

**SWEET GRASS COUNTY
BIG TIMBER, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2019

Strom & Associates, P. C.
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SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

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SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

Bill Wallace Chair
JV Moody Commissioner
Melanie Roe Commissioner

OFFICIALS

Vera Pederson Clerk and Recorder
Char Fuller Treasurer
Jessie Connolly Justice/City Court Judge
Barb Swanson Clerk of District Court
Pat Dringman County Attorney
Alan Ronneberg Sheriff/Coroner
Susan Metcalf Superintendent of Schools
Elaine Allestad Public Administrator
Vicki Uehling Finance Officer

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2019

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, 2019. 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, 2019, by **\$15,727,737** (*total net position*). Of this amount, **-\$952,454** represents a deficit unrestricted net position. The deficit is a result of the implementation of GASB-68 (the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS)) and GASB 45 the recording of Other Post-Employment Benefits (OPEB). 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 **\$11,630,735**, an increase of **\$1,539,203** in comparison with prior year. Approximately 27% 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 **\$3,156,727** or approximately 72% of the total general fund expenditures.

Sweet Grass County incurred one new piece of debt in Fiscal Year 2019. The fair board purchased a new tractor for the fairgrounds and financed it with a zero interest loan through John Deere in the amount of \$55,982.

There is currently a county-wide 25-mill voted tax levy for the Pioneer Medical Center (PMC), 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 was effective from FY14 - FY19 (June 30, 2019). Another election was held in July 2019 and voters again approved the 5-year 25-mill levy for the PMC Facility. 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. The bond will be paid in full June 2020 (although final payment is not due until July 1, 2020 or FY 2021).

Sweet Grass County is home to Sibanye Stillwater Mining Company - East Boulder Mine (SSMC). The company mines platinum and palladium and is the worlds largest producer of platinum. SSMC real estate and gross proceed taxes comprise 45% of the total real estate taxes collected by Sweet Grass County. This gives the mine the distinction of being, by far, our largest taxpayer.

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).

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2019

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 does not have a proprietary fund. *Enterprise funds (proprietary)* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

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.

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2019

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 **\$15,727,737** at June 30, 2019 as compared to \$13,161,653 at June 30, 2018; an increase of **\$2,566,084**.

Sweet Grass County’s Net Position

Net Position	Governmental Activities		
	FY 18	FY19	Change Inc(Dec)
Current & other assets	\$ 10,292,378	\$ 11,793,208	\$ 1,500,830
Restricted Assets			
Capital assets	\$ 8,654,529	\$ 8,453,889	\$ (200,640)
Total assets	\$ 18,946,907	\$ 20,247,097	\$ 1,300,190
DEFERRED OUTFLOW OF RESOURCES	\$ 938,926	\$ 696,997	\$ (241,929)
Current Liabilities	\$ 433,473	\$ 390,640	\$ (42,833)
Long Term Liabilities	\$ 4,454,280	\$ 2,789,790	\$ (1,664,490)
Total Liabilities	\$ 4,887,753	\$ 3,180,430	\$ (1,707,323)
Deferred Inflows of Resources	\$ 1,836,427	\$ 2,035,927	\$ 199,500
Net Position:			
Net investment in capital assets	\$ 8,498,002	\$ 8,407,488	\$ (90,514)
Restricted	\$ 7,432,158	\$ 8,513,060	\$ 1,080,902
Unrestricted (deficit)	\$ (2,768,507)	\$ (1,192,811)	\$ 1,575,696
Total Net Position	\$ 13,161,653	\$ 15,727,737	\$ 2,566,084

By far, the largest portion of Sweet Grass County’s net position (42%) 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 million 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, \$8,313,464 represents resources that are subject to external restrictions on how they may be used. Of this amount, **-\$952,454** represents a deficit unrestricted net position. The unusual deficit is a result of implementation of GASB-68 (recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS) and (GASB 45 recording Other Post-Employment Benefits). While adding to 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.

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2019

At the end of the current fiscal year, Sweet Grass County is able to report positive balances in all restricted categories of net position and a negative balance in unrestricted (explained in the above paragraph).

Sweet Grass County's overall change in net position increased by **\$2,566,084** from fiscal year 2018. 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 \$13,161,653 in FY18 to \$15,727,737 in FY 19, an increase of **\$2,566,084**.

Increases to Revenues:

- Increase to charges from services includes prior year services rendered that had not been billed
- An increase in capital grants occurred due to a donation from the city towards the purchase of the new Pierce Pumper truck for the fire department
- Property tax collections increased due to a \$2,030 increase in the value of a mill, but the number of mills levied only increased by 1.25 and budgets increased \$222,000
- State and federal shared revenues increased partly due to an increase in production at Sibanye Stillwater Mine which causes them to pay more in state taxes and we receive a distribution of this in mine proceeds from the state. Sixty percent of these funds are kept in a trust account until the mine decreases employment by 50% or closes.
- Interest earnings have steadily increased as our certificate of deposit (CD) investments mature and are reinvested at a much higher rate. Also, the State of Montana STIP (Short Term Investment Program) interest rate has steadily been increasing and the county has placed more funds in this program as it is an easy turnaround to put money in and remove it as we need it, unlike a CD where there is a penalty, STIP allows us to readily move money back and forth as needed.

