SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

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SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

Susan Mosness	Chair
Robert Faw	Commissioner
William Wallace	Commissioner

ELECTED OFFICIALS

Vera Pederson	Clerk and Recorder
Jane Stene	County Treasurer
Jessie Connolly	Justice of the Peace
Deanna Novotny	District Court Clerk
Patrick Dringman	County Attorney
Dan Tronrud	Sheriff/Coroner
Susan Metcalf	County School Superintendent
Elaine Allestad	Public Administrator

Sweet Grass County
FY 2017
Management Discussion and Analysis

As management of Sweet Grass County (the County), we offer readers of Sweet Grass County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights

The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year, June 30, 2017, by $11,779,143 (total net position). Of this amount, -$3,795,346 represents a deficit unrestricted net position. The deficit is a result of two events. The first being continued implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). The second is the disposal of the Pioneer Medical Center (PMC). The PMC is no longer a county entity effective July 1, 2016. It is a stand-alone 501c3 entity. This deficit should in no way reflect the ability of the County to meet its ongoing obligation to its citizens and creditors.

At the close of the current fiscal year, Sweet Grass County's governmental funds reported combined fund balances of $8,759,960, an increase of $392,324 in comparison with prior year. Approximately 25% of this amount is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was $2,248,163, or approximately 71% of the total general fund expenditures.

Sweet Grass County incurred no new debt in Fiscal Year 2017. Both copier leases and Bond 2016A were paid in full in FY17.

The single most significant event in the county's recent financial history has been the departure of the Pioneer Medical Center as a county entity. It is now a stand-alone IRS recognized 501c3 entity as of June 30, 2016 and effective July 1, 2016 was removed from the county accounting records. After a lengthy lease negotiation between the PMC and the County, the County retained ownership of all real estate and personal property that was previously recorded under the PMC (when it was an enterprise fund on the County financial statements). A complete inventory was submitted from the PMC to the county that included all personal and real property as of approximately June 30, 2016. Per the lease agreement, the county leases the PMC Facility buildings and personal property to the PMC for $1 per year. This change has made a significant impact on the county financial statements and it's budget. The county turned over the remaining operating cash and memorial fund cash to the PMC. In June 2016, an estimate was made of the cash that would be remaining ($582,285) after all expenditures had been paid and was remitted to the PMC. In August 2016, we realized our estimate of remaining cash had been too high and the PMC repaid $102,512.59 to the County. The total operating cash that was given to the PMC was $479,772.41. The cash in the memorial fund was $493,341.11 and it was paid out to the PMC at the end of June 2016. The 25-mill levy is still in place and as per the lease, the county pays for building insurance and bond payments from these tax collections, remitting the remainder to the PMC several times a year.

There is currently a county-wide 25 mill tax levy, originally voted on in the spring of 2009 and effective from FY10 – FY14. In the spring of 2014 voters approved another 5-year 25-mill levy that will be effective from FY14 - FY19 (June 30, 2019). These taxes are accounted for in fund 2235 PMC Facility. The county makes bond payments and liability insurance payments from the tax proceeds, with the remainder of the money being given to the PMC.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Sweet Grass County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Sweet Grass County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Sweet Grass County assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Sweet Grass County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Sweet Grass County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Sweet Grass County include general government, public safety, public works, and culture and recreation. The business-type activity of Sweet Grass County is a medical facility housing a nursing home, medical clinic, ambulance service, and assisted living facility.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sweet Grass County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with Montana Code Annotated and finance-related legal requirements. All the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government–wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Sweet Grass County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and five special revenue funds. Data from the remaining special revenue and capital improvement funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section in this report.

Proprietary Funds. Sweet Grass County will no longer maintain a proprietary 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 the activities of the Pioneer Medical Center. The only activity in the proprietary fund for FY 2017 is to close it out.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support Sweet Grass County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Sweet Grass County maintains a single type of fiduciary fund. The Agency fund reports resources held by Sweet Grass County in a custodial capacity for other governments.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains presents Required Supplementary Information (RSI).

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Sweet Grass County, assets and deferred outflows of resources exceeded liabilities by $11,779,143 at June 30, 2017 as compared to $10,613,455 at June 30, 2016; an increase of $1,165,688. Much of this increase can be attributed to the county capital assets increasing by just over $3 mil due to the PMC assets becoming county assets.

Sweet Grass County's Net Position

Net Position	Governmental Activities			Business-type Activities		
	FY16	FY17	Change Inc(Dec)	FY16	FY17	Change Inc(Dec)
Current & other assets	8,524,326	*8,987,108*	462,782	2,056,487	-	(2,056,487)
Restricted Assets				4,978	-	(4,978)
Capital assets	6,147,927	9,204,564	3,056,637	3,132,245	-	(3,132,245)
Total assets	14,672,253	18,191,672	3,519,419	5,193,710	-	(5,193,710)
DEFERRED OUTFLOW OF RESOURCES	323,083	1,071,286	748,203	155,051	-	(155,051)
Current Liabilities	313,309	438,919	125,610	998,534	-	(998,534)
Long Term Liabilities	3,649,845	*6,783,752*	3,133,907	2,970,503	-	(2,970,503)
Total Liabilities	3,963,154	7,222,671	3,259,517	3,969,037	-	(3,969,037)
Deferred Inflows of Resources	418,731	261,144	(157,587)	272,123	-	(272,123)
Net Position:						
Net investment in capital assets	5,837,984	*8,971,253*	3,133,269	3,056,522	-	(3,056,522)
Restricted	6,561,677	6,603,236	41,559	93,939	-	(93,939)
Unrestricted (deficit)	(1,786,206)	*(3,795,346)*	(2,009,140)	(2,042,860)	-	2,042,860
Total Net Position	10,613,455	11,779,143	1,165,688	1,107,601	-	(1,107,601)

By far, the largest portion of Sweet Grass County's net position (76%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. Sweet Grass County uses these capital assets to provide a variety of services to its citizens. The County also leases approximately $3 mil in assets to the Pioneer Medical Center. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Sweet Grass County's net position (56%) represents resources that are subject to external restrictions on how they may be used. Of this amount, -$3,759,346 represents a deficit unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). The large increase in capital assets also has an effect on the county net position. While increasing the net position, capital assets are considered restricted in their availability for use. It should in no way reflect the ability of the County to pay its obligations to its citizens or its creditors.

At the end of the current fiscal year, Sweet Grass County is able to report positive balances in all reported categories of net position. The same situation held true for the prior year.

Sweet Grass County's overall change in net position increased by $1,165,688 from fiscal year 2016. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased from $10,613,455 in FY16 to $11,779,143, an increase of $1,165,688.

Changes in Net Position		Governmental Activities			Business-type Activities	
Revenues						
Program revenues (by major source)	FY16	FY17	Change Inc(Dec)	FY16	FY17	Change Inc(Dec)
Charges for services	481,343	972,427	(491,084)	-	-	-
Operating grants & contributions	549,640	382,342	167,298	-	-	-
Capital grants and contributions	-	359,034	(359,034)			-
General revenues (by major source)			-			-
Property taxes for general purposes	3,321,271	3,867,577	(546,306)	-	-	-
Local option tax	191,126	195,764	(4,638)			-
Licenses and permits	2,822	1,804	1,018			-
Federal/State Shared Revenues	1,329,393	1,272,571				-
Miscellaneous	245,985	200,720	45,265	-	-	-
Gain/Loss on Sale of Assets	40,777	79,980	(39,203)	-	-	-
Interest/investment earnings	37,583	*37,705*	(122)	-	-	-
Other	-	41,412	(41,412)			
Special Item - PMC disposal		396,222			(1,107,601)	
Total revenues	6,199,940	7,807,558	(1,268,218)	-	(1,107,601)	-
Program expenses						
General government	1,664,243	1,997,449	(333,206)			
Public safety	1,548,344	1,647,377	(99,033)			
Public works	1,726,541	1,986,553	(260,012)			
Public health	204,088	562,641	(358,553)			
Social and economic services	92,128	93,925	(1,797)			
Culture and recreation	123,487	131,384	(7,897)			
Housing and community development	67,413	63,309	4,104			
Miscellaneous	13,064	119,658	(106,594)			
Debt service - interest	10,568	33,831	(23,263)			
Special Item - PMC debt restructure	852,924.00	-	852,924	-	-	-
Total expenses	6,302,800	6,636,127	(333,327)	-	-	-
Transfer from PMC to County	(151,409)	-		-	-	
Increase (decrease) in net position	48,549	1,171,431	1,122,882	-	(1,107,601)	(1,107,601)

Business-type Activities. Pioneer Medical Center is no longer a county entity as of July 1, 2016.

Financial Analysis of Governmental Funds

As noted earlier, Sweet Grass County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements of the State of Montana.

Governmental Funds. The focus of the County's governmental funds is to provide information on near term inflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent a portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purpose by the Sweet Grass County Board of Commission.

At June 30, 2017, Sweet Grass County's governmental funds reported combined funds balances of $8,759,960, an increase of $398,067 in comparison with the adjusted fund balance from FY16. Approximately 25% of this amount ($2,248,163) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable or restricted to indicate that it is 1) not in spendable form ($242,057), or 2) restricted for a particular purpose ($6,269,740).

The general fund is the chief operating fund of Sweet Grass County. At the end of FY17, unassigned fund balance of the general fund was $2,248,163, while total fund balance increased to $8,759,960. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 71% of total general fund expenditures, while total fund balance represents approximately 72% of the same amount.

The fund balance of Sweet Grass County's general fund increased by $388,474 during FY17.

