

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

**AUDIT REPORT**

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

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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SANDERS COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2023

**BOARD OF COUNTY COMMISSIONERS**

Tony Cox	Chairperson
John Holland	Commissioner
Dan Rowan	Commissioner

**COUNTY OFFICIALS**

Lisa Wadsworth	Clerk and Recorder/Treasurer/Superintendent
Naomi Leisz	Attorney/Public Administrator
Cynthia Neste	Clerk of District Court
Shawn Fielders	Sheriff/Coroner
Doug Dryden	Justice of the Peace
Megan Hansen	County Attorney

Sanders County, Montana  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

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, 2023. Please read it in conjunction with the County's financial statements.

## **USING THIS ANNUAL REPORT**

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

## **STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

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

Sanders County, Montana  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

**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. The proprietary fund financial statements.

**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 notes to the financial statements.

## THE COUNTY AS A WHOLE

### Net Position

	Governmental Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change</u>
	<u>Inc (Dec)</u>	<u>% change</u>	
Current and other assets	\$ 18,819,353	\$ 14,641,806	\$ 4,177,547
Capital assets	32,163,096	31,900,345	262,751
Total assets	\$ 50,982,449	\$ 46,542,151	\$ 4,440,298
Long-term debt outstanding	\$ 6,446,333	\$ 4,349,122	\$ 2,097,211
Other liabilities	8,520,817	5,156,841	3,363,976
Total liabilities	\$ 14,967,150	\$ 9,505,963	\$ 5,461,187
Net investment in capital assets	\$ 32,278,731	\$ 32,023,268	\$ 255,463
Restricted	3,612,754	3,614,557	(1,803)
Unrestricted (deficit)	123,814	1,398,363	(1,274,549)
Total net position	\$ 36,015,299	\$ 37,036,188	\$ (1,020,889)
			-2.8%

### Governmental Activities:

Unrestricted net position of the County's governmental activities decreased \$1,274,54 or 91.1 percent in 2023. Current and other assets and other liabilities increased \$4,177,547 and \$3,363,976, respectively. The increase in both line items was primarily due to the receipt of \$3,887,700 in Local Assistance Tribal Consistency funding which was considered a grant received in advance; consequently, it is necessary to not recognize this revenue until timing requirements have been satisfied. Therefore, the Local Assistance Tribal Consistency funds were reclassified from revenue to unearned revenue, an other liability. Long term debt outstanding increased \$2,097,211 primarily due to a \$2,036,658 increase in pension liability.

**Sanders County, Montana**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2023**

**THE COUNTY AS A WHOLE**

**Net Position**

	<b>Business-type Activities</b>				Change	
	<b>FY23</b>	<b>FY22</b>	<b>Inc (Dec)</b>	%		
	\$	\$	\$			
Current and other assets	\$ 680,232	\$ 782,428	\$ (102,196)	-13.1%		
Capital assets	5,471,961	5,347,668	124,293	2.3%		
Total assets	<b>\$ 6,152,193</b>	<b>\$ 6,130,096</b>	<b>\$ 22,097</b>	<b>0.4%</b>		
Long-term debt outstanding	\$ 5,088,919	\$ 5,120,173	\$ (31,254)	-0.6%		
Other liabilities	63,640	212,031	(148,391)	-70.0%		
Total liabilities	<b>\$ 5,152,559</b>	<b>\$ 5,332,204</b>	<b>\$ (179,645)</b>	<b>-3.4%</b>		
Net investment in capital assets	\$ 815,245	\$ 600,798	\$ 214,447	35.7%		
Restricted	155,224	116,418	38,806	33.3%		
Unrestricted (deficit)	29,165	80,676	(51,511)	-63.8%		
Total net position	<b>\$ 999,634</b>	<b>\$ 797,892</b>	<b>\$ 201,742</b>	<b>25.3%</b>		

**Business Type Activities:**

Net position of the County's business type activities increased \$201,742 or 25.3 percent in 2023. The decrease in long term debt is primarily due to a decrease in revenue bond liability which decreased \$90,470. Other significant changes include an increase in net pension liability of \$56,885 from the prior year, while deferred inflows related to pension liability decreased \$107,656. Lastly, the solid waste department purchased a \$209,727 truck in fiscal year 2023.

**Changes in Net Position**

	<b>Governmental Activities</b>				<b>Business-type Activities</b>			
	<b>FY23</b>	<b>FY22</b>	<b>Change</b>	<b>Inc (Dec)</b>	<b>FY23</b>	<b>FY22</b>	<b>Change</b>	<b>Inc (Dec)</b>
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenues</b>								
Program revenues (by major source):								
Charges for services	\$ 1,031,554	\$ 1,026,939	\$ 4,615	0.4%	\$ 1,509,067	\$ 1,438,043	\$ 71,024	4.9%
Operating grants and contributions	2,217,510	2,629,554	(412,044)	-15.7%	-	-	-	-
Capital grants and contributions	478,096	3,667,360	(3,189,264)	-87.0%	-	-	-	-
General revenues (by major source):								
Property taxes for general purposes	7,467,992	6,881,137	586,855	8.5%	-	-	-	-
Licenses and permits	11,610	10,731	879	8.2%	-	-	-	-
Miscellaneous	153,501	59,366	94,135	158.6%	-	-	-	-
Interest/investment earnings	180,727	25,798	154,929	600.5%	8,149	540	7,609	1409.1%
Unrestricted federal/state shared revenues	877,177	767,368	109,809	14.3%	-	-	-	-
State entitlement	1,168,662	1,141,369	27,293	2.4%	-	-	-	-
State on behalf payments	129,886	257,518	(127,632)	-49.6%	11,939	28,872	(16,933)	-58.6%
Total revenues	<b>\$ 13,716,715</b>	<b>\$ 16,467,140</b>	<b>\$ (2,750,425)</b>	<b>-16.7%</b>	<b>\$ 1,529,155</b>	<b>\$ 1,467,455</b>	<b>\$ 61,700</b>	<b>4.2%</b>
<b>Program expenses</b>								
General government	\$ 3,355,229	\$ 3,273,971	\$ 81,258	2.5%	\$ -	\$ -	\$ -	-
Public safety	3,853,194	3,216,472	636,722	19.8%	-	-	-	-
Public works	5,336,072	4,821,148	514,924	10.7%	-	-	-	-
Public health	531,925	490,729	41,196	8.4%	-	-	-	-
Social and economic services	529,629	490,802	38,827	7.9%	-	-	-	-
Culture and recreation	999,667	766,218	233,449	30.5%	-	-	-	-
Housing and community development	9,814	84,044	(74,230)	-88.3%	-	-	-	-
Debt service - interest	11,553	14,320	(2,767)	-19.3%	-	-	-	-
Miscellaneous	4,613	4,285	328	7.7%	-	-	-	-
Solid Waste	-	-	-	-	1,471,947	1,475,459	(3,512)	-0.2%
Total expenses	<b>\$ 14,631,696</b>	<b>\$ 13,161,989</b>	<b>\$ 1,469,707</b>	<b>11.2%</b>	<b>\$ 1,471,947</b>	<b>\$ 1,475,459</b>	<b>\$ (3,512)</b>	<b>-0.2%</b>
Excess (deficiency) before special items and transfers	\$ (914,981)	\$ 3,305,151	\$ (4,220,132)	-127.7%	\$ 57,208	\$ (8,004)	\$ 65,212	-814.7%
Gain (loss) on sale of capital assets	25,287	33,500	(8,213)	-24.5%	34,531	-	34,531	100.0%
Transfers - net	(110,000)	(399,127)	289,127	-72.4%	110,000	399,127	(289,127)	-72.4%
<b>Increase (decrease) in net position</b>	<b>\$ (999,694)</b>	<b>\$ 2,939,524</b>	<b>\$ (3,939,218)</b>	<b>-134.0%</b>	<b>\$ 201,739</b>	<b>\$ 391,123</b>	<b>\$ (189,384)</b>	<b>-48.4%</b>

Sanders County, Montana  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

*Governmental Activities:* Line items with more significant changes over the prior year include capital grants and contributions, which decreased \$3,189,264. The county received less airport grant revenue in the current year. Operating grants and contributions decreased \$412,044 primarily due to health grants decreasing \$226,195 from the prior year. Property taxes increased \$586,855 due to the Thompson Falls Library being added as a county special revenue fund in fiscal year 2023. This resulted in additional tax revenue of \$119,651. The majority of the remaining property tax variance is attributed to new construction. Public safety expenses increased \$636,722 primarily due to increased pension expense of \$296,699 and increased expenses in the sheriff's office of \$228,388. The \$228,388 increase is mainly due to increased staff and wages. Public works expenses increased \$514,924 primarily due to increased BARSA expenses of \$259,655 and increased pension expense of \$122,446.

*Business Type Activities:* There was an increase of \$71,024 in charges for services revenue, primarily due to increased dump site usage, increased recycling revenue and increased users. Operating transfers are occasionally made to this fund if needed, for example, to purchase a piece of equipment. The need for additional funding decreased in fiscal year 2023.

