for these projects in the County. A few notable projects include match \$577,000 to an indirect ARPA funds of an equal amount for Trout Creek Water for a water system improvement project totaling \$1,140,000, contribution of \$1,023,000 to an indirect ARPA Funds of \$325,000 for a water system replacement project with Woodside Water District. The indirect ARPA funds of this project will flow through the County. These projects are still in the early phases as of March 2023.

REQUIRED SUPPLEMENTARY INFORMATION

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Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General					
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET	
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>
RESOURCES (INFLows):						
Taxes and assessments	\$ 1,769,109	\$ 1,769,109	\$ 1,922,024	\$	152,915	
Licenses and permits	600	600	-	\$	(600)	
Intergovernmental	696,202	696,202	718,007	\$	21,805	
Charges for services	328,967	328,967	420,995	\$	92,028	
Fines and forfeitures	75,115	75,115	84,037	\$	8,922	
Miscellaneous	141,630	141,630	55,578	\$	(86,052)	
Investment earnings	105,000	105,000	19,847	\$	(85,153)	
Amounts available for appropriation	<u>\$ 3,116,623</u>	<u>\$ 3,116,623</u>	<u>\$ 3,220,488</u>	<u>\$</u>	<u>103,865</u>	
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General government	\$ 3,155,816	\$ 3,155,816	\$ 3,052,596	\$	103,220	
Public health	295,082	295,082	248,813	\$	46,269	
Social and economic services	160,486	160,486	146,352	\$	14,134	
Housing and community development	10,000	10,000	9,844	\$	156	
Capital outlay	188,000	188,000	28,653	\$	159,347	
Total charges to appropriations	<u>\$ 3,809,384</u>	<u>\$ 3,809,384</u>	<u>\$ 3,486,258</u>	<u>\$</u>	<u>323,126</u>	
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 261,693	\$ 261,693	\$ 227,000	\$	(34,693)	
Transfers out	(1,349,531)	(1,349,531)	(1,049,831)	\$	299,700	
Total other financing sources (uses)	<u>\$ (1,087,838)</u>	<u>\$ (1,087,838)</u>	<u>\$ (822,831)</u>	<u>\$</u>	<u>265,007</u>	
Net change in fund balance			\$ (1,088,601)			
Fund balance - beginning of the year			\$ 3,281,158			
Change in inventory			5,933			
Restatement			106,399			
Fund balance - beginning of the year - restated			<u>\$ 3,393,490</u>			
Fund balance - end of the year			<u>\$ 2,304,889</u>			

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	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	\$ 786,485	\$ 786,485	\$ 780,722	\$ (5,763)		
Intergovernmental	1,350,000	1,350,000	1,337,025	(12,975)		
Charges for services	1,506,500	1,506,500	133,085	(1,373,415)		
Miscellaneous	10,000	10,000	6,989	(3,011)		
Amounts available for appropriation	<u>\$ 3,652,985</u>	<u>\$ 3,652,985</u>	<u>\$ 2,257,821</u>	<u>\$ (1,395,164)</u>		
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General government	\$ 1,489,225	\$ 1,489,225	\$ 58,648	\$ 1,430,577		
Public works	3,492,082	3,502,082	2,949,799	552,283		
Debt service payments	-	-	174,094	(174,094)		
Capital outlay	417,010	417,010	602,892	(185,882)		
Lease capital outlay	-	-	213,655	(213,655)		
Total charges to appropriations	<u>\$ 5,398,317</u>	<u>\$ 5,408,317</u>	<u>\$ 3,999,088</u>	<u>\$ 1,409,229</u>		
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of general capital asset disposition	\$ 11,000	\$ 11,000	\$ 33,500	\$ 22,500		
Inception of leases	-	-	213,655	213,655		
Transfers in	1,537,552	1,537,552	1,552,615	15,063		
Total other financing sources (uses)	<u>\$ 1,548,552</u>	<u>\$ 1,548,552</u>	<u>\$ 1,799,770</u>	<u>\$ 251,218</u>		
Net change in fund balance			<u>\$ 58,503</u>			
Fund balance - beginning of the year			\$ 812,032			
Change in inventory			(38,572)			
Restatement			114			
Fund balance - beginning of the year - restated			<u>\$ 773,574</u>			
Fund balance - end of the year			<u>\$ 832,077</u>			