Decreases in Expenditures

- There were numerous small decreases in general expenditures but the primary one was a cemetery software program purchased in FY 2018 for \$49,867 with no similar purchase made in FY 2019.
- While there were many smaller decreases within public safety, three stand out that were considerably lower from FY 18 to FY 19. Prisoner board had been \$120,000 in FY 18 due to several long term prisoners, it fell to a more normal amount of \$62,000 in FY 19. An expected expenditure of a new sheriff patrol vehicle was held up until FY 20. New equipment was purchased for dispatch in FY 18.
- Decreases in public works between FY 18 and 19 came from a Bridge on Lower Sweet Grass that was replaced in FY 18, and a 2015 John Deere Motor Grader purchased in FY 18, with no similar purchases being made in FY 19.

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2019

Sweet Grass County's Change in Net Position			
Changes in Net Position	Governmental Activities		
Revenues			
<i>Program revenues (by major source)</i>	FY18	FY19	Change Inc(Dec)
Charges for services	\$ 506,012	\$ 606,037	\$ 100,025
Operating grants & contributions	\$ 579,493	\$ 507,481	\$ (72,012)
Capital grants and contributions	\$ 55,450	\$ 122,404	\$ 66,954
<i>General revenues (by major source)</i>			\$ -
Property taxes for general purposes	\$ 4,087,356	\$ 4,490,422	\$ 403,066
Local option tax	\$ 202,138	\$ 209,472	\$ 7,334
Licenses and permits	\$ 2,888	\$ 2,707	\$ (181)
Federal/State Shared Revenues	\$ 1,608,379	\$ 1,665,772	\$ 57,393
Miscellaneous	\$ 96,746	\$ 83,307	\$ (13,439)
Gain/Loss on Sale of Assets	\$ (20,843)	\$ -	\$ 20,843
Interest/investment earnings	\$ 87,645	\$ 138,704	\$ 51,059
Other	\$ 10,400	\$ 8,168	\$ (2,232)
Total revenues	\$ 7,215,664	\$ 7,834,474	\$ 618,810
Program expenses			
General government	\$ 1,599,383	\$ 1,313,282	\$ (286,101)
Public safety	\$ 1,589,539	\$ 1,443,415	\$ (146,124)
Public works	\$ 1,696,670	\$ 1,447,746	\$ (248,924)
Public health	\$ 512,546	\$ 564,318	\$ 51,772
Social and economic services	\$ 100,497	\$ 96,997	\$ (3,500)
Culture and recreation	\$ 125,575	\$ 133,445	\$ 7,870
Housing and community development	\$ 65,513	\$ 101,951	\$ 36,438
Miscellaneous	\$ 140,397	\$ 148,446	\$ 8,049
Debt service - interest	\$ 27,534	\$ 18,810	\$ (8,724)
Total expenses	\$ 5,857,654	\$ 5,268,410	\$ (589,244)
Increase (decrease) in net position	\$ 1,358,010.00	\$ 2,566,064.00	\$ 1,208,054.00

Business-type Activities. The county has no business-type activities.

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, 2019, Sweet Grass County's governmental funds reported combined funds balances of **\$11,630,735**, an increase of **\$1,539,203** in comparison with the adjusted fund balance from **FY18**. Approximately **27%** of this amount (**\$3,156,727**) 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 (\$189,433), or 2) restricted for a particular purpose (**\$8,474,008**).

SWEET GRASS COUNTY FY 2019

MANAGEMENT DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2019

The general fund is the chief operating fund of Sweet Grass County. At the end of **FY19**, unassigned fund balance of the general fund was **\$3,156,727**, while total fund balance increased to **\$11,630,735**. 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 **\$423,200** during **FY19**.

General Fund Budgetary Highlights

Original budget compared to final budget. At the end of the fiscal year resolutions were passed to increase the following budgets:

2271 Mental Health - did not budget unexpected \$500 increase in expenditure budget (sufficient cash to cover change)

2711 Search & Rescue - increased machinery & equipment expenditure budget by \$23,000, received unexpected donation from public and Community Thrift Shoppe

2713 Sheriff Posted Bonds - increased expenditure budget by \$100, sufficient additional revenues to cover change

2715 Sheriff Garnishments - increased expenditure budget by \$22,057, sufficient additional revenues to cover change

2843 2019 Urban Spurge expenditure budget increased to \$20,114 due to grant being approved after budgets were adopted

2844 McLeod Area expenditure budget increased to \$25,000 due to grant being approved after budgets were adopted

2846 Mendenhall Fire Continuing expenditure budget increased to \$27,090 due to grant being approved after budgets were adopted

2847 2019 Boulder expenditure budget increased to \$25,000 due to grant being approved after budgets were adopted

2918 Bulletproof Vest Program expenditure budget increased to \$1,197 due to grant being approved after budgets were adopted

4306 TSEP Preliminary Engineering Report - increased expenditure budget by \$1 for additional unexpected cash received

4200 Fire Capital Improvement - an error of \$20,000 was made when entering the budget versus the final budget document. Budget entered was \$438,944, budget adopted was \$458,944

Actual expenditures did not exceed budgeted amounts.

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

1. Interest revenue was budgeted for \$60,715 but actual revenue received was \$138,701. This was due to increasing interest rates. Many of our certificate of deposit investments matured and were renewed at higher rates of interest than the previous investment.

2. There were numerous grants that were not awarded by the time the final budget was adopted. These included cost-share grants for the weed department and a DNRC grant for the fire department.