## **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 \$547,151. The primary reason for the decrease was transfers to other funds. The General fund transferred \$1,467,862 to other funds, which included \$1,350,000 to the road fund, \$110,000 to the Solid Waste enterprise fund and \$7,862 to the Eurasian Watermilfoil grant fund.

Road Fund (Governmental Fund) - The Road fund had an increase in fund balance of \$96,436 in 2023.

Public Safety Fund (Governmental Fund) - The Public Safety fund had a decrease of \$5,067 in fund balance in 2023.

ARPA (Governmental Fund) – The ARPA fund had no change in fund balance in 2023.

Building Improvement Fund (Governmental Fund) - The Building Improvement fund had an increase of \$33,109 in fund balance in 2023.

Solid Waste Fund (Enterprise Fund) – Solid waste had an increase in net position in FY 2023 of \$201,742. The primary reason for the increase is due to a \$110,000 transfer from the general fund and conservative budgeting.

Sanders County, Montana  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

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

	General Fund			
	Original Budget	Final Budget	Actual	Final Variance
<b>Resources (Inflows):</b>				
Taxes/assessments	\$ 1,876,777	\$ 1,876,777	\$ 2,067,001	\$ 190,224
Licenses and permits	600	600	-	\$ (600)
Intergovernmental revenues	9,231,211	9,231,211	1,598,651	\$ (7,632,560)
Charges for services	333,467	333,467	361,923	\$ 28,456
Fines and forfeitures	75,115	75,115	94,896	\$ 19,781
Miscellaneous	141,630	141,630	57,025	\$ (84,605)
Investment and royalty earnings	105,000	105,000	126,515	\$ 21,515
Amounts available for appropriation	11,763,800	11,763,800	4,306,011	(7,457,789)
<b>Charges to Appropriations (Outflows):</b>				
General government	3,030,556	3,030,556	3,064,925	(34,369)
Public works	-	-	-	-
Public health	346,608	346,608	283,491	63,117
Social and economic services	180,611	180,611	167,225	13,386
Housing and Community Development	10,000	10,000	9,814	186
Miscellaneous	-	-	-	-
Capital outlay	7,993,400	7,993,400	61,201	7,932,199
Total charges to appropriations	11,561,175	11,561,175	3,586,656	7,974,519
<b>OTHER FINANCING SOURCES/USES:</b>				
Proceeds from sale of capital assets	-	-	-	-
Fund transfers in	199,559	199,559	201,356	1,797
Fund transfers (out)	(1,560,000)	(1,560,000)	(1,467,862)	92,138
Total other financing sources/uses	(1,360,441)	(1,360,441)	(1,266,506)	93,935

*Final budget to actual variances for 2023 is as follows:*

The budget versus actual includes the GASB 54 funds of PILT and Local Tribal Consistency Grant funds. The favorable variance in capital outlay expenditures in the amount of \$7,932,199 and the unfavorable variance in intergovernmental revenues of \$7,632,560 is due to the Local Tribal Consistency grant. The county budgeted \$7,775,400 for both line items; however, did not make any expenditures using these grant funds. Furthermore, this grant is considered a grant received in advance; consequently, it is necessary to not recognize this revenue until timing requirements have been satisfied. Therefore, the Local Assistance Tribal Consistency funds were reclassified from revenue to unearned revenue.

*Budget amendments were approved as follows:*

There were no general fund budget amendments during fiscal year 2023.

Sanders County, Montana  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2023

## **DEBT ADMINISTRATION**

Total long-term debt in the enterprise fund decreased in fiscal year 2023 \$90,470, due to the annual principal payment on the revenue bonds. The governmental funds do not have any long term debt other than those listed below.

Compensated absence increased \$60,553 in governmental funds and \$2,332 in the enterprise fund. Other long term liabilities as of June 30, 2023, include OPEB liability of \$280,107 and \$18,833 and Net Pension liability of \$5,860,685 and \$386,604 in the governmental and enterprise funds, respectively.

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

## **CAPITAL ASSETS**

At the end of fiscal year 2023, the County had \$32,163,096 (governmental funds) and \$5,471,961 (enterprise funds) invested in a broad range of capital assets (net of depreciation). Governmental activity and enterprise assets increased \$262,751 and decreased \$124,293, respectively over the prior year.

Governmental activities main purchases include new vehicles for the sheriff's office, coroner's office, county agent and road department.

The solid waste department (business type activity) purchased a 2023 Western Star Truck.

		Governmental		<u>Variance</u>
		Activities		
		2023	2022	
Land		\$ 2,345,924	\$ 2,345,924	\$ -
Construction in progress		116,440	3,533,771	(3,417,331)
Depreciable capital assets		29,700,732	26,020,650	3,680,082
Total		\$32,163,096	\$ 31,900,345	\$ 262,751
		Business Type		<u>Variance</u>
		Activities		
		2023	2022	
Land		\$ 177,608	\$ 177,608	\$ -
Construction in progress		-	-	-
Depreciable capital assets		5,294,353	5,170,060	124,293
Total		\$ 5,471,961	\$ 5,347,668	\$ 124,293

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

Sanders County, Montana  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023

## **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 2024 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 2024.
- Taxable value increased from \$45,515,404 in fiscal year 2023 to \$49,391,731 in fiscal year 2024.
- 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

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**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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Change in Accounting Principle**

As described in Note 1 to the financial statements the County adopted a new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sanders County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanders County, Montana's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanders County, 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 19, 2024, on our consideration of the Sanders County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sanders County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanders County, Montana's internal control over financial reporting and compliance.

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

March 19, 2024

**Sanders County, Montana**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 16,039,132	\$ 244,689	\$ 16,283,821
Taxes and assessments receivable, net	138,197	197,612	335,809
Accounts receivable - net	8,500	-	8,500
Due from other governments	170,153	-	170,153
Lease receivables	120,874	-	120,874
Inventories	427,812	-	427,812
Total current assets	<u>\$ 16,904,668</u>	<u>\$ 442,301</u>	<u>\$ 17,346,969</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 155,224	\$ 155,224
Leased assets, net	362,798	6,335	369,133
Nondepreciable capital assets	2,462,364	177,608	2,639,972
Depreciable capital assets, net	29,700,732	5,294,353	34,995,085
Total noncurrent assets	<u>\$ 32,525,894</u>	<u>\$ 5,633,520</u>	<u>\$ 38,159,414</u>
Total assets	<u>\$ 49,430,562</u>	<u>\$ 6,075,821</u>	<u>\$ 55,506,383</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 1,551,887	\$ 76,372	\$ 1,628,259
Total deferred outflows of resources	<u>\$ 1,551,887</u>	<u>\$ 76,372</u>	<u>\$ 1,628,259</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 50,982,449</u>	<u>\$ 6,152,193</u>	<u>\$ 57,134,642</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 1,262,540	\$ -	\$ 1,262,540
Accounts payable	92,194	-	92,194
Accrued liabilities	89,004	5,698	94,702
Unearned revenue	6,079,008	-	6,079,008
Current portion of long-term capital liabilities	-	91,841	91,841
Current portion of compensated absences payable	439,236	37,553	476,789
Current portion of lease liabilities	121,438	10,806	132,244
Total current liabilities	<u>\$ 8,083,420</u>	<u>\$ 145,898</u>	<u>\$ 8,229,318</u>
Noncurrent liabilities			
Deposits payable	\$ 2,164	\$ -	\$ 2,164
Noncurrent portion of OPEB	280,107	18,833	298,940
Noncurrent portion of long-term capital liabilities	-	4,560,404	4,560,404
Noncurrent portion of compensated absences	146,412	12,517	158,929
Net pension liability	5,860,685	386,604	6,247,289
Noncurrent portion of lease liabilities	125,725	-	125,725
Total noncurrent liabilities	<u>\$ 6,415,093</u>	<u>\$ 4,978,358</u>	<u>\$ 11,393,451</u>
Total liabilities	<u>\$ 14,498,513</u>	<u>\$ 5,124,256</u>	<u>\$ 19,622,769</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - leases	\$ 120,874	\$ -	\$ 120,874
Deferred inflows of resources - pensions	347,763	28,303	376,066
Total deferred inflows of resources	<u>\$ 468,637</u>	<u>\$ 28,303</u>	<u>\$ 496,940</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 32,278,731	\$ 815,245	\$ 33,093,976
Restricted	3,612,754	155,224	3,767,978
Unrestricted	123,814	29,165	152,979
Total net position	<u>\$ 36,015,299</u>	<u>\$ 999,634</u>	<u>\$ 37,014,933</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
	<u>\$ 50,982,449</u>	<u>\$ 6,152,193</u>	<u>\$ 57,134,642</u>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,355,229	\$ 152,207	\$ 323,412	\$ -	\$ (2,879,610)	\$ -	\$ (2,879,610)
Public safety	3,853,194	180,437	284,559	-	(3,388,198)	-	(3,388,198)
Public works	5,336,072	220,856	1,278,350	478,096	(3,358,770)	-	(3,358,770)
Public health	531,925	5,488	310,505	-	(215,932)	-	(215,932)
Social and economic services	529,629	-	20,684	-	(508,945)	-	(508,945)
Culture and recreation	999,667	472,566	-	-	(527,101)	-	(527,101)
Housing and community development	9,814	-	-	-	(9,814)	-	(9,814)
Debt service - interest	11,553	-	-	-	(11,553)	-	(11,553)
Miscellaneous	4,613	-	-	-	(4,613)	-	(4,613)
Total governmental activities	\$ 14,631,696	\$ 1,031,554	\$ 2,217,510	\$ 478,096	\$ (10,904,536)	\$ -	\$ (10,904,536)
Business-type activities:							
Solid Waste	\$ 1,471,947	\$ 1,509,067	\$ -	\$ -	\$ 37,120	\$ 37,120	\$ 37,120
Total business-type activities	\$ 1,471,947	\$ 1,509,067	\$ -	\$ -	\$ 37,120	\$ 37,120	\$ 37,120
Total primary government	\$ 16,103,643	\$ 2,540,621	\$ 2,217,510	\$ 478,096	\$ (10,904,536)	\$ 37,120	\$ (10,867,416)
General Revenues:							
Property taxes for general purposes				\$ 7,467,992	\$ -	\$ 7,467,992	
Licenses and permits				11,610	-	11,610	
Miscellaneous				153,501	-	153,501	
Interest/investment earnings				180,727	8,149	188,876	
Unrestricted federal/state shared revenues				877,177	-	877,177	
State entitlement				1,168,662	-	1,168,662	
State on behalf payments				129,886	11,939	141,825	
Gain (loss) on sale of capital assets				25,287	34,531	59,818	
Transfers - net				(110,000)	110,000	-	
Total general revenues, special items and transfers				\$ 9,904,842	\$ 164,619	\$ 10,069,461	
Change in net position				\$ (999,694)	\$ 201,739	\$ (797,955)	
Net position - beginning				\$ 37,036,188	\$ 797,892	\$ 37,834,080	
Restatements				(21,195)	-	(21,195)	
Net position - beginning - restated				\$ 37,014,993	\$ 797,892	\$ 37,812,885	
Net position - end				\$ 36,015,299	\$ 999,631	\$ 37,014,930	