General Fund Budgetary Highlights

Original budget compared to final budget. At the end of the fiscal year resolutions were passed to increase budgets. A new fund 2399 Electrical Energy Generation Impact Fee Reserve Account was established when the county received $465,000 in impact fees from the wind energy company, Big Timber Wind, LLC. Fund 2841 Urban Spurge, 2845 Otter Creek, and 2918 Bullet Proof Vest were increased due to new grants that were not awarded until after the budgets had been set. Several resolutions were passed for funds which did not have the original revenue/cash budgeted. Those include fund 2713 Posted Bonds, 2750 County Attorney Trust, 2958 Flood, 4001 Capital Improvement Junk Vehicle, and 4316 TSEP Pony Truss Bridge. A transfer was made from PILT to 4013 Western Federal Lands Highways Project to cover a shortfall in cash for expenditures.

Final budget compared to actual results. There were several differences in budget to actual revenues that stand out.

1. Posse (2710) was reimbursed by the sheriff office for the use of their vehicle on forest and RAC patrols up the Boulder. We budgeted $100 in miscellaneous revenue and actually received $1,438.62.
2. Fair (2160) donations exceed the budgeted amount by $2,370 primarily due to a locked donation slot installed at the fair-grounds. Donations were encouraged to be given by those who were overnighting their animals at the fair grounds and by others who were not being charged for their usage (campers, use of rodeo arena to try out a new horse, etc...).
3. Miscellaneous revenue budgets cannot be accurately budgeted because many of them are for one time receipts of revenue. Overall we budgeted $37,579 and receipted in $71,752.34.
4. Actual expenditures did not exceed budgeted amounts.

Capital Asset and Debt Administration

Capital assets. Sweet Grass County's investment in capital assets (net of accumulated depreciation) saw a dramatic increase for FY 2017. The county retained ownership of all PMC land, buildings and equipment when the PMC left the county and became it's own stand-alone not-for-profit entity. Our land value increased by $101,666.69. Buildings increased $7,036,484.63, improvements increased by $23,439.36, and machinery and equipment increased by $2,379,867.26. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and infrastructure. The following are key highlights to capital assets for FY 2017:

There are several construction-in-progress projects. They will not be depreciated until they are completed and, therefore, are accounted for separately from depreciable fixed assets

A Western Federal Lands Highway project ($7,600,000) is a joint project with Park and Sweet Grass County. It includes significant road repairs and bridge replacements over seven miles on the Main Boulder Road. This is a long term project due to the preliminary work that must be completed before the actual work can take place. The grant is split in half for each county and each county is responsible for 50% of the match. The match per county is $521,960. In FY14 we paid $28,500; in FY15 we paid $19,000 towards the total match. The remainder of the match ($474,460) was paid in FY16. The project began in the spring of 2017 and completion should be spring 2018.

The senior citizen building (a.k.a Hospitality House) is undergoing an extended remodel. In FY15 $16,350 was spent. In FY16 $12,187 was spent. In FY 2017 they spent $21,012.97.

New purchases and building remodels include:
1. Windows in the south end of the annex replaced. $9,700
2. Windows in the courthouse were replaced. $35,700
3. Fairgrounds electrical upgraded and re-wired. $11,065.61
4. New overhead garage doors installed at the weed building. $7,491
5. New bucking chutes installed at the fairgrounds. $35,833.15
6. 2013 Ford Edge purchased as a county vehicle. $25,815
7. Bought out lease on Kyocera TA3050ci copier. $2,273.11
8. Hitachi 2252x Excavator/bucket for road/bridge department. $87,500
9. Retriever disk w/grader front mount for road/bridge department. $16,500
10. 2010 John Deere 772G Grader (last 4 of VIN #1442) for road/bridge. $135,000
11. 2010 John Deere 772G Grader (last 4 of VIN #1477) for road/bridge. $143,000
12. Dispatch system for sheriff office. $280,366.72
13. 2017 Dodge Ram to replace totaled 2016 Dodge Ram purchased last year. $37,927
14. TSEP Pony Truss bridge on Lower Sweet Grass Road completed (infrastructure). $477,639.31
15. New well and pump installed at fairgrounds. $17,103.99
16. Road improvements along Yellowstone River on Lower Sweet Grass Road. $35,000

Disposed of:
1. Traded in Cat 225 excavator. Fully depreciated at $37,500. Received $15,000 in trade-in value
2. Traded in 1992 Cat 140G. Value $94,200, accumulated depreciation $75,360, received trade-in value $55,000
3. Traded in 1978 Cat 14G. Fully depreciated $46,130. Received $45,000 trade-in value
4. 2016 Dodge Ram. Totaled. Value $36,898.71, accumulated depreciation $24,599.14, received $34,486 from insurance and $3,100 from sale of salvage
5. Ditch liner at cemetery no longer in use. Value $9,700, accumulated depreciation $5,820
6. Equipment purchased prior to 2004, no exact record of what it is and must be all scrapped by now. Fully depreciated $330,762.48
7. Fairground gates, chutes, corrals scrapped. Fully depreciated $7,884

Long-term debt. As of June 30, 2017 the County had total outstanding bank debt of $813,271.64; compensated absences $194,239; Other Post-Employment Benefits (OPEB) $711,320; Pension liability $5,394,472.

There was no new debt in FY 2017.

The following statistics are from the most recent data cited:
The latest unemployment rate as of October 2016 for Sweet Grass County is 2.9% compared to a state-wide average of 4.3%.
The major employers in the county are Stillwater Mine, local government, and the high school and grade school districts.
The economy is primarily agriculture, tourism, and mining.
The average earnings per year in Sweet Grass County are $41,265 according to the Montana Department of Labor and Industry.
Average wages statewide in Montana is $39,880 according to the Montana Department of Labor and Industry.
Inflationary trends in the County compare favorably to national indices.
All these factors were considered in the preparation of Sweet Grass County's budget for the 2017 fiscal year.
The FY 2017 budget reflects 2017 mills and the inflationary increases allowed by statute.

Contacting the County's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions concerning this report or need additional financial information, contact the Finance Office at Sweet Grass County 406-932-3012, the County Commissioners at 406-932-5152 or the County Clerk and Recorder at 406-932-5152.

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sweet Grass County
Big Timber, Montana 59011

Report on the Financial Statements

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 Sweet Grass County (County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sweet Grass County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Reporting Entity

In July 2016, the Pioneer Medical Center (PMC) transitioned from a county facility to a 501(c)(3). As such, the June 30, 2015 ending net position of $1,107,601 was removed from the County's books. All financial activity of the PMC in now reported under the 501(c)(3).

Other Matters

Required Supplementary Information (RSI)

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis (pages 3 - 8), and the schedule of funding for other post-employment benefits other than pensions (page 43), and schedule of proportionate share of net pension liability and schedule of contributions to Montana retirement systems (pages 44 - 48), and budgetary comparison information (pages 49 - 54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018 on our consideration of the Sweet Grass County internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sweet Grass County internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
March 13, 2018

Sweet Grass County
Big Timber, Montana

STATEMENT OF NET POSITION
June 30, 2017

	Governmenta Activitie
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 8,473,622
Taxes receivable	117,780
Accounts receivable - net	574
Due from other governments	153,075
Inventories	242,057
Total current assets	8,987,108
Noncurrent assets:	
Capital assets:	
Land	162,723
Construction in progress	679,889
Net depreciable assets	8,361,952
Total noncurrent assets	9,204,564
Total assets	18,191,672
DEFERRED OUTFLOWS OF RESOURCES:	
Employer pension plan activities	1,071,286
Total deferred outflows of resources	1,071,286
Total assets and deferred outflows of resources	$ 19,262,958
LIABILITIES:	
Current liabilities:	
Current portions long-term debt obligations	185,440
Current portions compensated absences	67,327
Current portion long-term capital obligations	76,784
Accrued salary	109,368
Total current liabilities	438,919
Noncurrent liabilities:	
Long-term debt obligations	394,521
Compensated absences	126,912
Net pension accrual	5,394,472
Other postemployment benefits	711,320
Long-term capital debt obligations	156,527
Total noncurrent liabilities	6,783,752
Total liabilities	7,222,671
DEFERRED INFLOWS OF RESOURCES:	
Employer pension plan	261,144
Total deferred inflows of resources	261,144
NET POSITION:	
Net investment in capital assets	8,971,253
Restricted	6,603,236
Unrestricted (Deficit)	(3,795,346)
Total net position	11,779,143
Total liabilities, deferred inflows and net position	$ 19,262,958

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position — Primary Government		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENT OPERATIONS:							
General government	$ 1,997,449	$ 155,127	$ 68,631	$ -	$ (1,773,691)		$ (1,773,691)
Public safety	1,647,377	294,167	135,382	-	(1,217,828)		(1,217,828)
Public works	1,986,553	499,534	167,103	359,034	(960,882)		(960,882)
Public health	562,641	15,456	11,226	-	(535,959)		(535,959)
Social and economic services	93,925	1,753	-	-	(92,172)		(92,172)
Culture and recreation	131,384	6,390	-	-	(124,994)		(124,994)
Housing and community developm	63,309	-	-	-	(63,309)		(63,309)
Miscellaneous	119,658	-	-	-	(119,658)		(119,658)
Debt service:							
Interest and other charges	33,831	-	-	-	(33,831)		(33,831)
Total Governmental Activities	6,636,127	972,427	382,342	359,034	(4,922,324)		(4,922,324)
BUSINESS-TYPE ACTIVITIES:							
PMC	75,203	-		-		(75,203)	(75,203)
Total Business-type activities	75,203	-	-	-		(75,203)	(75,203)
Total Primary Government	$ 6,711,330	$ 972,427	$ 382,342	$ 359,034	$ (4,922,324)	$ (75,203)	$ (4,997,527)
GENERAL REVENUES:							
Taxes/Assessments					3,867,577		3,867,577
Local Option Taxes					195,764		195,764
Licenses and Permits					1,804		1,804
Federal/State Shared Revenues					1,272,571		1,272,571
Miscellaneous					200,720		200,720
Investment and Royalty Earnings					37,705		37,705
Other					41,412		41,412
Gain/ loss on Sale of Assets					79,980		79,980
Special Items					396,222	(1,032,398)	(636,176)
Total General Revenues, special items					6,093,755	(1,032,398)	5,061,357
Change in Net Position					1,171,431	(1,107,601)	63,830
NET POSITION:							
Beginning of the Year					10,613,455	1,107,601	11,721,056
Prior Period Adjustments					(5,743)	-	(5,743)
End of the Year					$ 11,779,143	$ -	$ 11,779,143