3. When budgeting we opt to not anticipate a forest reserve payment from the federal government. We are always unsure if we will receive it and if we do how much it will be. We received an unanticipated \$117,367 for FY 2019.

4. Donations to Search and Rescue far exceeded what was anticipated. We budgeted \$5,000, but received \$28,158. We budgeted \$77,000 for the fire department but received \$96,310.

5. Metal Mine Trust revenue increased due to an increase in production at Sibayne Stillwater Mine. We anticipated \$250,000 but actually received \$465,084.

Capital Asset and Debt Administration

Capital assets.

There is only one construction-in-progress project. It is for snow removal equipment at the airport. The plow is anticipated to be delivered November 2019 at a cost of \$210,000 for the plow and attachments. It will not be depreciated until it is completed and, therefore, is accounted for separately from depreciable fixed assets.

New purchases and building remodels include:

1. Current senior center remodeling completed. Cost: \$13,499.65
2. Honda Side by Side purchased by Search and Rescue. Cost: \$26,200
3. A Bobcat excavator was purchased jointly by the road and cemetery departments. Total cost: \$60,813
4. An Enforcer Pumper Truck was purchased by the fire department. Total cost was \$569,295, the city donated \$100,000 towards the purchase
5. The fair board purchased a John Deere tractor with a 5-year zero-interest loan from John Deere. Total cost: \$55,982
6. The road department purchased a 6125R mowing tractor. Total cost: \$82,495

Disposed of:

1. Fire department sold 1976 Ford F600 truck for \$5,759
2. The road department sold a 1993 GMC pickup for \$251
3. The sheriff department sold two 2003 Crown Victoria's, one for \$500 and one for \$675

Long-term debt. As of June 30, 2019 the County had total outstanding bank debt of \$247,707.22; compensated absences \$192,643.99; Other Post-Employment Benefits (OPEB) \$421,629; Pension liability \$2,205,822.

New debt entered into in FY 2019 was \$55,982, zero interest 5 year loan through John Deere to purchase a tractor for the fairgrounds.

The following statistics are from the most recent data cited:

The latest unemployment rate as of October 2017 for Sweet Grass County is 3.75% 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 2019 fiscal year.

The FY 2019 budget reflects 2019 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.



STROM & ASSOCIATES, P.C.

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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, each major fund, and the aggregate remaining fund of Sweet Grass County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sweet Grass 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, each major fund, and the aggregate remaining fund of Sweet Grass County as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis (pages 3-9), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 43), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 44-48), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual(pages 49-53) 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 2, 2020 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sweet Grass County's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
March 2, 2020

STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 11,393,604
Taxes Receivable	49,845
Accounts Receivable - Net	448
Due from Other Governments	188,768
Inventories	<u>160,543</u>
Total Current Assets	<u>11,793,208</u>
Noncurrent Assets:	
Capital Assets:	
Land	162,723
Construction in Progress	25,434
Net Depreciable Assets	<u>8,265,732</u>
Total Noncurrent Assets	<u>8,453,889</u>
Total Assets	<u>20,247,097</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Activities	<u>696,997</u>
Total Deferred Outflows of Resources	<u>696,997</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,944,094</u>
LIABILITIES:	
Current Liabilities:	
Accrued Payroll	112,628
Current Portion of Long-term Debt Obligations	201,306
Current Portion of Compensated Absences	67,426
Current Portion of Long-term Capital Obligations	<u>9,280</u>
Total Current Liabilities	<u>390,640</u>
Noncurrent Liabilities:	
Compensated Absences	125,218
Net Pension Accrual	2,205,822
Other Postemployment Benefits	421,629
Long-term Capital Debt Obligations	<u>37,121</u>
Total Noncurrent Liabilities	<u>2,789,790</u>
Total Liabilities	<u>3,180,430</u>
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Activities	<u>2,035,927</u>
Total Deferred Inflows of Resources	<u>2,035,927</u>
NET POSITION:	
Net Investment in Capital Assets	8,407,488
Restricted	8,513,060
Unrestricted (Deficit)	<u>(1,192,811)</u>
Total Net Position	<u>15,727,737</u>
Total liabilities, deferred inflows and net position	<u>\$ 20,944,094</u>