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<b>General</b>	<b>Road</b>	<b>Public Safety</b>	<b>ARPA Woodside</b>	<b>Building Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 7,791,512	\$ 769,660	\$ 237,888	\$ 964,370	\$ 2,063,996	\$ 4,211,706	\$ 16,039,132
Taxes and assessments receivable, net	32,047	14,901	50,081	-	-	41,168	138,197
Accounts receivable - net	-	-	-	-	-	8,500	8,500
Due from other funds	45,123	-	-	-	-	-	45,123
Due from other governments	-	-	8,216	-	-	161,936	170,152
Lease receivables	-	-	-	-	-	120,874	120,874
Inventories	20,289	376,730	-	-	-	30,793	427,812
<b>TOTAL ASSETS</b>	<b>\$ 7,888,971</b>	<b>\$ 1,161,291</b>	<b>\$ 296,185</b>	<b>\$ 964,370</b>	<b>\$ 2,063,996</b>	<b>\$ 4,574,977</b>	<b>\$ 16,949,790</b>
<b>LIABILITIES</b>							
Current liabilities:							
Warrants payable	\$ 1,262,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,262,540
Accounts payable	-	-	-	-	-	92,193	92,193
Accrued liabilities	29,973	23,425	35,606	-	-	-	89,004
Due to other funds	-	-	-	-	-	45,123	45,123
Unearned revenue	3,887,700	-	-	964,370	-	1,226,938	6,079,008
Total current liabilities	\$ 5,180,213	\$ 23,425	\$ 35,606	\$ 964,370	\$ -	\$ 1,364,254	\$ 7,567,868
Noncurrent liabilities:							
Deposits payable	\$ 2,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,164
Total noncurrent liabilities	\$ 2,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,164
Total liabilities	\$ 5,182,377	\$ 23,425	\$ 35,606	\$ 964,370	\$ -	\$ 1,364,254	\$ 7,570,032
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - taxes and assessments	\$ 32,047	\$ 14,901	\$ 50,081	\$ -	\$ -	\$ 41,168	\$ 138,197
Deferred inflows of resources - leases	-	-	-	-	-	120,874	120,874
Total deferred inflows of resources	\$ 32,047	\$ 14,901	\$ 50,081	\$ -	\$ -	\$ 162,042	\$ 259,071
<b>FUND BALANCES</b>							
Nonspendable	\$ 20,289	\$ 376,730	\$ -	\$ -	\$ -	\$ 30,793	\$ 427,812
Restricted	-	746,235	210,498	-	-	2,142,349	3,099,082
Committed	-	-	-	-	-	883,279	2,947,275
Unassigned fund balance	2,654,258	-	-	-	-	(7,740)	2,646,518
Total fund balance	\$ 2,674,547	\$ 1,122,965	\$ 210,498	\$ -	\$ 2,063,996	\$ 3,048,681	\$ 9,120,687
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 7,888,971</b>	<b>\$ 1,161,291</b>	<b>\$ 296,185</b>	<b>\$ 964,370</b>	<b>\$ 2,063,996</b>	<b>\$ 4,574,977</b>	<b>\$ 16,949,790</b>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2023**

<b>Total fund balances - governmental funds</b>	\$ 9,120,687
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,163,096
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	138,197
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(585,648)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(6,140,792)
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.	1,551,887
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.	(347,763)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	362,798
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(247,163)
<b>Total net position - governmental activities</b>	<b>\$ 36,015,299</b>

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	<b>General</b>	<b>Road</b>	<b>Public Safety</b>	<b>ARPA Woodside</b>	<b>Building Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>							
Taxes and assessments	\$ 2,067,001	\$ 848,995	\$ 2,603,736	\$ -	\$ -	\$ 1,958,811	\$ 7,478,543
Licenses and permits	-	-	11,610	-	-	-	11,610
Intergovernmental	1,598,651	1,391,203	6,800	1,200	-	1,306,133	4,303,987
Charges for services	361,923	33,735	160,958	-	-	726,924	1,283,540
Fines and forfeitures	94,896	-	-	-	-	1,016	95,912
Miscellaneous	57,025	4,036	90,764	-	-	91,237	243,062
Investment earnings	126,515	-	-	-	33,109	21,103	180,727
Total revenues	\$ 4,306,011	\$ 2,277,969	\$ 2,873,868	\$ 1,200	\$ 33,109	\$ 4,105,224	\$ 13,597,381
<b>EXPENDITURES</b>							
General government	\$ 3,064,925	\$ 24,022	\$ -	\$ -	\$ -	\$ 9,233	\$ 3,098,180
Public safety	-	-	2,955,673	-	-	557,683	3,513,356
Public works	-	3,254,302	-	1,200	-	988,148	4,243,650
Public health	283,491	-	-	-	-	198,655	482,146
Social and economic services	167,225	-	-	-	-	353,787	521,012
Culture and recreation	-	-	-	-	-	914,829	914,829
Housing and community development	9,814	-	-	-	-	-	9,814
Debt service - principal	-	124,543	-	-	-	-	124,543
Debt service - interest	-	4,265	-	-	-	-	4,265
Miscellaneous	-	-	-	-	-	4,613	4,613
Capital outlay	61,201	269,868	144,206	-	-	1,009,423	1,484,698
Total expenditures	\$ 3,586,656	\$ 3,677,000	\$ 3,099,879	\$ 1,200	\$ -	\$ 4,036,371	\$ 14,401,106
Excess (deficiency) of revenues over expenditures	\$ 719,355	\$ (1,399,031)	\$ (226,011)	\$ -	\$ 33,109	\$ 68,853	\$ (803,725)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from the sale of general capital asset disposition	\$ -	\$ 21,991	\$ -	\$ -	\$ -	\$ 10,373	\$ 32,364
Transfers in	201,356	1,493,476	220,944	-	-	73,296	1,989,072
Transfers out	(1,467,862)	(20,000)	-	-	-	(611,210)	(2,099,072)
Total other financing sources (uses)	\$ (1,266,506)	\$ 1,495,467	\$ 220,944	\$ -	\$ -	\$ (527,541)	\$ (77,636)
Net Change in Fund Balance	\$ (547,151)	\$ 96,436	\$ (5,067)	\$ -	\$ 33,109	\$ (458,688)	\$ (881,361)
Fund balances - beginning	\$ 3,227,817	\$ 832,078	\$ 191,385	\$ -	\$ 2,030,887	\$ 3,542,033	\$ 9,824,200
Restatements	-	-	24,180	-	-	(22,875)	1,305
Change inventory	(6,119)	194,451	-	-	-	(11,789)	176,543
Fund balances - beginning, restated	\$ 3,221,698	\$ 1,026,529	\$ 215,565	\$ -	\$ 2,030,887	\$ 3,507,369	\$ 10,002,048
Fund balance - ending	\$ 2,674,547	\$ 1,122,965	\$ 210,498	\$ -	\$ 2,063,996	\$ 3,048,681	\$ 9,120,687