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	$ 1,091,877	$ 1,091,877	$ 1,093,476	$ 349,789	$ 349,789	$ 349,894
Licenses and permits	513	513	513	500	-	450
Intergovernmental revenues	200,866	200,866	204,317	103,606	-	126,957
Charges for services	152,982	152,982	168,493	-	-	-
Fines and forfeitures	35,390	35,390	29,477	-	-	-
Miscellaneous	38,800	38,800	74,476		-	1,000
Investment and royalty earnings	6,000	6,000	10,110	-	-	-
Total revenues	1,526,428	1,526,428	1,580,862	453,895	349,789	478,301
EXPENDITURES:						
Current:						
General government			1,185,746			-
Public safety			68,953			-
Public works			-			516,753
Public health			31,047			-
Social and economic services			3,300			-
Miscellaneous			18,072			6,660
Debt service:			-			-
Principal			515			52,781
Interest and other charges			148			3,249
Capital outlay			2,273			40,500
Total expenditures	1,431,381	1,431,381	1,310,054	756,296	756,296	619,943
Excess (deficiency) of revenues over expenditures	95,047	95,047	270,808	(302,401)	(406,507)	(141,642)
OTHER FINANCING SOURCES/USES AND SPECIAL ITEMS:						
Insurance proceeds	-	-	-	-	-	-
Fund transfers in	-		-	-	-	61,784
Fund transfers (out)	(110,000)	(110,000)	(110,000)	(150,000)	(150,000)	(150,000)
Total other financial sources/uses	(110,000)	(110,000)	(110,000)	(150,000)	(150,000)	(88,216)
Net changes in fund balances	(14,953)	(14,953)	160,808	(452,401)	(556,507)	(229,858)
FUND BALANCE:						
Beginning of the year			505,610			$ 1,006,740
Change in inventory			-			(24,877)
Prior period adjustments			(5,743)			-
End of the year			$ 660,675			$ 752,005

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	MAJOR					
	General	Road	Law Enforcement	Metal Mines Trust	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes/assessments	$ 1,093,476	$ 349,894	$ 608,856	$ -	$ 1,962,994	$ 4,015,220
Licenses and permits	513	450	-	-	841	1,804
Intergovernmental revenues	746,016	126,957	62,823	213,134	782,175	1,931,105
Charges for services	168,493	-	208,572	-	535,195	912,260
Fines and forfeitures	29,477	-	-	-	5,409	34,886
Miscellaneous	76,394	1,000	911	-	147,696	226,001
Investment and royalty earnings	16,402	-	1,771	9,252	10,280	37,705
Total revenues	2,130,771	478,301	882,933	222,386	3,444,590	7,158,981
EXPENDITURES:						
Current:						
General government	1,269,714	-	-	-	383,449	1,653,163
Public safety	68,953	-	828,064	-	358,693	1,255,710
Public works	107,854	541,630	-	-	781,933	1,431,417
Public health	31,047	-	-	-	192,836	223,883
Social and economic services	3,300	-	-	-	89,030	92,330
Culture and recreation	-	-	-	-	89,963	89,963
Housing and community development	-	-	-	-	63,309	63,309
Miscellaneous	18,072	6,660	15,035	-	79,891	119,658
Debt service:						
Principal	515	52,781	13,769	-	187,544	254,609
Interest and other charges	148	3,249	376	-	30,058	33,831
Capital outlay	108,088	40,500	37,927	-	904,601	1,091,116
Total expenditures	1,607,691	644,820	895,171	-	3,161,307	6,308,989
Excess (deficiency) of revenues over expenditures	523,080	(166,519)	(12,238)	222,386	283,283	849,992
OTHER FINANCING SOURCES/USES AND SPECIAL ITEMS:						
Insurance proceeds	-	-	41,412	-	-	41,412
Disposal of operations (Special item)	-	-	-	-	(493,341)	(493,341)
Fund transfers in	64,497	61,784	9,500	-	754,991	890,772
Fund transfers (out)	(193,360)	(150,000)	(45,500)	-	(501,912)	(890,772)
Total other financial sources/uses	(128,863)	(88,216)	5,412	-	(240,262)	(451,929)
Net changes in fund balances	394,217	(254,735)	(6,826)	222,386	43,021	398,063
FUND BALANCE:						
Beginning of the year	1,859,689	1,006,740	453,827	1,662,377	3,385,007	8,367,640
Prior period adjustments	(5,743)	-	-	-	-	(5,743)
End of the year	$ 2,248,163	$ 752,005	$ 447,001	$ 1,884,763	$ 3,428,028	$ 8,759,960

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

Net Changes in Fund Balance		$ 398,063
Revenues on the Statement of Activities not included in governmental fun statement:		
Increase (decrease) in taxes receivable		48,121
State Pension Aid		82,842
Expenses on the Statement of Activities not included in the governmental fun statement:		
Depreciation Expense	(1,240,623)	
Actuarial Pension Expense	(326,169)	
(Increase) decrease in Other Post Employment Benefits	(101,959)	
(Increase) decrease in compensated absence liability	(4,112)	(1,672,863)
Expenditures reported in the governmental funds statement not included in tl Statement of Activitie:		
Capital outlays	1,091,116	
Gain loss on sale of assets	79,980	
Principal payments on debt	254,609	1,425,705
Special Items - Disposal of operations		889,563
Change in net position reported on the Statement of Activities		$ 1,171,431

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	MAJOR
	PMC
ASSETS:	
Current assets:	
Total assets	$ -
DEFERRED OUTFLOWS OF RESOURCES:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	$ -
LIABILITIES:	
Current liabilities:	
Total liabilities	-
DEFERRED INFLOWS OF RESOURCES:	
Total deferred inflows of resources	-
NET POSITION:	
Total net position	-
Total liabilities, deferred inflows and net position	$ -

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2017

	MAJOR
	PMC
OPERATING REVENUES:	
Total operating revenues	-
OPERATING EXPENSES:	
Total operating expense	75,203
Operating income (loss)	(75,203)
NONOPERATING REVENUES (EXPENSES)	
Total nonoperating revenue (expenses)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS AND SPECIAL ITEMS	
Disposal of operations (Special item)	(1,032,398)
Change in net position	(1,107,601)
NET POSITION:	
Beginning of the Year	1,107,601
End of the Year	$ -

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds
	MAJOR
	PMC
CASH FLOWS FROM OPERATING ACTIVITIES:	
Claims paid	$ (75,203)
Net cash provided (used) by operating activities	(75,203)
Net increase (decrease) in cash and cash equivalents	(75,203)
BALANCE:	
Beginning of the year	75,203
End of the year	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (75,203)
Adjustments to reconcile operating income to net cash provided (used) by operating activitie	
Net cash provided (used) by operating activities	$ (75,203)
Supplemental schedule of noncash activities	
Capital assets taken over by governmental funds	$ (3,132,245)
GASB 68 moved to governmental funds, deferred outflows	$ (155,051)
GASB 68 moved to governmental funds, deferred inflows	$ 272,123
GASB 68 moved to governmental funds, accrued pension liability	$ 2,119,529
Eliminated inventory's which were part of disposal	$ (114,053)
Eliminate receivables passed to non-profit	$ (1,208,179)
Eliminated OPEB that does not exist to new non-profit	$ 850,974
Eliminate net advances on disposal and other	$ 334,526
Eliminate other accrued entries eliminated on disposal	$ (22)
Net disposal of operation eliminations	$ (1,032,398)

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Investment Trust Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 2,471,288	$ 1,568,481
Taxes receivable	-	161,212
Total Assets	$ 2,471,288	$ 1,729,693
LIABILITIES:		
Current liabilities:		
Warrants payable	-	291,677
Due to others	-	1,438,016
Total Liabilities	-	$ 1,729,693
NET POSITION:		
Held in trust for pooled investments	2,471,288	
Total Net Position	$ 2,471,288	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2017

	Investment Trust Funds
ADDITIONS:	
Contributions to investment trust	$ 283,097
Investment and royalty earnings	15,429
Total Additions	298,526
DEDUCTIONS:	
Expenses of investment funds	557,817
Total Deductions	557,817
Change in net position	(259,291)
NET POSITION:	
Beginning of the year	2,730,579
End of the year	$ 2,471,288

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Sweet Grass County (County) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2017 the County adopted the following:

- GASB Statement No. 82 – Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The County has followed guidance as provided by the State of Montana for implementation.
- GASB Statement No. 85 – Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. The County has reviewed this statement and determined it does not significantly affect it reporting.
- GASB Statement No. 86 – Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County has reviewed this statement and determined it does not significantly affect it reporting.

The following are a listing of GASB statements which have been issued and the County assessment of effects to the financial statements.

- GASB Statement No. 83 – Certain Asset Retirement Obligation. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The County has reviewed this statement and determined it to be not applicable, however, make final determination on its applicability before its effective date.
- GASB Statement No. 84 – Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County has reviewed this statement and determined it will implement once the State updates the chart of accounts.
- GASB Statement No. 87 – Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The County has reviewed this statement and determined it will implement once it has identified all leases and has reviewed the Q&A on this statement.