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	<u>Airport</u>		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET		
	<u>BUDGETED AMOUNTS</u>					
	<u>ORIGINAL</u>	<u>FINAL</u>				
RESOURCES (INFLows):						
Taxes and assessments	\$ 86,997	\$ 86,997	\$ 86,071	\$ (926)		
Intergovernmental	3,625,756	3,731,189	3,744,074	12,885		
Charges for services	25,500	25,500	45,828	20,328		
Miscellaneous	500	500	8,295	7,795		
Amounts available for appropriation	<u>\$ 3,738,753</u>	<u>\$ 3,844,186</u>	<u>\$ 3,884,268</u>	<u>\$ 40,082</u>		
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
Public works	\$ 44,952	\$ 44,952	\$ 61,317	\$ (16,365)		
Capital outlay	3,816,691	3,933,839	3,690,828	243,011		
Total charges to appropriations	<u>\$ 3,861,643</u>	<u>\$ 3,978,791</u>	<u>\$ 3,752,145</u>	<u>\$ 226,646</u>		
Net change in fund balance			<u>\$ 132,123</u>			
Fund balance - beginning of the year			<u>\$ 532,841</u>			
Restatement			<u>(173,200)</u>			
Fund balance - beginning of the year - restated			<u>\$ 359,641</u>			
Fund balance - end of the year			<u>\$ 491,764</u>			

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Public Safety					
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ORIGINAL	FINAL	ORIGINAL	FINAL
RESOURCES (INFLows):						
Taxes and assessments	\$ 2,306,802	\$ 2,306,802	\$ 2,286,411	\$	(20,391)	
Licenses and permits	13,000	13,000	10,730		(2,270)	
Intergovernmental	8,800	8,800	6,800		(2,000)	
Charges for services	198,100	198,100	207,680		9,580	
Miscellaneous	20,000	20,000	15,928		(4,072)	
Amounts available for appropriation	\$ 2,546,702	\$ 2,546,702	\$ 2,527,549	\$	(19,153)	
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
Public safety	\$ 2,710,654	\$ 2,710,654	\$ 2,705,501	\$	5,153	
Capital outlay	121,859	129,635	134,788		(5,153)	
Total charges to appropriations	\$ 2,832,513	\$ 2,840,289	\$ 2,840,289	\$	-	
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 245,105	\$ 245,105	\$ 261,815	\$	16,710	
Total other financing sources (uses)	\$ 245,105	\$ 245,105	\$ 261,815	\$	16,710	
Net change in fund balance			\$ (50,925)			
Fund balance - beginning of the year			\$ 242,309			
Fund balance - end of the year			\$ 191,384			

Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	ARPA					
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET	
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>
RESOURCES (INFLows):						
Intergovernmental	\$ 2,352,808	\$ 2,352,808	\$ 196,990	\$ 196,990	\$ (2,155,818)	
Amounts available for appropriation	\$ 2,352,808	\$ 2,352,808	\$ 196,990	\$ 196,990	\$ (2,155,818)	
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
Public works	\$ -	\$ 650,000	\$ 59,430	\$ 59,430	\$ 590,570	
Social and economic services		\$ -		\$ 24,795	\$ 24,795	(24,795)
Culture and recreation		\$ -	\$ 97,765	\$ 97,765	\$ -	
Housing and community development		\$ -	\$ 15,000	\$ 15,000	\$ -	
Capital outlay	\$ 2,352,808	\$ 1,590,043	\$ -	\$ -	\$ 1,590,043	
Total charges to appropriations	\$ 2,352,808	\$ 2,352,808	\$ 196,990	\$ 196,990	\$ 2,155,818	
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>Airport</u>	<u>Public Safety</u>	<u>ARPA</u>
Sources/Inflows of resources					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,220,488	\$ 2,257,821	\$ 3,884,268	\$ 2,527,549	\$ 196,990
Combined funds (GASBS 54) revenues	<u>758,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,978,757</u>	<u>\$ 2,257,821</u>	<u>\$ 3,884,268</u>	<u>\$ 2,527,549</u>	<u>\$ 196,990</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,486,258	\$ 3,999,088	\$ 3,752,145	\$ 2,840,289	\$ 196,990
Combined funds (GASBS 54) expenditures	750,000	-	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,236,258</u>	<u>\$ 3,999,088</u>	<u>\$ 3,752,145</u>	<u>\$ 2,840,289</u>	<u>\$ 196,990</u>