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, 2023**

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

**Net change in fund balances - total governmental funds** \$ (881,361)

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

- Capital assets purchased	1,484,697
- Depreciation and lease amortization expense	(1,075,114)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Gain on the sale of capital assets	(7,077)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred inflows)	(10,549)
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The change in compensated absences is shown as an expense in the Statement of Activities (60,553)

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	(124,543)
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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	(27,825)
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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 (473,912)

The change in inventory is shown as an expense on the Statement of Activities 176,543

**Change in net position - Statement of Activities** \$ (999,694)

See accompanying Notes to the Financial Statements

**Sanders County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Solid Waste</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 244,689	
Taxes and assessments receivable, net	<u>197,612</u>	
Total current assets	<u>\$ 442,301</u>	
Noncurrent assets:		
Restricted cash and investments	\$ 155,224	
Leased assets, net	6,335	
Nondepreciable capital assets	177,608	
Depreciable capital assets, net	<u>5,294,353</u>	
Total noncurrent assets	<u>\$ 5,633,520</u>	
Total assets	<u>\$ 6,075,821</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	\$ 76,372	
Total deferred outflows of resources	<u>\$ 76,372</u>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 6,152,193</u>	
<b>LIABILITIES</b>		
Current liabilities:		
Accrued liabilities	\$ 5,698	
Current portion of long-term capital liabilities	91,841	
Current portion of compensated absences payable	37,553	
Current portion of lease liabilities	10,806	
Total current liabilities	<u>\$ 145,898</u>	
Noncurrent liabilities:		
Noncurrent portion of OPEB	\$ 18,833	
Noncurrent portion of long-term capital liabilities	4,560,404	
Noncurrent portion of compensated absences	12,517	
Net pension liability	<u>386,604</u>	
Total noncurrent liabilities	<u>\$ 4,978,358</u>	
Total liabilities	<u>\$ 5,124,256</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions	\$ 28,303	
Total deferred inflows of resources	<u>\$ 28,303</u>	
<b>NET POSITION</b>		
Net investment in capital assets	\$ 815,245	
Restricted	155,224	
Unrestricted	29,165	
Total net position	<u>\$ 999,634</u>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 6,152,193</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, 2023**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b>Solid Waste</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,504,067
Miscellaneous revenues	5,000
Total operating revenues	<u>\$ 1,509,067</u>
<b>OPERATING EXPENSES</b>	
Personal services	\$ 443,034
Supplies	73,102
Purchased services	730,279
Fixed charges	46,045
Depreciation	96,245
Total operating expenses	<u>\$ 1,388,705</u>
Operating income (loss)	<u>\$ 120,362</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental revenue	\$ 11,939
Interest revenue	8,149
Debt service interest expense	<u>(83,239)</u>
Total non-operating revenues (expenses)	<u>\$ (63,151)</u>
Income (loss) before contributions and transfers	\$ 57,211
Transfers in	110,000
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>	
Gain (loss) on sale of capital assets	<u>\$ 34,531</u>
Change in net position	<u>\$ 201,742</u>
Net Position - Beginning of the year	<u>\$ 797,892</u>
Net Position - End of the year	<u>\$ 999,634</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, 2023**

	<b>Business - Type</b> <b>Activities</b>
	<b>Solid Waste</b>
<b>Cash flows from operating activities:</b>	
Receipts from Customers	\$ 1,519,347
Cash payments to suppliers	(73,102)
Cash payments for professional services	(803,979)
Cash payments to employees	(478,866)
Net cash provided (used) by operating activities	<u><u>\$ 163,400</u></u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(209,726)
Principal paid on debt	\$ (100,961)
Interest paid on debt	(83,242)
Proceeds from disposal of capital assets	34,531
Net cash provided (used) by capital and related financing activities	<u><u>\$ (359,398)</u></u>
<b>Cash flows from non-capital financing activities:</b>	
Receipts from other Governments	\$ 11,939
Transfers from Governmental Funds	110,000
Net cash provided (used) from non-capital financing activities	<u><u>\$ 121,939</u></u>
<b>Cash flows from investing activities:</b>	
Interest on investments	\$ 8,148
Net cash provided (used) by investing activities	<u><u>\$ 8,148</u></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	
<b>Cash and cash equivalents at beginning</b>	\$ (65,911)
<b>Cash and cash equivalents at end</b>	<u><u>\$ 465,824</u></u> <u><u>\$ 399,913</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 120,362
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	96,245
OPEB expense	(1,622)
Pension expense	(35,578)
Changes in assets and liabilities:	
Accounts receivables	10,280
Accrued payables	(965)
Accounts payable	(27,655)
Compensated absence payable	2,333
Net cash provided (used) by operating activities	<u><u>\$ 163,400</u></u>

See accompanying notes to the financial statements

**Sanders County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2023**

	<b>Custodial Funds</b>	
	<b>Custodial Funds</b>	<b>External Investment Pool Fund</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 853,766	\$ 8,262,654
Taxes receivable	269,011	259,444
<b>TOTAL ASSETS</b>	<b>\$ 1,122,777</b>	<b>\$ 8,522,098</b>
<b>LIABILITIES</b>		
Due to State	\$ 350,744	\$ -
Due to City/Town Governments	185,431	-
Due to Other Governments	583,013	-
Due to others	3,589	-
Total liabilities	<b>\$ 1,122,777</b>	<b>\$ -</b>
<b>NET POSITION</b>		
Restricted for:		
Postemployment benefits other than pensions	\$ -	\$ 8,522,098
Total net position	\$ -	\$ 8,522,098
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,122,777</b>	<b>\$ 8,522,098</b>

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, 2023**

	<b>Custodial Funds</b>		
	<b>Custodial Funds</b>		<b>External Investment Pool Fund</b>
<b>ADDITIONS</b>			
Interest and change in fair value of investments	\$ -	\$ 133,403	
Property taxes collected for school districts	8,078,808	5,371,395	
Intergovernmental grants and entitlements collected for school districts	1,841,829	11,760,130	
Miscellaneous	2,061,368	167,332	
Total additions	<u>11,982,005</u>	<u>17,432,260</u>	
<b>DEDUCTIONS</b>			
Distributions to State of Montana	\$ 7,116,663	\$ -	
Distributions to City/Town	1,529,849	-	
Distributions to School Districts	2,649,462	-	
Distributions to Others	686,031	164,366	
Distributions related to school district activity	-	15,754,933	
Distributions related to local government entities	-	1,230,636	
Total deductions	<u>11,982,005</u>	<u>17,149,935</u>	
Change in net position	<u>-</u>	<u>282,325</u>	
Net Position - Beginning of the year	<u>-</u>	<u>8,239,773</u>	
Net Position - End of the year	<u>-</u>	<u>8,522,098</u>	

See accompanying Notes to the Financial Statements

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**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. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. 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, 2023

**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, 2023

**Fund Financial Statements**

*Basis of Presentation*

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

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

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

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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

**Major Funds:**

The County reports the following major governmental funds:

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

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

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

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

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

**Proprietary Funds:**

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

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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, 2023, are as follows:

	<u>Primary</u>	<u>Government</u>
<b><u>Cash on hand and deposits:</u></b>		
Cash on hand		
Petty Cash	\$	1,900
Cash in banks:		
Demand deposits	184,261	
Time deposits	10,192,000	
<b><u>Investments:</u></b>		
Repurchase agreements	<u>15,177,304</u>	
Total	<u>\$ 25,555,465</u>	

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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

For purposes of the statement of cash flows, the enterprise and internal services 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;

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

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

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

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2023
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 9,667,742
- Collateral held by the pledging bank's trust department but not in the County's name	530,000
Total deposits and investments	<u>\$ 10,197,742</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, 2023, equaled or exceeded the amount required by State statutes.

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**Concentration of Credit Risk**

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

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

**Investment in the Treasurer's Pools**

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

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2023 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, 2023.

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

**Investment Income**

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

**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, 2023.

**Statement of Net Position**

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 15,397,776
Equity of external pool participants	8,522,098
Total equity	<u><u>\$ 23,919,874</u></u>

**Condensed Statement of Changes in Net Position**

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 133,403	\$ 192,273
Contributions to trust	17,298,857	14,987,512
Distributions paid	<u>(17,149,935)</u>	<u>(12,484,629)</u>
Net change in net position	\$ 282,325	\$ 2,695,156
Net position at beginning of year	8,239,773	12,702,620
Net position at end of year	<u>\$ 8,522,098</u>	<u>\$ 15,397,776</u>

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the County as of June 30, 2023. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Solid Waste	Revenue bond reserve	\$ 69,224
Solid Waste	Revenue bond asset replacement	<u>86,000</u>
Total		<u>\$ 155,224</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.

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.