The County provides a full range of governmental services to the citizens of the County. These services include but are not limited to construction, reconstruction, maintenance and repair of roads, parks and recreation, public safety, criminal justice, and other government services. The Board of County Commissioners is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

Sweet Grass County was incorporated under the laws of the State of Montana and as required by GAAP, the financial statements of the reporting entity include those of Sweet Grass County (the primary government) and any component units. The criteria for including organizations as component units within the County's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the County's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the County. Based on those criteria the County has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds (primary government). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The statement of activities reports the direct expenses or segments of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Operating and Capital grants that are restricted to a particular function or segment.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period, anything collected after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds, and proceeds from long-term debt or capital leases are reported as other financing sources.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the County.

Proprietary, trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital Nursing Home fund 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. Resources received for capital acquisition or construction are reported as separate items.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the County and accounts for all revenues and expenditures of the County not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the general fund also includes the activities of the PILT and Federal Mineral Royalty fund since the restrictions on those funds are similar to the general fund.

- Road Fund – This fund is used to account for the construction, maintenance, or improvement of public highways in the county. County levies for the road fund that are assessed and collected must be deposited into this fund.

- Law Enforcement – This fund is used to account for providing the public safety of citizens. County levies must be used to support county law enforcement services and to maintain county detention centers and must be deposited into this fund.

- Metal Mines Trust – This fund is used to account for state remittance of metalliferous mine license taxes. Funds can only be spent when an impact plan for a large-scale mineral development approved pursuant to MCA 90-6-307 identifies a jurisdictional revenue disparity.

The County reports the following major enterprise funds:

- Pioneer Medical Center (PMC) – This fund is used to account for financing the activities of the critical access hospital with 25 acute care/swing beds, a 25-bed nursing home, rural health clinic, hospice, ambulance service, public health and assisted living facility. In 2016, PMC transitioned from a county facility to a 501(c)(3) and signed a formal affiliation agreement with Billings Clinic.

1. b. 3. OTHER FUND TYPES

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government. This accounting reflects the County's trust relationship with the other investing parties.

Agency Funds – Account for assets that the County holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the County's payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the County trustee to pay a particular sum of money to a payee (person or entity) from funds in the County treasury which are or may become available. This fund primarily consists of revenues collected by the County on behalf of other governments.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank or credit union which is FDIC or NCUA insured; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

For purposes of the Statement of Cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2. TAXES

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

Property taxes are collected by the County Treasurer who credits to the County funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The County receives its share of the sale proceeds of any such auction.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3. INVENTORIES

Materials and supplies inventory are expenditures when acquired in governmental funds (purchases method), since governmental funds focus on the use of current financial resources. At year-end the changes in inventory is reported as a change in reserve for inventories in the governmental funds.

1. c. 4. CAPITAL ASSETS

The County's property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, lighting, and similar items) with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The County considers capital assets to be items in excess of $5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Land and construction in progress are not depreciated. Depreciation on the other capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Capital Asset Classes	Lives
Buildings	10 – 75 years
Improvements other than buildings	10 – 75 years
Machinery and Equipment	3 – 30 years
Infrastructure	20 – 50 years

1. c. 5. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension Liability– Deferred outflow/inflow
The County recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, or as deferred inflows of resources, or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Property Taxes – Deferred inflows
The County reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet, they are reported as unavailable from property taxes receivable.

Revolving Loans – Deferred inflows
The County reports deferred inflows under the modified accrual basis of accounting in the governmental funds for revolving loans given to small businesses for development and expansion. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund balance sheet, they are reported as unavailable from loan repayment.

1. c. 6. VACATION AND SICK LEAVE

County employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. County employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. County employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is $67,327 and it is generally paid out of the general fund. The enterprise fund liability was paid out at the end of the prior year as part of the split of the Hospital Nursing home from the County.

1. c. 7. NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund or funds that have negative fund balances.

As of June 30, 2017, fund balance components other than unassigned fund balance consist of the following:

Purpose	Nonspendable	Restricted
General government	$ 0	$ 195,017
Public safety	0	912,555
Public works	242,057	2,874,200
Public health	0	470,460
Social and economic services	0	48,880
Culture and recreation	0	51,491
Housing and community development	0	271,472
Future Capital Costs	0	1,445,334
Debt service	0	331
Total	$ 242,057	$ 6,269,740

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the County considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2017, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

Account Type	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 8,473,622	$ 4,039,769	$ 12,513,391

The carrying amount of cash on hand, deposits and investments at June 30, 2017, is as follows:

	Amount
Cash on Hand	$ 16,220
Demand Accounts	3,967,853
Time Deposits	5,929,719
STIP	2,599,599
Total	$ 12,513,391

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, the County's bank balance was exposed to custodial credit risk as follows:

Deposits	Fair Value June 30, 2017
Covered depository insurance	3,214,966
Collateral held by the pledging bank's trust department but not in the Entity's name.	4,935,314
Uninsured and uncollateralized	4,363,111
Total bank balance	$ 12,513,391

Interest Rate Risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The County's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates all of the County's investment portfolio is made up of securities whose maturities are less than 10 years.

2. a. SHORT TERM INVESTMENT POOL (STIP)

Short-Term Investment Pool (STIP) is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. STIP invests the operating funds of the State of Montana, participating local government entity funds, and the liquidity requirements of the various pension and trust funds managed by MBOI.

STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company and therefore is not required to abide by the SEC's rule 2a7 of the Investment Company Act of 1940. For financial reporting purposes, the STIP portfolio will be reported on a Net Asset Value basis versus amortized cost starting in fiscal year 2016.

The shareholder's STIP ownership is represented by shares. Shareholders having funds to invest and owning shares are required to give one business days' notice to buy or sell shares. Share prices are fixed at $1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at net asset value for financial reporting purposes.

Purchases of securities other than U.S. government or U.S. Agency obligations are restricted to those which are pre-approved and part of an "Approved List." STIP may invest only in the following securities and investment vehicles: (1) U.S. Treasury or U.S. dollar denominated securities fully guaranteed by the U.S. Government; (2) U.S. Government Agency securities denominated in U.S. dollars; (3) Publicly traded U.S. dollar denominated corporate bonds, notes, and medium term notes (MTNs); (4) U.S. dollar denominated Commercial Paper (CP); (5) U.S. dollar denominated Bankers' Acceptance (BA); (6) U.S. dollar denominated Certificates of Deposits (CD); (7) U.S. dollar denominated Asset-Backed Securities (ABS) collateralized by credit cards, automobile loans and leases, student loans, and equipment leases; (8) U.S. dollar denominated Asset-Backed Commercial Paper (ABCP); (9) Repurchase or Reverse Repurchase Agreements with an approved primary dealer or the custodial bank, and under the terms of a written master repurchase agreement; (10) Investments required to implement the bond credit enhancement authorized by Resolution 219; (11) SEC registered 2a-7 Institutional Money Market Funds that are considered "U.S. Treasury" or "U.S. Government" money market mutual funds according to the SEC regulations; and (12) Short term investment vehicles available through the custodial bank.

<u>Fair Value Measurement:</u> The STIP categorizes its fair value measurements using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date;
- Level 2: Investments whose values are based on observable inputs other than quoted market prices that a government can access at the measurement date; and,
- Level 3: Unobservable inputs for an asset and may require a degree of professional judgment that a government can access at the measurement date.

For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001 http://investmentmt.com/AnnualReportsAudits

2. b. EXTERNAL INVESTMENT POOL

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. There is one type of investment trust funds reported by the County, pooled investment trust funds.

The County has one pooled investment trust fund which is invested in STIP, CD's and demand accounts. The pooled funds are carried at fair value. Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2017 to support the value of shares in the pool. 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.

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2017:

Statement of Net Position:		
Equity of Internal pool participants	$	6,726,060
Equity of External pool participants		2,471,288
Total net position	$	9,197,348

Statement of Changes in Net Position		Internal		External
Investment earnings	$	39,073	$	15,430
Participant Investment in Pool		716,903		283,097
Distribution to Participants		(1,412,592)		(557,817)
Change in Net Position		(656,616)		(259,290)
Net Position – Beginning		7,382,675		2,730,579
Net Position – Ending	$	6,726,060	$	2,471,288

NOTE 3. TAXES/ASSESSMENTS RECEIVABLE

The County is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2016, upon which the levy for the 2017 fiscal year was based, was $17,866,541 for the County and $14,308,373 for the Road. The tax rates assessed for the year ended June 30, 2017 to finance County operations and applicable taxes receivable follows:

County General Levies	Mill Levies		Taxes Receivable	County General Levies	Mill Levies		Taxes Receivable
General*	50.80	$	26,341	Alcohol Rehab	0	$	16
Bridge	23.66		11,928	Voted Mills			
Weed	5.76		3,361	Permissive Levy	14.37		7,028
Fair	2.51		1,308	PMC	25.00		17,592
Airport	3.13		1,687	County Rural (Road)			
District Court	5.63		3,006	Road*	24.45		11,866
Cemetery	0.94		905	Library	2.29		1,141
Planning	2.90		1,894	Fire	20.24		6,221
Mental Health	0.20		122	Special Assessments			
Senior Citizens	1.36		514	Sheep	N/A		107
Extension	3.95		2,017	Cattle	N/A		1,251
Law Enforcement*	34.37		18,539	Total	224.13	$	117,780
Website/Tech	2.57		913	* Denotes Major Fun			
Emergency Disaster	0		23				

NOTE 4. INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables represent loan resources from one fund to another fund experiencing a temporary cash shortage. Each fund is a separate fiscal entity and therefore presents Interfund borrowing on fund level financial statements. Liabilities arising from Interfund borrowing do not constitute general long-term debt. The amounts reported and the purpose of the Interfund borrowing are noted below:

Interfund Receivable		Amount	Interfund Payable	Purpose of the Transfer
PILT*	$	12,753	Weed Urban Spurge	Cover negative cash until grant reimbursement.
PILT*		1,982	Deer & Bridger Creek	Cover negative cash until grant reimbursement.
PILT*		325	MDA 2017-032 Otter Creek	Cover negative cash until grant reimbursement.
PILT*		1,774	Law Enforcement RAC	Cover negative cash until grant reimbursement.
PILT*		2,017	Bullet Proof Vests	Cover negative cash until grant reimbursement.
Total	$	18,851		