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

STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS:					
General government	\$ 1,313,282	\$ 231,678	\$ 50,382	\$ -	\$ (1,031,222)
Public safety	1,443,415	313,624	137,246	100,000	(892,545)
Public works	1,447,746	42,711	309,461	22,404	(1,073,170)
Public health	564,318	7,621	9,363	-	(547,334)
Social and economic services	96,977	1,256	1,029	-	(94,692)
Culture and recreation	133,445	9,147	-	-	(124,298)
Housing and community development	101,951	-	-	-	(101,951)
Miscellaneous	148,446	-	-	-	(148,446)
Debt service:					
Interest and Other Charges	18,810	-	-	-	(18,810)
Total Governmental Activities	<u>5,268,390</u>	<u>606,037</u>	<u>507,481</u>	<u>122,404</u>	<u>(4,032,468)</u>
GENERAL REVENUES:					
Taxes/Assessments					4,490,422
Local Option Taxes					209,472
Licenses and Permits					2,707
Federal/State Shared Revenues					1,665,772
Miscellaneous					83,307
Investment and Royalty Earnings					138,704
Other					<u>8,168</u>
Total General Revenues					<u>6,598,552</u>
Change in Net Position					2,566,084
NET POSITION:					
Beginning of the Year					<u>13,161,653</u>
End of the Year					<u>\$ 15,727,737</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Road	Law Enforcement	Metal Mines		
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 3,120,478	\$ 801,651	\$ 381,599	\$ 2,806,017	\$ 4,283,859	\$ 11,393,604
Taxes Receivable	10,793	4,763	8,094	-	26,195	49,845
Accounts Receivable - Net	448	-	-	-	-	448
Interfund Receivable	50,598	-	-	-	-	50,598
Due from Other Governments	25,136	-	99,381	-	64,251	188,768
Inventories	-	160,543	-	-	-	160,543
Total Assets	3,207,453	966,957	489,074	2,806,017	4,374,305	11,843,806
DEFERRED OUTFLOWS OF RESOURCES:						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resource:	\$ 3,207,453	\$ 966,957	\$ 489,074	\$ 2,806,017	\$ 4,374,305	\$ 11,843,806
LIABILITIES:						
Current Liabilities:						
Interfund Payable	-	-	-	-	50,598	50,598
Accrued Payroll	39,933	8,941	25,907	-	37,847	112,628
Total Liabilities	39,933	8,941	25,907	-	88,445	163,226
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Property Taxes Receivable	10,793	4,763	8,094	-	26,195	49,845
Total Deferred Inflows of Resources	10,793	4,763	8,094	-	26,195	49,845
FUND BALANCE (DEFICITS):						
Nonspendable	-	160,543	-	-	-	160,543
Restricted	-	792,710	455,073	2,806,017	4,259,665	8,313,465
Unassigned	3,156,727	-	-	-	-	3,156,727
Total Fund Balance	3,156,727	953,253	455,073	2,806,017	4,259,665	11,630,735
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,207,453	\$ 966,957	\$ 489,074	\$ 2,806,017	\$ 4,374,305	\$ 11,843,806

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 11,630,735
Unavailable Property Taxes Receivable	49,845
Governmental capital assets	8,453,889
Employer Pension Plan Activities	696,997
Long-term Liabilities	
Long-term obligations	(201,306)
Compensated absences	(192,644)
Long-term capital obligations	(46,401)
Net Pension Accrual	(2,205,822)
Other Postemployment Benefits	(421,629)
Employer Pension Plan Activities	(2,035,927)
Net Position of Governmental Activities	\$ 15,727,737

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2019

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Road	Law Enforcement	Metal Mines		
REVENUES:						
Taxes/assessments	\$ 1,157,179	\$ 620,259	\$ 708,161	\$ -	\$ 2,249,337	\$ 4,734,936
Licenses and permits	522	825	-	-	1,360	2,707
Intergovernmental revenues	793,201	222,605	63,873	465,084	609,816	2,154,579
Charges for services	158,260	-	209,754	-	78,013	446,027
Fines and forfeitures	37,748	-	-	-	3,280	41,028
Miscellaneous	22,174	2,090	3,294	-	174,731	202,289
Investment and royalty earnings	56,685	-	4,203	37,392	40,424	138,704
Total Revenues	<u>2,225,769</u>	<u>845,779</u>	<u>989,285</u>	<u>502,476</u>	<u>3,156,961</u>	<u>7,720,270</u>
EXPENDITURES:						
Current:						
General government	1,363,186	-	-	-	357,161	1,720,347
Public safety	71,580	-	859,417	-	433,805	1,364,802
Public works	64,875	481,568	-	-	720,597	1,267,040
Public health	36,635	-	-	-	285,233	321,868
Social and economic services	4,500	-	-	-	97,418	101,918
Culture and recreation	-	-	-	-	107,163	107,163
Housing and community development	-	-	-	-	101,951	101,951
Miscellaneous	26,730	8,632	17,546	-	95,538	148,446
Debt service:						
Principal	-	-	-	-	359,323	359,323
Interest and Other Charges	-	-	-	-	18,810	18,810
Capital Outlay	82,313	31,000	-	-	620,236	733,549
Total Expenditures	<u>1,649,819</u>	<u>521,200</u>	<u>876,963</u>	<u>-</u>	<u>3,197,235</u>	<u>6,245,217</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>575,950</u>	<u>324,579</u>	<u>112,322</u>	<u>502,476</u>	<u>(40,274)</u>	<u>1,475,053</u>
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	-	-	-	-	55,982	55,982
Insurance Proceeds	-	-	6,929	-	1,239	8,168
Fund Transfers In	-	-	-	-	533,170	533,170
Fund Transfers (Out)	(152,750)	(105,000)	(40,000)	-	(235,420)	(533,170)
Total Other Financial Sources (Uses)	<u>(152,750)</u>	<u>(105,000)</u>	<u>(33,071)</u>	<u>-</u>	<u>354,971</u>	<u>64,150</u>
Net Change in Fund Balance	423,200	219,579	79,251	502,476	314,697	1,539,203
FUND BALANCE:						
Beginning of the Year	2,733,527	733,674	375,822	2,303,541	3,944,968	10,091,532
End of the Year	<u>\$ 3,156,727</u>	<u>\$ 953,253</u>	<u>\$ 455,073</u>	<u>\$ 2,806,017</u>	<u>\$ 4,259,665</u>	<u>\$ 11,630,735</u>