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 6. CAPITAL ASSETS**

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

Buildings	60 years
Improvements	5 – 30 years
Equipment	5 – 10 years

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

Governmental activities:

	Balance July 1, 2022	Additions	Transfers	Deletions	Restatements	Balance June 30, 2023
Capital assets not being depreciated:						
Land	\$ 2,345,924	\$ -	\$ -	\$ -	\$ -	\$ 2,345,924
Construction in progress	3,533,771	88,164	(3,505,495)	-	-	116,440
Total capital assets not being depreciated	<u>\$ 5,879,695</u>	<u>\$ 88,164</u>	<u>\$ (3,505,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,462,364</u>
Other capital assets:						
Buildings	\$ 4,557,198	\$ 175,599	\$ -	\$ -	\$ -	\$ 4,732,797
Improvements other than buildings	26,606,162	682,672	3,505,495	-	-	30,794,329
Machinery and equipment	10,482,949	538,263	-	(161,757)	(15,000)	10,844,455
Total other capital assets at historical cost	<u>\$ 41,646,309</u>	<u>\$ 1,396,534</u>	<u>\$ 3,505,495</u>	<u>\$ (161,757)</u>	<u>\$ (15,000)</u>	<u>\$ 46,371,581</u>
Less: accumulated depreciation	<u>(15,625,659)</u>	<u>(1,192,370)</u>	<u>-</u>	<u>154,680</u>	<u>(7,500)</u>	<u>(16,670,849)</u>
Total	<u>\$ 31,900,345</u>	<u>\$ 292,328</u>	<u>\$ -</u>	<u>\$ (7,077)</u>	<u>\$ (22,500)</u>	<u>\$ 32,163,096</u>

Governmental activities depreciation expense was charged to functions as follows:

**Governmental Activities:**

General government	\$ 50,761
Public safety	118,944
Public works	966,874
Public health	5,003
Social & economic	2,924
Culture & recreation	47,864
Total governmental activities depreciation expense	<u>\$ 1,1192,370</u>

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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

Business-type activities:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 177,608	\$ -	\$ -	\$ 177,608
Total capital assets not being depreciated	<u>\$ 177,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,608</u>
<b>Other capital assets:</b>				
Buildings	\$ 4,651,505	\$ -	\$ -	\$ 4,651,505
Improvements other than buildings	156,237	-	-	156,237
Machinery and equipment	1,608,235	209,728	(72,548)	1,745,415
Total other capital assets at historical cost	<u>\$ 6,415,977</u>	<u>\$ 209,728</u>	<u>\$ (72,548)</u>	<u>\$ 6,553,157</u>
Less: accumulated depreciation	(1,245,917)	(85,435)	72,548	(1,258,804)
Total	<u>\$ 5,347,668</u>	<u>\$ 124,293</u>	<u>\$ -</u>	<u>\$ 5,471,961</u>

**NOTE 7. LONG TERM DEBT OBLIGATIONS**

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

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

**Changes in Long-Term Debt Liabilities** - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u>		<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>		<u>One Year</u>
Compensated absences	\$ 525,095	\$ 60,553	\$ 585,648		\$ 439,236
Total	<u>\$ 525,095</u>	<u>\$ 60,553</u>	<u>\$ 585,648</u>		<u>\$ 439,236</u>

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

Business-type Activities:

	<u>Balance</u>		<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>
Revenue bonds	\$ 4,742,716	\$ -	\$ (90,471)	\$ 4,652,245	\$ 91,841
Compensated absences	47,738	2,332	-	50,070	37,553
Total	<u>\$ 4,790,454</u>	<u>\$ 2,332</u>	<u>\$ (90,471)</u>	<u>\$ 4,702,315</u>	<u>\$ 129,394</u>

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

*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, 2023</u>
Series 2019A Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	\$ 5,538,000	\$ 123,406	\$ 3,317,142
Series 2019B Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	1,124,000	39,205	1,053,832
Series 2019C Revenue bond	12/12/19	1.75%	40 yrs	12/12/59	<u>300,000</u>	<u>10,463</u>	<u>281,271</u>
					<u>\$6,962,000</u>	<u>\$ 173,074</u>	<u>\$ 4,652,245</u>

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

The County is to maintain a Reserve Account for the USDA Series A, B, and C Bonds equal to at least one annual loan installment that accumulates at a rate of 10% of one annual payment per year for ten years or until the balance of the reserve is equal to one annual loan payment. The amount of required reserve at the end of June 30, 2023 equaled \$69,224, which the County reported in its restricted cash as described in Note 3. The County is in compliance with this requirement at June 30, 2023.

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, 2023 equaled \$86,000 and the Solid Waste Fund reported a restricted cash in the amount of \$86,000 disclosed in further detail at Note 3. The County is in compliance with this requirement at June 30, 2023.

**SANDERS COUNTY, MONTANA**  
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Annual requirement to amortize debt:

<b>For Fiscal</b>			
<b>Year Ended</b>		<b>Principal</b>	<b>Interest</b>
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	
2042	125,955	47,121	
2043	128,169	44,907	
2044	130,306	42,770	
2045	132,712	40,363	
2046	135,045	38,031	
2047	137,418	35,658	
2048	139,745	33,331	
2049	142,291	30,785	
2050	144,791	28,285	
2051	147,336	25,740	
2052	149,864	23,212	
2053	152,560	20,516	
2054	155,241	17,835	
2055	157,970	15,106	
2056	160,714	12,362	
2057	163,570	9,506	
2058	166,446	6,630	
2059	169,371	3,705	
2060	84,351	740	
<b>Total</b>	<b><u>\$ 4,652,245</u></b>	<b><u>\$ 1,663,579</u></b>	

**SANDERS COUNTY, MONTANA**  
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**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

**NOTE 8. LEASES**

**Leased Assets and Lease Liabilities**

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

A summary of changes in governmental leased assets and liabilities was as follows as of June 30, 2023:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
<b>Leased Assets:</b>				
Machinery and equipment	\$ 622,715	\$ -	\$ 622,715	\$ -
Less: accumulated depreciation	<u>(135,374)</u>	<u>(124,543)</u>	<u>(259,917)</u>	<u>-</u>
<b>Total Leased Assets, net</b>	<b>\$ 487,341</b>	<b>\$ (124,543)</b>	<b>\$ 362,798</b>	<b>\$ -</b>
 <b>Leased Liability</b>	 <u>\$ 364,418</u>	<u>\$ (117,255)</u>	<u>\$ 247,163</u>	<u>\$ 121,438</u>

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A summary of changes in Business-type leased assets and liabilities was as follows as of June 30, 2023:

Business-type Activities:

	<u>Balance</u>			<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>		<u>One Year</u>
<b>Leased Assets:</b>						
Machinery and equipment	\$ 32,429	\$ -	\$ -	\$ 32,429	\$ -	-
Less: accumulated depreciation	<u>(15,284)</u>	<u>(10,810)</u>	<u>-</u>	<u>(26,094)</u>	<u>-</u>	<u>-</u>
Total Leased Assets, net	<u>\$ 17,145</u>	<u>\$ (10,810)</u>	<u>\$ -</u>	<u>\$ 6,335</u>	<u>\$ -</u>	<u>-</u>
Leased Liability	<u>\$ 21,299</u>	<u>\$ -</u>	<u>\$ (10,493)</u>	<u>\$ 10,806</u>	<u>\$ 10,806</u>	<u>-</u>

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

	<b>For Fiscal</b>	
	<u>Year Ended</u>	<u>Principal</u>
2024	\$ 132,244	\$ 7,693
2025	<u>125,071</u>	<u>3,737</u>
Total	<u>\$ 257,315</u>	<u>\$ 11,430</u>

**Leased Receivables**

The County leases out land lots at both Thompson Falls and Plains Airports to the general public. The term of the agreements is between ten and twenty years. Each agreement requires annual payments to the County, and no interest rate is stated in the agreements. The 30-year municipal bond rate that equaled 3.60% was used for calculation of the receivables. As of June 30, 2023 the County had 30 active lease agreements, and the total value of the receivables equaled \$120,874. The total lease payments received during the fiscal year equaled \$15,806.

**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.

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

*Employees covered by benefit terms.* At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	92
Active employees	<u>1</u>
Total employees	<u><u>93</u></u>

**Total OPEB Liability**

The County's total OPEB liability of \$298,940 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2023.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2023, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.20%
Average salary increase (Consumer Price Index)	3.00%
Participation rate	5.00%
<b><u>Health care cost rate trend (Federal Office of the Actuary)</u></b>	

<b>Year</b>	<b>% Increase</b>
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	3.00%
2032 and after	3.00%

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

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Life expectancy of employees was based on the 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 6/30/2022	\$ 272,737
Changes for the year:	
Service Cost	\$ 50,220
Interest	8,728
Differences in experience	26,912
Change in assumptions	(709)
Benefit payments	<u>(58,948)</u>
Net Changes	\$ 26,203
Balance at 6/30/2023	<u>\$ 298,940</u>

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

	1%	Discount	
	Decrease	Rate	1% Increase
	(2.20%)	(3.20%)	(4.20%)
Total OPEB Liability	\$ 345,623	\$ 298,940	\$ 259,945

*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*	
Total OPEB Liability	\$ 255,336	\$ 298,940	\$ 351,515

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

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

For the year ended June 30, 2023, the County recognized an OPEB expense of \$26,203. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

**NOTE 10. NET PENSION LIABILITY (NPL)**

As of June 30, 2023, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	PERS	SRS	Pension Totals
Net Pension Liability	\$ 4,592,442	\$ 1,654,847	\$ 6,247,289
Deferred outflows of resources*	\$ 907,222	\$ 721,037	\$ 1,628,259
Deferred inflows of resources	\$ 336,209	\$ 39,857	\$ 376,066
Pension expense	\$ 796,206	\$ 285,508	\$ 1,081,714

\*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$343,866 and \$157,689, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

**SANDERS COUNTY, MONTANA**  
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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.