* Denotes Major Funds

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the County for costs incurred but not reimbursed by third party grantors. The amounts reported and the organization due from are noted below:

Fund	Amount	Due From	Reason
General*	$ 9,618	City of Big Timber	City shared expenses
General*	3,000	City of Big Timber	City shared expenses
General*	2,500	City of Big Timber	City shared expenses
General*	8,677	City of Big Timber	City shared expenses
Planning	8,889	City of Big Timber	City shared expenses
Law Enforcement*	94,881	City of Big Timber	City shared expenses
Law Enforcement*	4,176	City of Big Timber	City shared expenses
Alcohol Rehab	2,100	City of Big Timber	City shared expenses
Bullet Proof Vests	2,400	State of Montana	Grant Reimbursement
Weed Urban Spurge	12,753	State of Montana	Grant Reimbursement
Deer and Bridger Creek	1,982	State of Montana	Grant Reimbursement
MDA 2017-032 Otter Creek	325	State of Montana	Grant Reimbursement
Law Enforcement Rac	1,774	State of Montana	Grant Reimbursement
Total	$ 153,075		

* Denotes Major Funds

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

6. a. At June 30, 2017, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance July 1, 2016	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2017
Non-depreciable:					
Land	$ 61,056	$ 0	$ 0	$ 101,667	$ 162,723
Construction in progress	831,688	606,207	0	(758,006)	679,889
Total Non-depreciable	$ 892,744	$ 606,207	$ 0	$ (656,339)	$ 842,612
Depreciable:					
Buildings	$ 4,412,025	$ 99,790	$ (7,884)	$ 6,988,085	$ 11,492,016
Improvements other than buildings	0	0	0	23,439	23,439
Machinery and equipment	5,589,366	448,014	(555,191)	2,585,152	8,067,341
Infrastructure	2,256,121	52,105	0	477,639	2,785,865
Total Depreciable	$ 12,257,512	$ 599,909	$ (563,075)	$ 10,074,315	$ 22,368,661
Accumulated Depreciation:					
Buildings	$ (2,748,623)	$ (441,265)	$ 7,884	$ (4,557,391)	$ (7,739,395)
Improvements other than buildings	0	(1,894)	0	(5,719)	(7,613)
Machinery and equipment	(3,415,384)	(678,671)	520,171	(1,728,702)	(5,302,586)
Infrastructure	(838,322)	(118,793)	0	0	(957,115)
Total Depreciation	$ (7,002,329)	$ (1,240,623)	$ 528,055	$ (6,291,812)	$ (14,006,709)
Net Depreciable Assets	5,255,183	(640,714)	(35,020)	3,782,503	8,361,952
Net General Capital Assets	$ 6,147,927	$ (34,507)	$ (35,020)	$ 3,126,164	$ 9,204,564

6. b. On July 1, 2016 the Pioneer Medical Center (PMC) was officially removed as an enterprise fund of the County and moved to a separate reporting entity. The County holds title to assets which were previously reported in the hospital and nursing home fund. Assets and depreciation are now reported on the governmental activities.

6. c. General capital asset depreciation expense was charged to governmental functions as follows:

Function	Amount
General government	$ 153,333
Public safety	248,232
Public Works	464,130
Public health	331,619
Social and economic services	1,888
Culture and recreation	41,421
Total Depreciation Expense	$ 1,240,623

NOTE 7. CHANGES IN LONG-TERM DEBT

7. a. At June 30, 2017, the schedule of changes in general long-term debt follows:

Governmental Activities	Balance July 1, 2016	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2017	Due within One Year
Bonds and Notes Payable:					
Capital Lease	$ 516	$ 0	$ (516)	$ 0	$ 0
Bonds Payable	757,938	0	(177,977)	579,961	185,440
Intercap Loans	309,427	0	(76,116)	233,311	76,784
Total Bonds and Notes Payable	$ 1,067,881	$ 0	$ (254,609)	$ 813,272	$ 262,224
Other Liabilities:					
Compensated Absences	$ 190,127	$ 4,111	$ 0	$ 194,238	$ 67,327
Accrued Pension	2,008,754	3,385,718	0	5,394,472	0
Other Post-Employment Benefits (OPEB)	609,361	101,959	0	711,320	0
Total Other Liabilities	$ 2,808,242	$ 3,491,788	$ 0	$ 6,300,30	$ 67,327
Total Governmental Activities - Long-Term Debt:	$ 3,876,123	$ 3,491,788	$ (254,609)	$ 7,113,302	$ 329,550

7. b. BONDS PAYABLE

The County assumed debt obligations from the PMC as part of the split of the PMC from the County. These bonds were issued for the terms and payment schedules indicated in the following schedule:

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2017
Limited tax levy series 2016A	3/30/16	4.15%	1.5 years	7/1/2017	$ 270,638	$ 0
Tax-supported series 2016B	3/30/16	4.15%	5.5 years	1/1/2021	582,286	579,961
					$ 852,924	$ 579,961

Debt service requirements to maturity for principal and interest for all bonded long-term obligations are as follows:

For the year ended 6/30:	Principal	Interest
2018	$ 185,440	$ 11,085
2019	193,215	14,406
2020	201,306	6,316
Totals	$ 579,961	$ 31,807

7. c. INTERCAP LOAN

The County entered into Intercap loans in prior years. The loans were issued for the terms and payment schedule indicated below.

Description	Issue Date	Interest Rate*	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2017
Airport master plan	3/5/2013	1.63%	5 years	2/1/2018	$ 8,333	$ 1,645
Patrol cars	2/15/2013	1.0-4.75%	5 years	2/15/2018	68,000	13,939
Loader	7/10/2015	1.25-1.63%	5 years	8/15/2020	113,237	80,009
Asphalt Crusher	4/1/2016	1.55-1.63%	5 years	8/15/2020	176,160	137,718
					$ 365,730	$ 233,311

Debt service requirements to maturity for principal and interest for all Intercap long term obligations are as follows:

For the year ended 6/30:	Principal	Interest
2018	$ 76,784	$ 5,347
2019	62,083	3,913
2020	62,980	2,361
2021	31,464	787
Totals	$ 233,311	$ 12,408

*Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

7. d. CAPITAL LEASES

A lease purchase agreement was entered into between Terrels Office Machine and Sweet Grass County. This lease-purchase agreement provided a method of financing the courthouse and annex copy machines for the County. The amount due on this lease purchase is reflected as a liability on the financial statements of the County in the Statement of Net Position. The amount shown in the Statement of Net Position for capitalized machinery and equipment is $7,295. The principal amount paid as of June 30, 2017 was $516. The lease was paid off in fiscal year ended June 30, 2017.

NOTE 8. DEFERRED INFLOWS OF RESOURCES

8. a. PROPERTY TAXES

Fund	Amount	Reason	Fund	Amount	Reason
General*	$ 26,342	Taxes Receivable	Cemetery	905	Taxes Receivable
Road*	11,866	Taxes Receivable	Planning	1,894	Taxes Receivable
Bridge	11,928	Taxes Receivable	Emergency Disaster	23	Taxes Receivable
Weed	3,361	Taxes Receivable	Mental Health	122	Taxes Receivable
Sheep	107	Assessments	Senior Citizens	514	Taxes Receivable
Cattle	1,251	Assessments	Extension Service	2,017	Taxes Receivable
Fair	1,308	Taxes Receivable	Law Enforcement*	18,539	Taxes Receivable
Airport	1,687	Taxes Receivable	Fire	6,221	Taxes Receivable
District Court	3,005	Taxes Receivable	Permissive Levy	7,028	Taxes Receivable
Library	1,141	Taxes Receivable	Website/Tech	913	Taxes Receivable
PMC/Ambulance	17,592	Taxes Receivable	Alcohol Rehab	16	Taxes Receivable
			Total	$ 117,780	

* Denotes Major Funds

NOTE 9. PRIOR PERIOD ADJUSTMENTS

Governmental Funds	Amount	Reason
General*	$ (5,743)	EMPG grant accrual from FY 2015 not reversed in FY 2016

* Denotes Major Funds

NOTE 10. INTERFUND OPERATING TRANSFERS IN/OUT

Fund Transfer - In	Amount	Fund Transfer - Out	Purpose of Transfer
CIP Courthouse	$ 105,000	General*	Future capital purchases
CIP Annex	5,000	General*	Future capital purchases
CIP Road M & E	150,000	Road*	Future capital purchases
CIP Bridge	125,000	Bridge	Future capital purchases
CIP Weed	10,000	Weed	Future capital purchases
CIP Fair	13,800	Fair	Future capital purchases
CIP Airport	25,000	Airport	Future capital purchases
CIP Senior Citizens	5,000	Senior Citizens	Future capital purchases
CIP Law Enforcement	45,500	Law Enforcement*	Future capital purchases
CIP Fire	162,331	Fire	Future capital purchases
CIP WFHL Grant	25,000	MM Tax	Future capital purchases
CIP WFHL Grant	33,360	PILT*	Future capital purchases
CIP WFHL Grant	50,000	PILT*	Future capital purchases
Law Enforcement*	9,500	Cemetery	Sold vehicle to cemetery
Road*	61,784	Flood	Close fund
PILT*	64,497	Flood	Close fund
Total	$ 890,772		

* Denotes Major Funds

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The County provides the same health care plan to all of its members. The implicit subsidy is $7,008 per member and $14,017 per member and spouse. The County had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Benefits Provided – The County provides healthcare benefits for retirees and their dependents. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The County covers 84% of the premiums for active employees.