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, 2019

Net Changes in Fund Balance	\$	1,539,203
Revenues on the Statement of Activities not included in governmental funds statement:		
Capital contributions	100,000	
Increase (decrease) in taxes receivable	(35,042)	
State Pension Aid	<u>41,078</u>	106,036
Revenues reported in the governmental funds statement not included in the Statement of Activities		
Bond/Note Proceeds	55,982	(55,982)
Expenses on the Statement of Activities not included in the governmental funds statement:		
Depreciation Expense	(1,034,189)	
Actuarial Pension Expense	643,724	
(Increase) decrease in Other Postemployment Benefits	289,691	
(Increase) decrease in compensated absence liability	<u>(15,271)</u>	(116,045)
Expenditures reported in the governmental funds statement not included in the Statement of Activities		
Capital outlays	733,549	
Principal payments on debt	<u>359,323</u>	<u>1,092,872</u>
Change in net position reported on the Statement of Activities	\$	<u><u>2,566,084</u></u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Investment Trust Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,905,358	\$ 1,656,732
Taxes receivable	-	74,508
Total Assets	<u>\$ 2,905,358</u>	<u>\$ 1,731,240</u>
LIABILITIES:		
Current liabilities:		
Due to others	-	1,731,240
Total Liabilities	<u>-</u>	<u>\$ 1,731,240</u>
NET POSITION:		
Held in trust for pooled investments	<u>2,905,358</u>	
Total Net Position	<u>\$ 2,905,358</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2019

	Investment Trust Funds
ADDITIONS:	
Contributions to investment trust	\$ 1,643,141
Investment and royalty earnings	40,749
Total Additions	<u>1,683,890</u>
DEDUCTIONS:	
Expenses of investment funds	1,273,123
Total Deductions	<u>1,273,123</u>
Change in net position	410,767
NET POSITION:	
Beginning of the year	<u>2,494,591</u>
End of the year	<u>\$ 2,905,358</u>

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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 (Montana), which conforms to Generally Accepted Accounting Principles (GAAP). The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

At the end of fiscal year 2019 the County adopted the following GASB Statements:

- GASB Statement No. 83 – *Certain Asset Retirement Obligation*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The County believes that this Statement is not applicable to its financial statements at effective date, however if an ARO occurs in subsequent years it will follow applicable guidance.
- GASB Statement No. 90 – *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The County determined that this Statement does not significantly affect it reporting. The County holds no ownership of shares of an organization's stock or measurable rights to net resources of other organizations.
- GASB Statement No. 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The County determined that this Statement does not significantly affect it reporting. The County does not have any conduit debt, but will comply with this statement if it enters into any such debt arrangements in the future.

The following is a listing of GASB Statements which have been issued and the County assessment of effects to the financial statements when implemented.

- 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 plans to implement this Statement once Montana updates the standard 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 plans to implement this Statement 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

The County was incorporated under the laws of Montana and, as required by GAAP, the financial statements of the reporting entity include those of the County (the primary government) and any component units. The criteria for including organizations as component units within the County's reporting entity are set forth in Section 2100 of the 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. Separate financial statements are provided for governmental 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 and generally include 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 the related cash flows. Property taxes and assessments 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 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. Program revenues include:

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

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 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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental 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 and assessments. 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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

Revenues from local sources consist primarily of property taxes and assessments. Property tax and assessments 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 the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the County.

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.

GASB Statement No. 34 requires the general fund be reported as a major. Other individual governmental 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% of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (e.g., total governmental funds).

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 funds 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 – 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.

1. b. 3. OTHER FUND TYPES

Investment Trust Funds – These funds are used 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 – These funds account for assets that the County holds on behalf of others as their agent. This fund primarily consists of revenues collected by the County on behalf of other governments. These funds also include employee payroll tax withholdings. Cash is held for payroll tax liabilities which have been incurred but not paid by the County Treasurer.

- In the accounting system warrants written but not redeemed are reported in the County's payroll and claims clearing funds, however, for financial reporting purposes these are treated as a cash reconciling item. Cash in the accounting system is held for warrants which were written but have not been paid by the Sweet Grass County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) directs 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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

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

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by Montana 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, or 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 Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association insured
- Repurchase agreements as authorized by MCA
- State of Montana 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.

1. c. 2. TAXES

Property tax levies – 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 Montana statute as a fixed percentage of market value.

Collections – Property taxes and special assessments are collected by the Sweet Grass County Treasurer, who credits to the County funds its respective share of the collections. Tax levies are collectible in two installments, which become delinquent after November 30 and May 31. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction.

Delinquency – Unpaid property taxes are liens on the property being taxed. Taxes and special assessments 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. The County receives its share of the sale proceeds of any such auction.

1. c. 3. INVENTORIES

Materials and supplies inventory are expenditures when acquired in governmental funds (using the purchases method) since the focus of governmental funds is on the use of current financial resources. At year-end, the change in inventories 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) are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established when the capital assets were initially recorded by determining the actual cost or estimating the cost using standard costing procedures. The County considers capital assets to be items with a historical cost in excess of \$5,000 and with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. Land and construction in progress are not depreciated. The useful life of depreciable assets has been estimated as follows:

<u>Capital Asset Classes</u>	<u>Useful Life</u>
Land Improvements	10 – 60 years
Buildings	10 – 75 years
Building Improvements	10 – 75 years
Machinery and Equipment	3 – 50 years
Infrastructure	10 – 50 years

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

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

In addition to liabilities, the Statement of Financial Position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an increase to net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (e.g., revenue) until that time.

Pension Liability– Deferred Outflows and Inflows – 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, deferred inflows of resources, or deferred outflows of resources depending on the nature of the change and 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.