Sanders County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service Cost	\$ 45,003	\$ 92,705	\$ 97,074	\$ -	\$ 12,316
Interest	10,270	-	-	-	-
Differences in experience	(92,566)	-	-	-	-
Change in assumptions and inputs	54,080	(76,005)	(1,088,838)	-	-
Benefit payments	(55,273)	-	-	-	-
Net change in total OPEB liability	(38,486)	16,700	(991,764)	-	12,316
Total OPEB Liability - beginning	311,223	294,523	107,190	107,190	69,052
Restatement	-	-	1,179,097	-	25,822
Total OPEB Liability - ending	<u>\$ 272,737</u>	<u>\$ 311,223</u>	<u>\$ 294,523</u>	<u>\$ 107,190</u>	<u>\$ 107,190</u>
Covered-employee payroll	\$ 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	7%	8%	8%	3%	3%

**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, 2022

	PERS	PERS	PERS	PERS							
	2022	2021	2020	2019	2018	2017	2016	2015			
Employer's proportion of the net pension liability	\$ 3,270,540	\$ 4,739,879	\$ 3,548,340	\$ 3,516,559	\$ 4,321,466	\$ 3,769,349	\$ 3,066,971	\$ 2,720,291			
Employer's proportionate share of the net pension liability associated with the Employer	\$ 960,857	\$ 1,488,776	\$ 1,151,681	\$ 1,174,041	\$ 54,016	\$ 46,057	\$ 37,672	\$ 33,219			
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 4,221,397	\$ 6,228,655	\$ 4,700,021	\$ 4,690,600	\$ 4,375,482	\$ 3,815,406	\$ 3,104,643	\$ 2,753,510			
Total	\$ 3,157,534	\$ 3,014,441	\$ 2,800,832	\$ 2,790,634	\$ 2,752,489	\$ 2,650,677	\$ 2,560,475	\$ 2,474,553			
Employer's covered payroll											
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	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	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%			
	SRS	SRS	SRS	SRS							
	2022	2021	2020	2019	2018	2017	2016	2015			
Employer's proportion of the net pension liability	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	\$ 833,206	\$ 1,430,369	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745			
Total	\$ 1,101,974	\$ 996,419	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745			
Employer's covered payroll											
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	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	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, 2022

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 312,974	\$ 284,365	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 221,558	\$ 210,993
Contributions in relation to the contractually required contributions	\$ 312,974	\$ 284,365	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 223,547	\$ 212,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 3,489,119	\$ 3,205,919	\$ 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	8.97%	8.87%	8.76%	8.60%	8.44%	8.37%	8.43%	8.29%
	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 152,769	\$ 144,524	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contributions in relation to the contractually required contributions	\$ 152,769	\$ 144,524	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,164,842	\$ 1,101,975	\$ 996,419	\$ 955,300	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786
Contributions as a percentage of covered payroll	13.115%	13.12%	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, 2022

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, 2022

- 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.

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

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, 2022

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

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.28%

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 actuarial administrative expenses.

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, 2022

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;
 - 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.

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, 2022

- 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.

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, 2022

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.17%

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, 2020 valuation, were developed in the six-year experience study for the period ending 2016.

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SINGLE AUDIT SECTION

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Sanders County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Forest Service Schools and Roads Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 886,327
Total United States Department of Agriculture			\$ 886,327
Total Forest Service Schools and Roads Cluster			\$ 886,327
<i>Other Programs</i>			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Department of Disaster Emergency Services</i>			
Emergency Management Performance Grants	97.042	EMD-2021-EP1-00003	\$ 27,057
Homeland Security Grant Program	97.067	EMW-2019-SS-00010	\$ 10,731
Total Department of Homeland Security			\$ 37,788
<u>United States Department of Justice</u>			
<i>Passed through Sanders County Coalition for Families</i>			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	OVW-2019-15825	\$ 54,771
Total United States Department of Justice			\$ 54,771
<u>Department of Transportation</u>			
<i>Direct</i>			
Airport Improvement Program	20.106	N/A	\$ 3,739,530
Total Department of Transportation			\$ 3,739,530
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-048-0	\$ 35,531
Immunization Cooperative Agreements	93.268	22-07-4-31-11-0	7,247
Immunization Cooperative Agreements	93.268	21-07-4-31-140-0 COVID	26,730
Immunization Cooperative Agreements	93.268	22-07-4-31-141-0 COVID	20,046
Maternal and Child Health Block Grant to the States	93.994	22-25-5-01-045-0	5,433
Maternal and Child Health Block Grant to the States	93.994	21-25-5-01-045-0	2,098
<i>Passed through Flathead City County Health Department</i>			
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	CDPHP	1,251
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-	93.435	CDPHP	1,251
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CDPHP	6,464
Total Department of Health and Human Services			\$ 106,051
<u>Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-17PF-05	\$ 37,150
Total Department of Housing and Urban Development			\$ 37,150