Employees covered by benefit terms. At July 1, 2016, the following employees were covered by the benefit terms:

Active employees	46

Total OPEB Liability

The County's total OPEB liability of $711,320 was measured as of July 1, 2016 and was determined by an alternative measurement method as of that date.

Changes in benefit terms and affect on liability:
1) County coverage changed from 89% to 84%, lowering liability by $42,326
2) Health insurance cost came down, lowering the liability by $90,593

Changes in assumptions and other inputs:
1) Estimated inflation changed from 1.49% to 0.99%
2) Estimated average retirement age changed from 66 to 69
3) Overall number of employees was reduced to 46 due to the removal of the PMC

Assumptions and other inputs. The total OPEB liability in the July 1, 2016 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	0.99%
Salary increases	2%
Discount rate (adjusted for inflation rate)	1.00%

Health care cost rate trend

Year	% Increase
2017	4.90%
2018	4.70%
2019	4.90%
2020	5.30%
2021	5.60%
2022	5.70%
2023	5.60%
2024 and after	5.70%

Retiree's share of benefit related costs	100%

Changes in the Total OPEB Liability

Balance at June 30, 2016	$ 1,460,335
Changes for the year:	
Service cost	88,820
Interest	14,605
Changes of benefit terms	(132,919)
Changes in assumptions or other inputs	(616,096)
Benefit payments	(103,425)
Net Changes	(749,015)
Balance at June 30, 2017	$ 711,320

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (%) or 1-percentage-point higher (%) than the current discount rate:

	1% Decrease (0%)	Discount Rate (1%)	1% Increase (2%)
Total OPEB Liability	$ 748,041	$ 711,320	$ 651,386

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (% decreasing to %) or 1-percentage-point higher (% decreasing to %) than the current healthcare cost trend rates:

	1% Decrease (% decreasing to %)	Discount Rate (% decreasing to %)	1% Increase (% decreasing to %)
Total OPEB Liability	$ 582,164	$ 711,320	$ 873,761

The County did not have deferred outflows or inflows of resources associated with the OPEB liability.

NOTE 12. RISK MANAGEMENT

The County is exposed to various types of risk 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. Several methods are used to provide insurance for these risks

Sweet Grass County elected to participate in the Montana Association of Counties Workers' Compensation Trust (The Trust) to provide workers' compensation coverage. The County pays annual premiums to The Trust for its workers' compensation coverage and for its portion of the debt service for the bonds sold by The Trust to provide aggregate excess coverage, provide resources for previously unfunded liabilities, and establish initial insurance reserves. The Trust is governed by an elected board of nine county commissioners which has the authority to determine management and set operational policies. The Trust has obtained reinsurance through commercial companies for claims in excess of $1,000,000 per occurrence. Financial statements for The Trust are available from the Montana Association of Counties, Helena, Montana.

The County also elected to participate in the Montana Association of Counties Joint Powers Insurance Authority Trust (The Authority) to provide liability and general insurance coverage. Coverage is provided in the amount of $500,000 for property, liability, errors and omissions, and crime coverage. The Authority has obtained reinsurance through commercial companies for claims in excess of the above areas for various amounts. Claims administration services are handled by a private insurance firm and general administration is handled by the Montana Association of Counties. Financial statements are available from the Montana Association of Counties, Helena, Montana.

Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for employee medical insurance. The County has no coverage for potential losses from environmental damages. Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 13. EMPLOYEE RETIREMENT SYSTEM

The County participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all employees, except elected officials. The Sheriffs Retirement System (SRS) covers officers. The Public Employee Retirement System (PERS) covers employees. The plans are established under State law and are administered by the State of Montana.

Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies and plan audited financial statements. Those reports may be obtained from the following:

Public Employees Retirement System
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

13. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, 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 when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

13. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), 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 covers the State, local governments, certain employees of the Montana University System, and school districts.

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

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.

13. b. 1. SUMMARY OF BENEFITS

Eligibility for benefit (Service retirement):

Hired prior to July 1, 2011: Age 60, 5 years of membership service; Age 65, regardless of membership service; or any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service; Age 70, regardless of membership service.

Early retirement, actuarially reduced:
Hired prior to July 1, 2011: Age 50, 5 years of membership service; or any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting: 5 years of membership service

Member's highest average compensation (HAC):
Hired prior to July 1, 2011: highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011: highest average compensation during any consecutive 60 months;

Compensation Cap:
Hired on or after July 1, 2013: – 110% annual cap on compensation considered as 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% 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:
  (a) 1.5% for each year PERS is funded at or above 90%;
  (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  (c) 0% whenever the amortization period for PERS is 40 years or more.

13. b. 2. OVERVIEW OF CONTRIBUTIONS

Rates are specified by state law for periodic member and employer contributions 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 to the plan. Member and employer contribution rates are shown in the table below.

FiscalYear	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	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 an actuary valuation that shows the amortization period has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and 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 Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, 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.
   b. Not Special Funding
      i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

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 counties; cities & towns; school districts & high schools; and other governmental agencies.

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 for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

13. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

General Wage Growth*	4.00%
*includes Inflation at	3.00%
Merit Increases	0% to 6%
Investment Return (net of admin expenses)	7.75%
Admin Expense as % of Payroll	0.27%

Postretirement Benefit Increases
3% 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

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

13. b. 4. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

13. b. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public-sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the below table.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

13. c. SHERIFFS' RETIREMENT SYSTEM (SRS)

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

13. c. 1. SUMMARY OF BENEFITS

Eligibility for benefit
20 years of membership service, regardless of age.

Other Retirement Option
Age 50, 5 years of membership service. This benefit is the actuarial equivalent of the service retirement benefit.

Vesting
5 years of membership service

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

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

Monthly benefit formula
2.5% of HAC per year of service

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 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

13. c. 2. OVERVIEW OF CONTRIBUTIONS

Rates are specified by state law for periodic employer and employee contributions 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 to the plan. Member and employer contribution rates are shown in the table below:

Fiscal Year	**Member**	**Employer**
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

13. c. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014, with update procedures to roll forward the total pension liability to June 30, 2015. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six-year period July 1, 2003 to June 30, 2009. There were several significant assumptions and other inputs used to measure the Total Pension Liability. Among those assumptions were the following:

- Investment Return (net of administration expense) 7.75%
- Admin expense as % of Payroll at 0.17%

- General Wage Growth* 4.00%
  *includes Inflation at 3.00%
- Merit Increases 0.00% to 7.30%
- Postretirement Benefit Increases
  For members hired **prior to** July 1, 2007 3.00%
  For members hired **on or after** July 1, 2007 1.50%
  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.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

13. c. 4. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 5.93%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.01%. 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 establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to not be adequate to make all the projected future benefit payments of current plan members after 2056. Therefore, the portion of future projected benefit payments after 2056 are discounted at the municipal bond index rate.

13. c. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public-sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the below table.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	-4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
	Inflation		3.00%
	Portfolio Return Expectation		7.37%

13. d. SENSITIVITY ANALYSIS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the below table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS			
Net Pension Liability	$ 2,836,551,371	$ 1,947,626,401	$ 1,201,441,171
County's Net Pension Liability	$ 6,482,327	$ 4,467,262	$ 2,731,481
SRS			
Net Pension Liability	$ 134,369,280	$ 76,097,180	$ 28,423,431
County's Net Pension Liability	$ 1,320,555	$ 927,210	$ 607,106

13. e. NET PENSION LIABILITY

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize, and report certain amounts associated with their participation in the PERS and SRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS and SRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and SRS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

PERS	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
County Proportionate Share	$ 4,467,262	$ 3,668,458	0.2623%	0.2624%	(0.0002)%
State of Montana Proportionate Share associated with Employer	54,585	45,061	0.0032%	0.0032%	0.0000%
Total	$ 4,521,847	$ 3,713,519	0.2655%	0.2657%	(0.0002)%

SRS	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
County Proportionate Share	$ 927,210	$ 459,826	0.5278%	0.4770%	0.0508%

At June 30, 2017, the employer recorded a liability of $4,467,262 and $927,210 for PERS and SRS, respectively, for its proportionate share of the Net Pension Liability. At June 30, 2017, the employer's proportion was 0.2623 percent and 0.5278 percent for PERS and SRS, respectively.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date.

Changes in actuarial assumptions and methods: Any changes can be obtained from PERS or SRS as in the first part of this note.

Changes in benefit terms: There have been 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 Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

13. f. PENSION EXPENSE

PERS	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
County's Proportionate Share	$ 262,389	$ 105,605
State of Montana Proportionate Share associated with the Employer	4,574	2,800
Grant revenue from the State of Montana Coal Tax Fund	78,268	88,039
Total	$ 345,231	$ 196,444

SRS	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
County's Proportionate Share	$ 123,758	$ 30,335

At June 30, 2017, the employer recognized a Pension Expense of $262,389 and $123,758 for its proportionate share of the PERS and SRS Pension Expense, respectively. The employer also recognized grant revenue of $82,842 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and SRS, respectively.

13. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2017, the employer reported its proportionate share of PERS and SRS deferred outflows of resources and deferred inflows of resources related to PERS and SRS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	SRS Deferred Outflows of Resources	SRS Deferred Inflows of Resources
Differences between actual and expected experience	$ 24,104	$ 14,787	$ 3,295	$ 686
Changes in assumptions	0	0	401,275	149,417
Difference between projected and actual earnings on pension plan investments	420,280	0	50,656	0
Changes in proportion differences between employer contributions and proportionate share of contributions	0	96,254	28,413	0
Difference between actual and expected contributions	0	0	0	0
#Contributions paid subsequent to the measurement date – FY 2017 Contributions	106,848	0	36,415	0
Total	$ 551,232	$ 111,041	$ 520,054	$ 150,103

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

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

Year ended June 30:	PERS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	SRS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2018	$ 20,348	$ 53,887
2019	$ 20,348	$ 53,887
2020	$ 238,830	$ 78,088
2021	$ 150,072	$ 68,648
2022	$ 0	$ 50,613
Thereafter	$ 0	$ 0

13. h. PENSION AMOUNTS TOTAL FOR EMPLOYER – EMPLOYER'S PROPORTION OF PERS AND SRS PENSION AMOUNTS

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with SRS	The employer's Total Pension Amounts
Total Pension Liability	$ 17,664,144	$ 2,505,973	$ 20,170,117
Fiduciary Net Position	$ 13,196,882	$ 1,578,763	$ 14,775,645
Net Pension Liability	$ 4,467,262	$ 927,210	$ 5,394,472
Deferred Outflows of Resources	$ 551,232	$ 520,054	$ 1,071,286
Deferred Inflows of Resources	$ 111,041	$ 150,103	$ 15,144
Pension Expense	$ 262,389	$ 123,758	$ 386,147

NOTE 14. SUBSEQUENT REPORTABLE EVENTS

14. a. TAX ABATEMENT FOR WIND FARM

Tax abatements are a reduction in tax revenues that result from an agreement between one or more governments and an individual or entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action after the agreement has been entered that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The County entered into tax abatement agreements with Big Timber Wind, LLC on 3/15/2017. The Abatement authorized by New or Expanding Industry Tax Abatement (MCA 15-24-1402) reduces the taxes paid on real estate beginning 5 years after the commencement of construction.

Big Timber Wind, LLC is eligible to receive the Abatement because they qualify under MCA 15-24-1402. The tax benefit is determined by a percentage decrease in taxable value and is increased by a percentage beginning with 50% in year one and increasing by equal percentages until full taxable value is attained in the 10th year. Abated taxes allowed are subject to recapture if the ownership or use of the property does not meet the requirements of 15-24-1401, 15-24-1402(d) or the resolution.

For fiscal year 2017, the total tax revenue reduced by the tax abatement is not applicable. The tax year runs with the calendar year and, therefore, is one year behind the fiscal year. Construction will not be considered complete until 2018 and will begin being taxed for FY 2019 at 50% the taxable value.

Tax Estimate Calculation with New or Expanding Industry Abatement

Tax Year	Taxable Value	Total Mills	Taxes
2019	$ 541,694	502.58	$ 272,245
2020	$ 531,302	502.58	267,022
2021	$ 525,723	502.58	264,218
2022	$ 513,403	502.58	258,026
2023	$ 500,514	502.58	251,549
2024	$ 551,791	502.58	277,319
2025	$ 598,053	502.58	300,569
2026	$ 639,403	502.58	321,351
2027	$ 664,657	502.58	334,043
2028	$ 681,876	502.58	342,697
			$ 2,889,039

NOTE 15. INTERLOCAL AGREEMENTS

Sweet Grass County provides various services to the City of Big Timber under agreement. Below is a listing of the services provided and the fees assessed by the County:

Service	FY 2015	FY 2016	FY 2017
Law enforcement	$ 163,235	$ 184,235	$ 189,762
Law enforcement training	$ 9,000	$ 9,000	$ 9,000
City court	$ 18,180	$ 18,500	$ 19,235
Court compliance	$ 6,000	$ 6,000	$ 6,000
Sanitarian	$ 5,000	$ 5,000	$ 5,000
Planning	$ 15,760	$ 17,260	$ 17,778
Addictive disorders	$ 4,200	$ 4,200	$ 4,200
Attorney	$ 0	$ 17,056	$ 17,354

NOTE 16. RELATED PARTY TRANSACTIONS

Sweet Grass County has a lease agreement to lease three 2013 Ford Supercrew 4x4 Trucks from the Sheriff Dan Tronrud, Undersheriff Jerry Mahlum, and Deputy Alan Ronneberg. The County will pay the rent in the amount of $600 per month, payable at the beginning of each month for a total annual amount of $7,200 each. The lease will automatically renew July 1, unless the Sheriff, Undersheriff or Deputy terminate employment with the County or purchases a different vehicle. The amount of the lease may be negotiated annually during the budgeting process. The use of the vehicles will be for all job-related duties and shall also maintain, possess, and be entitled to use of the vehicle for personal use when vehicle is not required for official duties. The lessee is responsible for all maintenance and the County is responsible to furnish an insurance policy to insure the vehicle. The County pays for the purchase and installation of all police equipment and in the event that the lease is not renewed there is an agreement to permit the County to remove the police equipment.

NOTE 17. DISPOSAL OF OPERATIONS

On July 1, 2016 the Pioneer Medical Center (PMC) was officially removed as an enterprise fund of the County and moved to a separate reporting entity under a 501(c)(3) and signed a formal affiliation agreement with the Billings Clinic. The PMC employees became employees of the new non-profit PMC entity and are no longer employees of the County. The County holds title to assets which were previously reported in the Hospital and nursing home fund. These assets are leased to the new PMC entity. The lease between the County and the new PMC was signed June 20, 2016.

SWEET GRASS COUNTY

SCHEDULE OF FUNDING PROGRESS
Other Post-Employment Benefits Other Than Pensions (OPEB)
For the year ended June 30, 2017

Fiscal year	Service Cost (a)	Interest (b)	Changes of benefit terms (c)	Changes of assumptions or other inputs (d)	Benefit Payments (e)	Net change in total OPEB liability (a)+(b)+(c)+(d)+(e)=(f)	Total OPEB liability – Beginning (g)	Total OPEB liability – Ending (f)+(g)=(h)	Covered-employee payroll (i)	Total OPEB liability as a percentage of covered-employee payroll (h)/(i)
2015	$180,864	$18,586	$(257,886)	($149,434)	$(199,450)	$ (407,320)	$1,867,665	$1,460,335	$3,696,146	39.64%
2016	$180,864	$18,586	$ 0	$0	$(199,450)	$ 0	$1,460,335	$1,460,335	$3,696,146	39.64%
2017	$ 88,820	$14,605	$(132,919)	$ (616,096)	$(103,425)	$ (749,015)	$1,460,335	$ 711,320	$1,300,078	18.29%

Notes to schedule:

2015 - Changes of benefit terms. Amounts presented reflect increased premiums from a range of $6,852 to $13,500 per year to a range of $8,316 to $16,632 per year.

2015 - Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the estimated discount rate to 1%, reduction of estimated health cost trend rates approximately 1% each year, changes in estimated salary increases from 2.5% to 2%, change in the measurement method from unit credit cost to entry age normal, and changes in the estimated premium provided to retirees by the County from 89% to 0%.

2017 - Changes of benefit terms. Amounts presented reflect decrease premiums from a range of $8,316 to $16,632 per year to a range of $7,377 to $14,754 per year.

2017 - Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes. Expected retirement aged changed from 66 to 69; expected return on investments changed from 2.5% to 2.00; expected inflation rate changed from 1.49% to 0.99% .

2017 – The PMC enterprise fund was removed from the reporting entity on July 1, 2016 which significantly caused balances to change.

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

SWEET GRASS COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	State of Montana's proportionate share of the net pension liability associated with the Employer (b)	Total (a)+(b)=(c)	Employer's covered-employee payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2014	0.2741%	$ 3,415,201	$ 41,705	$ 3,456,906	$ 3,126,572	111.22%	79.87%
2015	0.2624%	$ 3,668,458	$ 45,061	$ 3,713,519	$ 3,062,630	119.78%	78.40%
2016	0.2623%	$ 4,467,262	$ 54,585	$ 4,521,847	$ 3,141,463	142.20%	74.71%

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer (a)	Employer's covered-employee payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll (a)/(d)	Plan fiduciary net position as a percentage of the total pension liability
2014	0.4990%	$ 207,681	$ 322,735	64.35%	87.24%
2015	0.4770%	$ 459,826	$ 324,579	141.67%	75.40%
2016	0.5278%	$ 927,210	$ 372,584	248.86%	63.00%

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

SWEET GRASS COUNTY

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in relation to the contractually required contributions (c)	Contribution deficiency (excess) (a)+(b)-(c)=(d)	Employer's covered-employee payroll (e)	Contributions as a percentage of covered-employee payroll ((a)+(b))/(d)
2015	$ 252,373	$ 11,708	$ 264,081	$ 0	$ 3,062,630	8.62%
2016	$ 262,581	$ 5,336	$ 267,916	$ 0	$ 3,141,463	8.53%
2017	$ 106,848	$ 3,325	$ 110,173	$ 0	$ 1,754,885	6.28%

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Contributions in relation to the contractually required contributions (b)	Contribution deficiency (excess) (a)-(b)=(c)	Employer's covered-employee payroll (d)	Contributions as a percentage of covered-employee payroll (a)/(d)
2015	$ 32,928	$ 32,925	$ 0	$ 324,579	10.14%
2016	$ 38,617	$ 38,617	$ 0	$ 372,584	10.36%
2017	$ 36,415	$ 36,415	$ 0	$ 360,081	10.11%

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

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(June 30, 2016 Measurement Date)
For the year ended June 30, 2017

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

1. a. CHANGES OF BENEFIT TERMS

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

2013 Legislative Changes:
House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 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.

- 3.0% 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
  - a. 1.5% each year PERS is funded at or above 90%;
  - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and,
  - c. 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

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
   - refund of member's contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and
   - GABA starts again the January immediately following second retirement.
2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
   - member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
   - GABA starts the January after receiving recalculated benefit for 12 months.
3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
   - refund of member's contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and,
   - GABA starts again the January immediately following second retirement.
4) 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%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

1. b CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions
The following addition was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll 0.27%

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

NOTE 2. SHERIFFS RETIREMENT SYSTEM (SRS)

2. a. CHANGES OF BENEFIT TERMS

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

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two-tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second-tier benefit structure for members hired on or after July 1, 2013 is summarized below.