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. At termination, 25% of accumulated sick leave is paid at the employee's 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. At June 30, 2019, the amount expected to be paid within one year amounted to \$67,426 and is generally paid out of the general fund.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of 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 – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

At June 30, 2019, fund balance components other than unassigned fund balance consist of the following:

Purpose	Restricted	Restricted
General Government	\$ 585,400	\$ 0
Public Safety	854,464	0
Public Works	4,195,622	160,543
Public Health	213,479	0
Social and Economic Services	51,074	0
Culture and Recreation	81,570	0
Housing and Community Development	463,467	0
Future Capital Costs	<u>1,868,389</u>	<u>0</u>
Total	<u>\$ 8,313,465</u>	<u>\$ 160,543</u>

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, 2019, the summary of cash and cash equivalents for governmental and business-type activities, and fiduciary funds were as follows:

Account Type	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 11,393,604	\$ 4,562,090	\$ 15,955,694

The carrying amount of cash on hand, deposits, and investments at June 30, 2019 is as follows:

	Amount
Cash on Hand	\$ 28,125
Demand Accounts	2,895,378
Time Deposits	7,317,754
STIP	<u>5,714,437</u>
Total	<u>\$ 15,955,694</u>

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. The County does not have a deposit policy for custodial credit risk. At June 30, 2019, the County’s bank balance was exposed to custodial credit risk as follows:

Deposits	Fair Value June 30, 2019
Covered by Depository Insurance	\$ 1,435,218
Collateral Held by the Pledging Bank’s Trust Department but not in the Entity’s Name (most investments)	8,141,903
Uninsured and Uncollateralized	<u>937,028</u>
Total Bank Balance	<u>\$ 10,514,149</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

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 into 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 5 years.

2. a. 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 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; (7) U.S. dollar-denominated Asset-Backed Securities collateralized by credit cards, automobile loans and leases, student loans, and equipment leases; (8) U.S. dollar-denominated Asset-Backed commercial paper; (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.

Fair Value Measurement – 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. d. 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. The pooled investment trust fund is invested in STIP, certificates of deposit and demand accounts. The pooled fund is carried at fair value.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2019 to support the value of shares in the pool.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

The following represents a condensed Statement of Net Position and Changes in Net Position for the Treasurer's Pool as of June 30, 2019:

Statement of Net Position:	Amount	
Equity of Internal pool participants	\$	7,823,438
Equity of External pool participants		<u>2,905,358</u>
Total Net Position	\$	<u>10,728,796</u>

Statement of Changes in Net Position	Internal	External
Investment Earnings	\$ 109,729	\$ 40,749
Participant Investment in Pool	4,375,200	1,643,141
Distribution to Participants	<u>(3,446,562)</u>	<u>(1,273,123)</u>
Change in Net Position	1,038,367	410,767
Net Position – Beginning	<u>6,785,071</u>	<u>2,494,591</u>
Net Position – Ending	<u>\$ 7,823,438</u>	<u>\$ 2,905,358</u>

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, 2018, upon which the levy for the 2019 fiscal year was based, was \$20,889,071 for the County and \$17,083,997 for the Road. The tax rates assessed for the year ended June 30, 2019 to finance County operations and applicable taxes receivable follows:

County General Levies	Mill Levies	Taxes Receivable	Assessments Receivable
General*	45.01	\$ 10,793	
Road*	36.04	4,763	
Bridge	32.55	7,319	
Weed	5.25	1,389	
Fair	2.17	565	
Airport	3.19	789	
District Court	4.37	1,124	
Library	3.78	492	
Pioneer Medical Center	25.00	6,019	
Cemetery	2.27	522	
Planning	2.55	651	
Emg Disaster	0.00	-	
Mental Health	0.31	69	
Senior Citizens	0.89	268	
Extension Service	3.65	906	
Law Enforcement*	33.65	8,094	
Fire	6.67	1,049	
Permissive Med Levy	14.53	3,539	
Website/Tech	0.59	219	
Alcohol Rehab	0.00	3	
Sheep	N/A	-	7
Cattle	N/A	-	<u>1,265</u>
Total	222.47	<u>\$ 48,573</u>	<u>\$ 1,272</u>
* Denotes Major Fund	Total Taxes and Assessments receivable		<u>\$ 49,845</u>

Property taxes or special assessment fees assessed may be paid under protest and held by the county treasurer until the action is ultimately determined to be in favor or against the governmental entity levying the tax or assessment. Money paid under protest is accounted for by the county in a protested tax agency fund until the final determination. The amount reported above includes \$18,884 of taxes paid under protest.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

NOTE 4. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

4. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets at June 30, 2019 follows:

Governmental Activities:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Non-depreciable Assets:</u>				
Land	\$ 162,723	\$ 0	\$ 0	\$ 162,723
Construction in Progress	<u>170</u>	<u>25,264</u>	<u>0</u>	<u>25,434</u>
Total Non-depreciable Assets	162,893	25,264	0	188,157
<u>Depreciable Assets:</u>				
Buildings	11,678,537	13,500	0	11,692,037
Improvements Other than Buildings	23,439	0	0	23,439
Machinery and Equipment	7,865,322	794,785	(69,972)	8,590,135
Infrastructure	<u>3,489,704</u>	<u>0</u>	<u>0</u>	<u>3,489,704</u>
Total Depreciable Assets	23,057,002	808,285	(69,972)	23,795,315
<u>Accumulated Depreciation:</u>				
Buildings	(8,083,568)	(315,559)	0	(8,399,127)
Improvements Other than Buildings	(9,507)	(1,894)	0	(11,401)
Machinery and Equipment	(5,352,003)	(571,063)	69,972	(5,853,094)
Infrastructure	<u>(1,120,288)</u>	<u>(145,673)</u>	<u>0</u>	<u>(1,265,961)</u>
Total Accumulated Depreciation	<u>(14,565,366)</u>	<u>(1,034,189)</u>	<u>69,972</u>	<u>(15,529,583)</u>
Net Depreciable Assets	<u>8,491,636</u>	<u>(225,904)</u>	<u>0</u>	<u>8,265,732</u>
Net General Capital Assets	<u>\$ 8,654,529</u>	<u>\$ (200,640)</u>	<u>\$ 0</u>	<u>\$ 8,453,889</u>

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

Function	Amount
General government	\$ 106,297
Public Safety	236,942
Public Works	408,859
Public Health	242,450
Social and Economic Services	13,343
Culture and Recreation	<u>26,298</u>
	<u>\$ 1,034,189</u>

NOTE 5. OTHER ASSETS

5. a. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables represent the loan of 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 their purpose are listed below:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

Interfund Receivable	Amount	Interfund Payable	Purpose of the Transfer
PILT*	\$ 1,693	Weed 2018 Urban Spurge	Cover negative cash balances
PILT*	6,647	Weed 2019 Urban Spurge	Cover negative cash balances
PILT*	15,061	McLeod Area	Cover negative cash balances
PILT*	9,804	Weed Mendenhall Fire	Cover negative cash balances
PILT*	14,384	2019 Boulder	Cover negative cash balances
PILT*	2,604	Weed Cayuse Hills	Cover negative cash balances
PILT*	405	BVP Grant	Cover negative cash balances
Total	<u>\$ 50,598</u>		

* Denotes Major Fund

5. b. 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*	\$ 2,500	City of Big Timber	Sanitarian reimbursement
General*	22,636	City of Big Timber	City Court reimbursements
Planning	8,889	City of Big Timber	Planning reimbursement
Law Enforcement*	99,381	City of Big Timber	Law Enforcement reimbursement
Alcohol Rehab	2,100	State of Montana	Grant reimbursement
Junk Vehicle	2,463	State of Montana	Grant reimbursement
Weed 2018 Urban Spurge	1,693	State of Montana	Grant reimbursement
Weed 2019 Urban Spurge	6,465	State of Montana	Grant reimbursement
McLeod Area	15,061	State of Montana	Grant reimbursement
Weed Mendenhall Fire	9,804	State of Montana	Grant reimbursement
2019 Boulder	14,384	State of Montana	Grant reimbursement
Weed Cayuse Hills	2,604	State of Montana	Grant reimbursement
BVP Grant	788	State of Montana	Grant reimbursement
Total	<u>\$ 188,768</u>		

* Denotes Major Fund

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. The schedule of changes in general long-term debt at June 30, 2019 follows:

Governmental Activities:	Balance July 1, 2018	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2019	Due within One Year
Notes Payable:					
General Obligation Bonds	\$ 394,521	\$ 0	\$ (193,215)	\$ 201,306	\$ 201,306
Intercap Loans	156,527	0	(156,527)	0	0
Equipment Note	<u>0</u>	<u>55,982</u>	<u>(9,580)</u>	<u>46,402</u>	<u>9,280</u>
Total Bonds and Notes Payable	551,048	55,982	(359,322)	247,708	210,586
Other Liabilities:					
Compensated Absences	177,373	15,271	0	192,644	67,426
Accrued Pension	3,332,053	0	(1,126,231)	2,205,822	0
Other Postemployment Benefits	<u>711,320</u>	<u>0</u>	<u>(289,691)</u>	<u>421,629</u>	<u>0</u>
Total Other Liabilities	<u>4,220,746</u>	<u>15,271</u>	<u>(1,415,922)</u>	<u>2,820,095</u>	<u>67,426</u>
Total Governmental Activities - Long-Term Debt	<u>\$ 4,771,794</u>	<u>\$ 71,253</u>	<u>\$(1,775,244)</u>	<u>\$ 3,067,803</u>	<u>\$ 278,012</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

6. b. GENERAL OBLIGATION BONDS

The County issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of 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, 2019
Tax-supported series 2016B	3/30/16	4.15%	5.5 years	1/1/2021	\$ 582,286	\$ 201,306

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

For the year ended June 30:	Principal	Interest
2020	\$ 201,306	\$ 6,316

6. c. INTERCAP LOAN

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

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2019
Loader	07/10/2015	1.25-3.15%	5 years	08/15/2020	\$ 113,237	\$ 0
Asphalt Crusher	04/01/2016	1.55-3.15%	5 years	08/15/2020	<u>176,160</u>	<u>0</u>
					<u>\$ 289,397</u>	<u>\$ 0</u>

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.