Sanders County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2022

<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 the Treasury</u>			
<i>Direct</i>			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	N/A	\$ <u>196,990</u>
Total Department of the Treasury			\$ <u>196,990</u>
<u>Department of Agriculture</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Special Supplemental Nutrition Program for Women Infants and Children (WIC)	10.557	22-25-5-21-017-0	\$ <u>50,823</u>
Special Supplemental Nutrition Program for Women Infants and Children (WIC)	10.557	21-25-5-21-017-0	\$ <u>10,423</u>
Total Department of Agriculture			\$ <u>61,246</u>
Total Other Programs			\$ <u>4,233,526</u>
Total Federal Financial Assistance			\$ <u>5,119,853</u>

The accompanying notes are an integral part of this schedule

SANDERS COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2022

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 Sanders County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sanders County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

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

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

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

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, 2022, and the related notes to the financial statements, which collectively comprise Sanders County's basic financial statements and have issued our report thereon dated March 29, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item 2022-001.

Compliance and Other Matters

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

Sanders County's Response to Findings

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

Purpose of this Report

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

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

March 29, 2023

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, 2022. 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, 2022.

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.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Sanders County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Sanders County's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 types 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.

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

March 29, 2023

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2022-001 Lease Reporting and Controls

Condition:

1. The County did not implement a control system to identify its lease agreements that meet the reporting requirements under new lease accounting standards set in GASB 87, Leases.
2. The County financial statements were misstated as it did not report its leases per GASB 87, Leases.

Context:

1&2. We identified that the County did not implement the reporting requirements of GASB 87, Leases, as all existing lease agreements continued to be reported as capital leases under the old accounting standards. In addition, we identified that the airport lease agreements had not been reviewed for the reporting requirements of GASB 87, Leases.

Criteria:

1. The County should have an internal control system to identify new accounting standards to be implemented, and implement a system of control to ensure those new accounting standards are addressed and properly implemented to ensure reporting requirements are met.
2. Generally accepted accounting principles outlined by GASB 87, Leases, requires that the County recognize a lease transactions as leased assets and related lease liabilities for lessee agreements and lease receivables and deferred inflows or resources – leases for lessor agreements.

Effect:

1. & 2. The other financing sources and capital outlay of the Road Fund were materially overstated \$315,006 and the lease receivables and deferred inflows of resources – leases of the Airport Fund were materially understated \$117,123. The Governmental Activities leased assets were overstated \$1,058,860 and related restatement understated \$809,99, amortization expense overstated \$66,145, lease liabilities were overstated \$1,170,781 and related restatements understated \$821,557, and debt service interest overstated \$34,218. Lastly, the Solid Waste Fund lease assets were overstated \$47,279 and related restatement understated \$43,831, amortization expense understated \$3,448, lease liabilities were overstated \$41,193 and related restatement understated \$41,193. These misstatements were corrected and are reflected in the financial statements.

Cause:

1 &2 The County did not implement an internal control system to identify its lease agreements for analysis to determine the reporting requirements under GASB 87, Leases.

Recommendation:

1. We recommend that the County implement an internal control system to inventory all lease agreements of the County, and analyze these agreements periodically for reporting requirements under GASB 87, Leases.
2. We recommend that the County report all leases going forward following the requirements of GASB 87, Leases.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.



*Clerk & Recorder-Treasurer-Elections Administrator
County Superintendent of Schools
Sanders County
PO Box 519
Thompson Falls, MT 59873
406-827-6922*

Contact Person:

Jessica Connolly, Chief Financial Officer

Expected Completion Date of Corrective Action Plan:

June 30, 2022

CORRECTIVE ACTION PLAN

FINDING 2022-001: Lease Reporting and Controls

Response:

The County will implement an internal control system to inventory all lease agreements of the County and analyze these agreements periodically for reporting requirements under GASB 87, Leases. In addition, the County will report all leases going forward following the requirements of GASB 87, Leases.