(1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
(2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
(3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
(4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
(5) **Annual Contribution:** 8.15% of member's earned compensation
(6) **Supplemental Contribution Rate:** On or after July 1, 2023, the SRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
   a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
   b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
   c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the SRS Board.
(7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
(8) **Guaranteed Annual Benefit Adjustment (GABA):**
   a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:

    - School Districts contributions will increase from 7.47% to 8.47%
    - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
    - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed SRS retirees employed in a SRS reportable position to the System.

2. b. CHANGES IN ACTUARIAL ASSUMPTIONS AND OTHER INPUTS:

The following changes to the actuarial assumptions were adopted in 2016:
- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:
- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:
- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

• Actuarial cost method	Entry age
• Amortization method	Level percentage of pay, open
• Remaining amortization period	24 years
• Asset valuation method	4-year smoothed market
• Inflation	3.25 percent
• Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00% for University Members;
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	$ 1,091,877	$ 1,091,877	$ 1,093,476	$ 349,789	$ 349,789	$ 349,894
Licenses and permits	513	513	513	500	-	450
Intergovernmental revenues	200,866	200,866	204,317	103,606	-	126,957
Charges for services	152,982	152,982	168,493	-	-	-
Fines and forfeitures	35,390	35,390	29,477	-	-	-
Miscellaneous	38,800	38,800	74,476		-	1,000
Investment and royalty earnings	6,000	6,000	10,110	-	-	-
Total revenues	1,526,428	1,526,428	1,580,862	453,895	349,789	478,301
EXPENDITURES:						
Current:						
General government			1,185,746			-
Public safety			68,953			-
Public works			-			516,753
Public health			31,047			-
Social and economic services			3,300			-
Miscellaneous			18,072			6,660
Debt service:			-			-
Principal			515			52,781
Interest and other charges			148			3,249
Capital outlay			2,273			40,500
Total expenditures	1,431,381	1,431,381	1,310,054	756,296	756,296	619,943
Excess (deficiency) of revenues over expenditures	95,047	95,047	270,808	(302,401)	(406,507)	(141,642)
OTHER FINANCING SOURCES/USES AND SPECIAL ITEMS:						
Insurance proceeds	-	-	-	-	-	-
Fund transfers in	-		-	-	-	61,784
Fund transfers (out)	(110,000)	(110,000)	(110,000)	(150,000)	(150,000)	(150,000)
Total other financial sources/uses	(110,000)	(110,000)	(110,000)	(150,000)	(150,000)	(88,216)
Net changes in fund balances	(14,953)	(14,953)	160,808	(452,401)	(556,507)	(229,858)
FUND BALANCE:						
Beginning of the year			505,610			$ 1,006,740
Change in inventory			-			(24,877)
Prior period adjustments			(5,743)			-
End of the year			$ 660,675			$ 752,005

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	Law Enforcement			Metal Mines Trust		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	$ 614,097	$ 614,097	$ 608,856	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	62,972	62,972	62,823	255,000	255,000	213,134
Charges for services	212,962	212,962	208,572	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous		-	911	-	-	-
Investment and royalty earnings	1,000	1,000	1,771	-	-	9,252
Total revenues	891,031	891,031	882,933	255,000	255,000	222,386
EXPENDITURES:						
Current:						
General government			-			-
Public safety			828,064			-
Public works			-			-
Public health			-			-
Social and economic services			-			-
Miscellaneous			15,035			-
Debt service:			-			-
Principal			13,769			-
Interest and other charges			376			-
Capital outlay			37,927			-
Total expenditures	956,408	956,408	895,171	1,917,060	1,917,060	-
Excess (deficiency) of revenues over expenditures	(65,377)	(65,377)	(12,238)	(1,662,060)	(1,662,060)	222,386
OTHER FINANCING SOURCES/USES ANI						
Insurance proceeds	-	-	41,412	-	-	-
Fund transfers in	-	-	9,500	-	-	-
Fund transfers (out)	-	-	(45,500)	-	-	-
Total other financial sources/uses	-	-	5,412	-	-	-
Net changes in fund balances	(65,377)	(65,377)	(6,826)	(1,662,060)	(1,662,060)	222,386
FUND BALANCE:						
Beginning of the year			$ 453,827			$ 1,662,377
Change in inventory			-			$ -
Prior period adjustments			-			$ -
End of the year			$ 447,001			$ 1,884,763

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

	PILT			Federal Mineral Royalty		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	466,233	466,233	541,699	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	1,918	-	-	-
Investment and royalty earnings	-	-	6,292	-	-	-
Total revenues	466,233	466,233	549,909	-	-	-
EXPENDITURES:						
Current:						
General government			83,968			-
Public safety			-			-
Public works			107,854			-
Public health			-			-
Social and economic services			-			-
Miscellaneous			-			-
Debt service:			-			-
Principal			-			-
Interest and other charges			-			-
Capital outlay			105,815			-
Total expenditures	1,716,577	-	297,637	6,147	6,147	-
Excess (deficiency) of revenues over expenditures	(1,250,344)	466,233	252,272	(6,147)	(6,147)	-
OTHER FINANCING SOURCES/USES ANI						
Insurance proceeds			-	-	-	-
Fund transfers in			64,497	-	-	-
Fund transfers (out)	(50,000)	(50,000)	(83,360)	-	-	-
Total other financial sources/uses	(50,000)	(50,000)	(18,863)	-	-	-
Net changes in fund balances	(1,300,344)	416,233	233,409	(6,147)	(6,147)	-
FUND BALANCE:						
Beginning of the year			$ 1,347,932			$ 6,147
Change in inventory			-			$ -
Prior period adjustments			-			$ -
End of the year			$ 1,581,341			$ 6,147

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
For the year ended June 30, 2017

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with GAAP. Annual appropriated budgets are adopted for all funds of the County. All annual appropriations lapse at fiscal year-end, unless the County elects to encumber supplies and personal property ordered but not received at year end. The County does not use a formal encumbrance system.

1. a. 1 GENERAL BUDGET POLICIES:

Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major budgeted funds.

1. a. 2 BUDGET OPERATION:

The County operates within the budget requirements for counties as specified by State law. The financial report reflects the following budgetary standards:

(1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.

(2) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.

(3) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

(4) The governing body and each official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
   a. debt service funds for obligations related to debt approved by the governing body;
   b. trust funds for obligations authorized by trust covenants;
   c. any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body;
   d. any fund for special assessments approved by the governing body;
   e. the proceeds from the sale of land;
   f. any fund for gifts or donations; and
   g. money borrowed during the fiscal year.

(5) If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made, or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.

(6) At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
For the year ended June 30, 2017

NOTE 2. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-fund General Fund	Sub-fund PILT	Sub-fund Federal Mineral Royalty	Total General Fund
REVENUES:				
Taxes/Assessments	$ 1,093,476	$ 0	$ 0	$ 1,093,476
Licenses and permits	513	0	0	513
Intergovernmental revenue	204,317	541,699	0	746,016
Charges for services	168,498	0	0	168,493
Fines and forfeitures	29,477	0	0	29,477
Miscellaneous	74,476	1,918	0	76,394
Investment and royalty earnings	10,110	6,292	0	16,402
Total revenues	$ 1,580,862	$ 549,909	$ 0	$ 2,130,771
EXPENDITURES:				
General government	1,185,746	83,968	0	1,269,714
Public safety	68,953	0	0	68,953
Public works	0	107,854	0	107,584
Public health	31,047	0	0	31,047
Social and economic services	3,300	0	0	3,300
Miscellaneous	18,072	0	0	18,072
Debt Service:				
Principal	515	0	0	515
Interest & other charges	148	0	0	148
Capital outlay	2,273	105,815	0	108,088
Total expenditures	$ 1,310,054	$ 297,637	$ 0	$ 1,607,691
Excess (deficiency) of revenues over expenditures	270,808	252,272	0	523,080
OTHER FINANCING SOURCES/USES:				
Fund transfers in	0	64,497	0	64,497
Fund transfers (out)	(110,000)	(83,360)	0	(193,360)
Total other financial sources/uses	(110,000	(18,863)	0	(128,863)
Net changes in fund balances	160,808	233,409	0	394,217
FUND BALANCE:				
Beginning of the Year	505,610	1,347,932	6,147	1,859,689
Prior period adjustment	(5,743)	0	0	(5,743)
Ending of the Year (GAAP)	660,675	1,581,341	6,147	$ 2,248,163

In the reconciliation, the general fund, PILT, and federal mineral royalty funds are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The PILT and Federal Mineral Royalty funds are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund, PILT and Federal mineral royalty fund because they are reported as major funds and have legally adopted budgets.

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)
For the year ended June 30, 2017

NOTE 3. BUDGET AMENDMENT

The County approved budget amendments during the year as follows:

Fund	Amount	REASON
EEG Impact	$ 465,000	Unanticipated revenues
Posted Bonds	447	Unanticipated revenues
County Attorney	1,747	Unanticipated revenues
Weed Urban Spurge	25,000	Interfund money received from PILT
Weed MDA 2017-032 Otter Creek	16,397	Interfund money received from PILT
Law Enf BVP Grant	4,989	Interfund money received from PILT
Disaster	126,281	Revenues were originally excluded from budget
CIP Junk	6	Unanticipated revenues
CIP WFLH Project	33,379	Interfund money received from PILT
TSEP Pony Truss Bridge	86,863	Revenues were originally excluded from budget
Total	$ 760,109	

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E-mail: audit@stromcpa.net

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*

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sweet Grass County
Big Timber, Montana 59011

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sweet Grass County's basic financial statements and have issued our report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

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

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 over financial reporting 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 Sweet Grass 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.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
March 13, 2018

SWEET GRASS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2017

Prior year findings/status:

The following is the status of prior year findings.

2016-001 – Fire Department and Critical response cash accounts – Not repeated

Current year findings:

There were no findings or recommendations for the fiscal year ended June 30, 2017.