**SANDERS COUNTY, MONTANA**  
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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
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
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 \$34,633,570.

**SANDERS COUNTY, MONTANA**  
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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, 2022, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$4,592,442 and the County's proportionate share was 0.193131 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 4,592,442	\$ 3,270,540	0.193131%	0.180372%	0.012759%
State of Montana Proportionate Share associated with Employer	1,368,302	960,857	0.057543%	0.052992%	0.004551%
<b>Total</b>	<b>\$ 5,960,744</b>	<b>\$ 4,231,397</b>	<b>0.250674%</b>	<b>0.233364%</b>	<b>0.017310%</b>

*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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2023, the County recognized a Pension Expense of \$643,295 for its proportionate share of the pension expense. The County also recognized grant revenue of \$141,825 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 6/30/23</u>	<u>Pension Expense as of 6/30/22</u>
Employer Proportionate Share	\$ 643,295	\$ 163,838
State of Montana		
Proportionate Share		
associated with the Employer	141,825	286,391
Total	<u>\$ 785,120</u>	<u>\$ 450,229</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$908,232.

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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2023, 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	\$ 58,544	-
Actual vs. Expected Investment Earnings	134,970	-
Changes in Assumptions	171,142	336,209
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	198,699	-
Employer contributions subsequent to the measurement date - FY23*	343,867	-
<b>Total</b>	<b>\$ 907,222</b>	<b>\$ 336,209</b>

\*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	
	\$	\$
2023	\$ 152,264	
2024	\$ (86,844)	
2025	\$ (145,572)	
2026	\$ 307,298	
<u>Thereafter</u>	<u>\$ -</u>	<u>\$ -</u>

**SANDERS COUNTY, MONTANA**  
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### **Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022 actuarial valuation, and was determined using the following actuarial assumptions.

• Investment Return (net of admin expense)	7.30%
• General Wage Growth*	3.50%
*includes Inflation at	2.75%
• Merit Increases	0% to 4.8%
• 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:**

- Active Participants - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Contingent Survivors - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

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**Target Allocations**

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

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

**Discount Rate**

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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 (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$	6,620,219	\$ 4,592,442	\$ 2,891,161

**SANDERS COUNTY, MONTANA**  
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In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

**PERS Disclosure for the defined contribution plan**

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

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

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

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

At the plan level for the measurement period ended June 30, 2023, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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>.

**SANDERS COUNTY, MONTANA**  
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**Sheriff's Retirement System**

**Summary of Significant Accounting Policies**

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

**Plan Descriptions**

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

The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

**Summary of Benefits**

Service retirement:

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

Early retirement:

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

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**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
  - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - i. On the initial retirement benefit in January immediately following second retirement, and
    - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

**Member's compensation period used in benefit calculation**

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

**Compensation Cap**

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

**Guaranteed Annual Benefit Adjustment (GABA)**

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

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

**SANDERS COUNTY, MONTANA**  
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**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.

<b>Fiscal Year</b>	<b>Member</b>	<b>Employer</b>
2018-2023	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

**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, 2022, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022 (reporting periods), are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$1,654,847 and the County's proportionate share was 1.2086 percent.

	<b>Net Pension Liability as of 6/30/2023</b>	<b>Net Pension Liability as of 6/30/2022</b>	<b>Percent of Collective NPL as of 6/30/2023</b>	<b>Percent of Collective NPL as of 6/30/2022</b>	<b>Change in Percent of Collective NPL</b>
Employer Proportionate Share	\$ 1,654,847	\$ 883,206	1.2086%	1.2125%	-0.0039%
Total	\$ <u>1,654,847</u>	\$ <u>883,206</u>	<u>1.2086%</u>	<u>1.2125%</u>	<u>-0.0039%</u>

**SANDERS COUNTY, MONTANA**  
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*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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. All mortality assumptions were updated to the PUB2010 tables for public safety employees.
4. Rates of withdrawal, retirements, disability retirement, and merit increases were updated.
5. Payroll growth assumption was lowered from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

*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.

*Pension Expense:*

At June 30, 2023, the County recognized a Pension Expense of \$286,240 for its proportionate share of the pension expense.

	<u>Pension Expense as of 6/30/23</u>	<u>Pension Expense as of 6/30/22</u>
Employer Proportionate Share	\$ 286,240	\$ 30,829
Total	<u>\$ 286,240</u>	<u>\$ 30,829</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$152,769.

**SANDERS COUNTY, MONTANA**  
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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2023, 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	\$ 229,337	-
Actual vs. Expected Investment Earnings	70,242	-
Changes in Assumptions	238,294	39,857
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	25,476	-
Employer contributions subsequent to the measurement date - FY23*	157,688	-
<b>Total</b>	<b><u>\$ 721,037</u></b>	<b><u>\$ 39,857</u></b>

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

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

<u>For the Measurement Year ended June 30:</u>	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
	\$	\$
2023	\$	185,666
2024	\$	149,910
2025	\$	55,635
2026	\$	132,279
<b>Thereafter</b>	<b>\$</b>	<b>-</b>

**SANDERS COUNTY, MONTANA**  
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### **Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth\* 3.50%
  - \*includes inflation at 2.75%
- Merit Increases 1.0% to 6.40%
- Post Retirement Benefit Increased  
Guaranteed Annual Benefit Adjustment (GABA)  
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.
  - 3.0% for members hired prior to July 1, 2007
  - 1.5% for members hired on or after July 1, 2207

### **Mortality:**

- Active Participant - PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Healthy Retiree - PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021 set forward one year and adjusted 105% for males. Projected generationally using MP-2021.
- Contingent Survivor - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Disabled Retiree - PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.

### **Target Allocations**

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

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

**Discount Rate**

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 2,691,621	\$ 1,654,847	\$ 810,919

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

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

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**NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2023, was as follows:

<b>Due to/from other funds</b>			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balance	General Fund – Major Governmental	Coalition for Families – Nonmajor Governmental	\$ 9,723
Cover negative cash balance	General Fund – Major Governmental	DNRC Grant – Nonmajor Governmental	5,198
Cover negative cash balance	General Fund – Major Governmental	Homeland Security Grant – Nonmajor Governmental	14,324
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	8,490
Cover negative cash balance	General Fund – Major Governmental	MCH Grant – Nonmajor Governmental	2,541
Cover negative cash balance	General Fund – Major Governmental	Tobacco Grant – Nonmajor Governmental	<u>3,035</u>
			<u>\$ 45,123</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Health insurance transfer	General – Major Governmental	Permissive Medical Levy	\$ 201,356
Health insurance transfer	Road – Major Governmental	Permissive Medical Levy	143,476
Operating transfer	Road – Major Governmental	PILT* – Major Governmental	850,000
Operating transfer	Road – Major Governmental	General – Major Governmental	500,000
Matching transfer for BARSA	BARSA – Nonmajor Governmental	Road – Major Governmental	20,000

**SANDERS COUNTY, MONTANA**  
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SRS pension transfer	Public Safety – Major Governmental	SRS Permissive Levy – Nonmajor Governmental	29,368
Health insurance transfer	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	191,576
Fund future capital costs	JMV Capital Improvement – Nonmajor Governmental	Junk Motor Vehicle – Nonmajor Governmental	27,434
Fund future capital costs	Library Capital Improvement – Nonmajor Governmental	Library – Nonmajor Governmental	18,000
Operating transfer	Eurasian Watermilfoil – Nonmajor Governmental	General – Major Governmental	7,862
Health insurance transfer	Solid Waste – Major Proprietary	PILT* – Major Governmental	<u>110,000</u>
			<u>\$ 2,099,072</u>

\* The PILT Fund is combined with the General Fund for GASB 54.

## **NOTE 12. LOCAL RETIREMENT PLANS**

### **Deferred Compensation Plan**

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

## **NOTE 13. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

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

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

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

**SANDERS COUNTY, MONTANA**  
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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	\$ 20,289	Inventory
Road	376,730	Inventory
All Other Aggregate	<u>30,793</u>	Inventory
Total	<u>\$ 427,812</u>	

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 746,235	Road Repair, maintenance, and supplies
Public Safety	210,498	Law Enforcement, emergency services, and supplies
All Other Aggregate	81,281	General Government administration and services
	515,303	Law Enforcement, emergency services, and supplies
	46,620	Road Repair, maintenance, and supplies
	173,945	Public Health Services and Supplies
	75,372	Noxious Weed Management
	245,227	Airport services
	55,466	Animal Control
	15,173	Social and Economic Services and travel
	321,285	Culture and recreation
	93,037	Housing and Community Development
	50,918	Parks and recreation services and supplies
	61,743	Conservation of Natural Resources
	69,121	Constructions and/or capital asset purchases
	20,657	Permanent Endowment
	<u>317,201</u>	Bridge Maintenance
Total	<u>\$ 3,099,082</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
Building Improvements	\$ 2,063,996	Constructions and/or capital asset purchases
All Other Aggregate	<u>883,279</u>	Constructions and/or capital asset purchases
Total	<u>\$ 2,947,275</u>	

**SANDERS COUNTY, MONTANA**  
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**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>
DNRC grant	\$ (5,199)	Insufficient resources to cover current payables	Future grant revenues
MCH	<u>(2,541)</u>	Insufficient resources to cover current payables	Future grant revenues
Total	<u>\$ (7,740)</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>
Public Safety	\$ 24,180	Reclass cash for revenues received into wrong fund
Homeland Security	(24,180)	Reclass cash for revenues received into wrong fund
ARPA	1,305	Restate prior year unearned revenue
Governmental	<u>(22,500)</u>	Restate capital assets and related accumulated depreciation
Total	<u>\$ (21,195)</u>	

**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.

**SANDERS COUNTY, MONTANA**  
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**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.

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.

**SANDERS COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**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>Kirkman, Raymond Kree v. Sanders County, Christopher Stough, and Nadia Kirkman</i>	Unknown	Unlikely
<i>McCracken, Jimmy v. Sanders County</i>	Unknown	Unlikely

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	<b>General</b>					
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>		<b>VARIANCE WITH FINAL BUDGET</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>(BUDGETARY BASIS) See Note A</b>			
<b>RESOURCES (INFLows):</b>						
Taxes and assessments	\$ 1,876,777	\$ 1,876,777	\$ 2,067,001	\$	190,224	
Licenses and permits	600	600	-	\$	(600)	
Intergovernmental	697,542	697,542	731,348	\$	33,806	
Charges for services	333,467	333,467	361,923	\$	28,456	
Fines and forfeitures	75,115	75,115	94,896	\$	19,781	
Miscellaneous	141,630	141,630	57,025	\$	(84,605)	
Investment earnings	105,000	105,000	126,515	\$	21,515	
Amounts available for appropriation	<u>\$ 3,230,131</u>	<u>\$ 3,230,131</u>	<u>\$ 3,438,708</u>	<u>\$</u>	<u>208,577</u>	
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
General government	\$ 3,030,556	\$ 3,030,556	\$ 3,064,925	\$	(34,369)	
Public health	346,608	346,608	283,491	\$	63,117	
Social and economic services	180,611	180,611	167,225	\$	13,386	
Housing and community development	10,000	10,000	9,814	\$	186	
Capital outlay	218,000	218,000	61,201	\$	156,799	
Total charges to appropriations	<u>\$ 3,785,775</u>	<u>\$ 3,785,775</u>	<u>\$ 3,586,656</u>	<u>\$</u>	<u>199,119</u>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 199,559	\$ 199,559	\$ 201,356	\$	1,797	
Transfers out	(600,000)	(600,000)	(507,862)	\$	92,138	
Total other financing sources (uses)	<u>\$ (400,441)</u>	<u>\$ (400,441)</u>	<u>\$ (306,506)</u>	<u>\$</u>	<u>93,935</u>	
Net change in fund balance			<u>\$ (454,454)</u>			
Fund balance - beginning of the year			\$ 3,281,158			
Change in inventory			(6,119)			
Fund balance - beginning of the year - restated			<u>\$ 3,275,039</u>			
Fund balance - end of the year			<u>\$ 2,820,585</u>			

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	Road		VARIANCE WITH FINAL BUDGET	
	ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A			
	<u>BUDGETED AMOUNTS</u>	<u>ORIGINAL</u>	<u>FINAL</u>	
<b>RESOURCES (INFLows):</b>				
Taxes and assessments	\$ 846,826	\$ 846,826	\$ 848,995	\$ 2,169
Intergovernmental	1,336,327	1,336,327	1,391,203	54,876
Charges for services	1,630,526	1,630,526	33,735	(1,596,791)
Miscellaneous	10,000	10,000	4,036	(5,964)
Amounts available for appropriation	<u>\$ 3,823,679</u>	<u>\$ 3,823,679</u>	<u>\$ 2,277,969</u>	<u>\$ (1,545,710)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ 24,022	\$ (24,022)
Public works	5,292,268	5,292,268	3,254,302	2,037,966
Debt service - principal	-	-	124,543	(124,543)
Debt service - interest	-	-	4,265	(4,265)
Capital outlay	323,000	323,000	269,868	53,132
Total charges to appropriations	<u>\$ 5,615,268</u>	<u>\$ 5,615,268</u>	<u>\$ 3,677,000</u>	<u>\$ 1,938,268</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ 11,000	\$ 11,000	\$ 21,991	\$ 10,991
Transfers in	1,492,195	1,492,195	1,493,476	1,281
Transfers out	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>\$ 1,503,195</u>	<u>\$ 1,503,195</u>	<u>\$ 1,495,467</u>	<u>\$ (7,728)</u>
Net change in fund balance			\$ 96,436	
Fund balance - beginning of the year			\$ 832,077	
Change in inventory			194,451	
Fund balance - beginning of the year - restated			<u>\$ 1,026,528</u>	
Fund balance - end of the year			<u>\$ 1,122,964</u>	

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Public Safety</b>					VARIANCE WITH FINAL BUDGET
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>			
	<b>ORIGINAL</b>	<b>FINAL</b>				
<b>RESOURCES (INFLows):</b>						
Taxes and assessments	\$ 2,598,377	\$ 2,598,377	\$ 2,603,736	\$	5,359	
Licenses and permits	13,000	13,000	11,610	\$	(1,390)	
Intergovernmental	8,800	8,800	6,800	\$	(2,000)	
Charges for services	152,750	152,750	160,958	\$	8,208	
Miscellaneous	20,000	20,000	90,764	\$	70,764	
Amounts available for appropriation	<u>\$ 2,792,927</u>	<u>\$ 2,792,927</u>	<u>\$ 2,873,868</u>	<u>\$</u>	<u>80,941</u>	
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
Public safety	\$ 2,866,985	\$ 2,866,985	\$ 2,955,673	\$	(88,688)	
Capital outlay	156,859	156,859	144,206	\$	12,653	
Total charges to appropriations	<u>\$ 3,023,844</u>	<u>\$ 3,023,844</u>	<u>\$ 3,099,879</u>	<u>\$</u>	<u>(76,035)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 218,996	\$ 218,996	\$ 220,944	\$	1,948	
Total other financing sources (uses)	<u>\$ 218,996</u>	<u>\$ 218,996</u>	<u>\$ 220,944</u>	<u>\$</u>	<u>1,948</u>	
Net change in fund balance			\$ (5,067)			
Fund balance - beginning of the year			\$ 491,764			
Restatement			24,180			
Fund balance - beginning of the year - restated			\$ 515,944			
Fund balance - end of the year			\$ 510,877			

**Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

		<b>ARPA Woodside</b>				
		<b>ACTUAL</b> <b>AMOUNTS</b> <b>(BUDGETARY</b> <b>BASIS) See Note A</b>				
		<b>BUDGETED AMOUNTS</b>	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>RESOURCES (INFLows):</b>						
Intergovernmental		\$ -	\$ 7,775,400	\$ -	\$ (7,775,400)	
Amounts available for appropriation		\$ -	\$ 7,775,400	\$ -	\$ (7,775,400)	
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
Capital outlay		\$ -	\$ 7,775,400	\$ -	\$ 7,775,400	
Total charges to appropriations		\$ -	\$ 7,775,400	\$ -	\$ 7,775,400	
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**

	<b>General</b>	<b>Road</b>	<b>Public Safety</b>	<b>ARPA Woodsid</b>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,640,064	\$ 2,277,969	\$ 2,873,868	\$ -
Combined funds (GASBS 54) revenues	<u>867,303</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>\$ 4,507,367</u>	<u>\$ 2,277,969</u>	<u>\$ 2,873,868</u>	<u>\$ -</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,094,518	\$ 3,677,000	\$ 3,099,879	\$ -
Combined funds (GASBS 54) expenditures	<u>960,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,054,518</u>	<u>\$ 3,677,000</u>	<u>\$ 3,099,879</u>	<u>\$ -</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, 2023**

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service Cost	\$ 50,220	\$ 45,003	\$ 92,705	\$ 97,074	\$ -	\$ 12,316
Interest	8,728	10,270	-	-	-	-
Differences in experience	26,912	(92,566)	-	-	-	-
Change in assumptions and inputs	(709)	54,080	(76,005)	(1,088,838)	-	-
Benefit payments	(58,948)	(55,273)	-	-	-	-
Net change in total OPEB liability	26,203	(38,486)	16,700	(991,764)	-	12,316
Total OPEB Liability - beginning	272,737	311,223	294,523	107,190	107,190	69,052
Restatement	-	-	-	1,179,097	-	25,822
Total OPEB Liability - ending	<u>\$ 298,940</u>	<u>\$ 272,737</u>	<u>\$ 311,223</u>	<u>\$ 294,523</u>	<u>\$ 107,190</u>	<u>\$ 107,190</u>
Covered-employee payroll	\$ 4,635,242	\$ 4,117,073	\$ 4,117,073	\$ 3,757,651	\$ 3,435,487	\$ 3,435,487
Total OPEB liability as a percentage of covered -employee payroll	6.449%	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, 2023**

	<b>PERS 2023</b>	<b>PERS 2022</b>	<b>PERS 2021</b>	<b>PERS 2020</b>	<b>PERS 2019</b>	<b>PERS 2018</b>	<b>PERS 2017</b>	<b>PERS 2016</b>	<b>PERS 2015</b>
Employer's proportion of the net pension liability	0.193131%	0.180372%	0.1797%	0.1698%	0.1685%	0.2219%	0.2213%	0.2194%	0.2183%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,592,442	\$ 3,270,540	\$ 4,739,879	\$ 3,548,340	\$ 3,516,559	\$ 4,321,466	\$ 3,769,349	\$ 3,066,971	\$ 2,720,291
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,368,302	\$ 960,857	\$ 1,488,776	\$ 1,151,681	\$ 1,174,041	\$ 54,016	\$ 46,057	\$ 37,672	\$ 33,219
Total	\$ 5,960,744	\$ 4,231,397	\$ 6,228,655	\$ 4,700,021	\$ 4,690,600	\$ 4,375,482	\$ 3,815,406	\$ 3,104,643	\$ 2,753,510
Employer's covered payroll	\$ 3,384,959	\$ 3,157,534	\$ 3,014,441	\$ 2,800,882	\$ 2,780,634	\$ 2,752,489	\$ 2,650,677	\$ 2,560,475	\$ 2,474,553
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.67%	103.58%	157.24%	126.69%	126.47%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<b>SRS 2023</b>	<b>SRS 2022</b>	<b>SRS 2021</b>	<b>SRS 2020</b>	<b>SRS 2019</b>	<b>SRS 2018</b>	<b>SRS 2017</b>	<b>SRS 2016</b>	<b>SRS 2015</b>
Employer's proportion of the net pension liability	1.2086%	1.2125%	1.1735%	1.1900%	1.1311%	1.1817%	1.1459%	1.1577%	1.0855%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,654,847	\$ 883,206	\$ 1,430,369	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Total	\$ 1,654,847	\$ 883,206	\$ 1,430,369	\$ 992,405	\$ 850,301	\$ 899,249	\$ 2,013,058	\$ 1,116,043	\$ 451,745
Employer's covered payroll	\$ 1,164,843	\$ 1,101,974	\$ 996,419	\$ 955,300	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786	\$ 702,009
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.07%	80.15%	143.55%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	77.07%	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

**Sanders County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

	<b>PERS</b> <b>2023</b>	<b>PERS</b> <b>2022</b>	<b>PERS</b> <b>2021</b>	<b>PERS</b> <b>2020</b>	<b>PERS</b> <b>2019</b>	<b>PERS</b> <b>2018</b>	<b>PERS</b> <b>2017</b>	<b>PERS</b> <b>2016</b>	<b>PERS</b> <b>2015</b>
Contractually required contributions	\$ 343,867	\$ 301,855	\$ 282,345	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 221,558	\$ 210,993
Contributions in relation to the contractually required contributions	\$ 343,867	\$ 301,855	\$ 282,345	\$ 264,105	\$ 240,895	\$ 234,692	\$ 230,387	\$ 223,547	\$ 212,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 3,833,523	\$ 3,384,959	\$ 3,157,534	\$ 3,014,441	\$ 2,800,882	\$ 2,780,634	\$ 2,752,489	\$ 2,650,677	\$ 2,560,475
Contributions as a percentage of covered payroll	8.97%	8.92%	89.94%	8.76%	8.60%	8.44%	8.37%	8.43%	8.29%
	<b>SRS</b> <b>2023</b>	<b>SRS</b> <b>2022</b>	<b>SRS</b> <b>2021</b>	<b>SRS</b> <b>2020</b>	<b>SRS</b> <b>2019</b>	<b>SRS</b> <b>2018</b>	<b>SRS</b> <b>2017</b>	<b>SRS</b> <b>2016</b>	<b>SRS</b> <b>2015</b>
Contractually required contributions	\$ 157,688	\$ 152,532	\$ 144,254	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contributions in relation to the contractually required contributions	\$ 157,688	\$ 152,532	\$ 144,254	\$ 131,144	\$ 125,810	\$ 117,256	\$ 89,433	\$ 83,840	\$ 79,912
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,202,348	\$ 1,164,843	\$ 1,101,974	\$ 996,419	\$ 955,300	\$ 877,625	\$ 884,158	\$ 808,915	\$ 787,786
Contributions as a percentage of covered payroll	13.115%	13.18%	13.09%	13.16%	13.17%	13.36%	10.11%	10.36%	10.14%

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

**Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2023**

**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, 2023**

- 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, 2023**

**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, 2023**

**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

**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, 2023**

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

**Refunds**

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

**Interest credited to member accounts**

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

**Lump-sum payouts**

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

**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, 2023**

**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.

## **SINGLE AUDIT SECTION**

**Sanders County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

<b><i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i></b>	<b><i>Federal CFDA Number</i></b>	<b><i>Pass-through Grantor Number</i></b>	<b><i>Federal Expenditures</i></b>
<b><u>Department of Homeland Security</u></b>			
<i>Passed through Montana Department of Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMD-2022-EP-00005	\$ 29,021
<i>Passed through Montana Disaster and Emergency Services</i>			
Homeland Security Grant Program	97.067	EMW-2019-SS-00010	14,324
<b>Total Department of Homeland Security</b>			<u>\$ 43,345</u>
<b><u>United States Department of Justice</u></b>			
<i>Passed through Sanders County Coalition for Families</i>			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	OVW-2019-15825	\$ 52,146
<b>Total United States Department of Justice</b>			<u>\$ 52,146</u>
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Health and Human Services</i>			
Public Health Emergency Preparedness (PHEP)	93.069	20-07-6-11-048-0	\$ 35,531
Immunization Cooperative Agreements	93.268	23-07-4-31-141-0	7,247
Immunization Cooperative Agreements	93.268	21-07-4-31-141-0 COVID	8,207
Immunization Cooperative Agreements	93.268	22-07-4-31-141-0 COVID	10,291
Maternal and Child Health Services Block Grants to the States	93.994	22-25-5-01-045-0	2,874
Maternal and Child Health Services Block Grants to the States	93.994	23-25-5-01-045-0	6,418
<i>Passed through Flathead City-County Health Department</i>			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CDPHP Subgrant	6,300
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	CDPHP Subgrant	2,450
<b>Total Department of Health and Human Services</b>			<u>\$ 79,318</u>
<b><u>United States Department of Transportation</u></b>			
<i>Passed through Federal Aviation Administration</i>			
Airport Improvement Program	20.106	3-30-0059-014-2022	\$ 232,951
Airport Improvement Program	20.106	3-30-0076-013-2021	71,945
<b>Total United States Department of Transportation</b>			<u>\$ 304,896</u>
<b><u>United States Department of Treasury</u></b>			
<i>Direct</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 37,447
<b>Total United States Department of Transportation</b>			<u>\$ 37,447</u>
<b><u>Department of Agriculture</u></b>			
<i>Direct</i>			
Rural Business Development Grant	10.351	31-045-816001427	\$ 29,500
<i>Passed through Montana Department of Health and Human Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-25-5-21-017-0	22,928
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-25-5-21-017-0	43,040
<i>Passed through Montana State Auditor's Office</i>			
Schools and Roads - Grants to States	10.665	N/A	940,220
<b>Total Department of Agriculture</b>			<u>\$ 1,035,688</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 1,552,840</u></u>

SANDERS COUNTY, MONTANA

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

Fiscal Year Ended June 30, 2023

*Basis of Presentation and Significant Accounting Policies*

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

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

The 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*

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

Board of County Commissioners  
Sanders County  
Thompson Falls, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanders County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Sanders County's basic financial statements and have issued our report thereon dated March 19, 2024.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

## **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.

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

March 19, 2024

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

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

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**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, 2023. 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, 2023.

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sanders County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sanders County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sanders County's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control over Compliance**

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

March 19, 2024

SANDERS COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2023

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

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs:**

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

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

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

### **Section II – Financial Statement Findings**

There were no financial statement findings reported.

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

There were no federal award findings or questioned costs reported.

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of County Commissioners  
Sanders County  
Thompson Falls, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2022-001 Lease Reporting and Controls	Implemented

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

March 19, 2024