6. d. OTHER NOTES

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2019
John Deere Tractor	06/17/2019	0.00%	5 years	06/20/2024	\$ 55,982	\$ 46,402

Debt service requirements to maturity for principal and interest for other obligations as follows:

For the year ended June 30:	Principal
2020	\$ 9,280
2021	9,281
2022	9,280
2023	9,281
2024	<u>9,280</u>
Totals	<u>\$ 46,402</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

NOTE 7. DEFERRED INFLOWS OF RESOURCES

Fund	Amount	Reason
General*	\$ 10,793	Taxes Receivable
Road*	4,763	Taxes Receivable
Bridge	7,319	Taxes Receivable
Weed	1,389	Taxes Receivable
Fair	565	Taxes Receivable
Airport	789	Taxes Receivable
District Court	1,124	Taxes Receivable
Sheep	7	Assessments Receivable
Cattle	1,265	Assessments Receivable
Library	492	Taxes Receivable
Pioneer Medical Center	6,019	Taxes Receivable
Cemetery	522	Taxes Receivable
Planning	651	Taxes Receivable
Mental Health	69	Taxes Receivable
Senior Citizens	268	Taxes Receivable
Extension Service	906	Taxes Receivable
Law Enforcement*	8,094	Taxes Receivable
Fire	1,049	Taxes Receivable
Permissive Levy	3,539	Taxes Receivable
Website/Tech	219	Taxes Receivable
Alcohol Rehab	3	Taxes Receivable
Total	\$ 49,845	

* Denotes Major Fund

NOTE 8. INTERFUND OPERATING TRANSFERS IN AND OUT

Operating Fund - In	Amount	Operating Fund - Out	Purpose of Transfer
Fire	\$ 4,260	Cap Imp Fire	Operating Transfer
Special Gas Tax	2,160	Bridge	Required Local match for funding
Cap Imp Court House	87,750	General*	Future Capital Costs
Cap Imp Bridge	120,000	Bridge	Future Capital Costs
Cap Imp Weed	10,000	Weed	Future Capital Costs
Cap Imp Road M&E	105,000	Road*	Future Capital Costs
Cap Imp Road Airport	25,000	Airport	Future Capital Costs
Cap Imp Law Enforcement	40,000	Law Enforcement*	Future Capital Costs
Cap Imp Annex	65,000	General*	Future Capital Costs
Cap Imp Cemetery	10,000	Cemetery	Future Capital Costs
Cap Imp Senior Citizen	5,000	Senior Citizen	Future Capital Costs
Cap Imp Fair	9,000	Fair	Future Capital Costs
Cap Imp Fire	50,000	Fire	Future Capital Costs
Total	\$ 533,170		

* Denotes Major Fund

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

9. a. PLAN DESCRIPTION

The County provides its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participating in the County group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other postemployment benefits (OPEB) plan.

9. b. FUNDING POLICY

The County pays OPEB liabilities on a pay as you go basis. A trust fund for future liabilities has not been established.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

9. c. BENEFITS PROVIDED

The County provides healthcare benefits for retirees and their dependents. The County provides the same health care plan to all of its members. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The County covers 95% of the premiums for active employees.

9. d. EMPLOYEES COVERED BY BENEFIT TERMS

At June 30, 2019, the following employees were covered by the benefit terms:

Active employees	39
Inactive employees	1

9. e. TOTAL OPEB LIABILITY

The County's total OPEB liability amounted to \$421,629 at June 30, 2019. The liability was measured as of June 30, 2019 and was determined by an Alternative Measurement Method as of that date.

9. f. ASSUMPTIONS AND OTHER INPUTS

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. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

The total OPEB liability at June 30, 2019 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	1.5%
Discount rate	2.7%
Retiree's share of benefit related costs	100%
Health care cost rate trend:	

<u>Year</u>	<u>% Increase</u>
2019 and after	3%

9. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance at June 30, 2018	\$ 711,320
Prior Period Adjustment for Retrospective Application of GASB 75	<u>0</u>
Balance at July 1, 2018	711,320
Changes for the Year:	
Service Cost (OPEB Expense)	65,037
Interest	19,206
Changes of Benefit Terms	(409,702)
Changes in Assumptions or Other Inputs	120,011
Benefit Payments	<u>(84,243)</u>
Net Changes	<u>(289,691)</u>
Balance at June 30, 2019	<u>\$ 421,629</u>

Changes in benefit terms and assumptions and other inputs are composed of the following:

- Decrease of \$409,702 is due to a change due to decrease in premiums.
- Increase of \$102,011 is due to change in employee demographic from beginning to end of year.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

9. h. SENSITIVITY ANALYSIS

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% lower or 1% higher than the current discount rate:

	1% Decrease (1.70%)	Discount Rate (2.70%)	1% Increase (3.70%)
Total OPEB Liability	\$ 489,622	\$ 421,629	\$ 364,798

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% lower (3.00% decreasing to 2.00%) or 1% higher (3.00% increasing to 4.00%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate 3.00 %	1% Increase
Total OPEB Liability	\$ 355,064	\$ 421,629	\$ 503,142

9. i. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The County did not have deferred outflows or inflows of resources associated with the OPEB liability. The County reported \$1,206 in revenue and \$289,061 in OPEB expense.

NOTE 10. EMPLOYEE RETIREMENT SYSTEM

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

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

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

The Montana Public Employee Retirement Administration (MPERA) prepare their 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, and information about the fiduciary net position and additions to and 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 adhere to all applicable GASB statements.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

10. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The PERS-Defined Benefit Retirement Plan (Defined Benefit plan), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945 and is governed by Title 19, chapters 2 & 3, MCA. This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

The Defined Benefit 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 State Legislature.

10. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

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

Early Retirement:

(actuarially reduced)

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

Second Retirement:

(requires returning to PERS-covered employer or PERS service)

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently .77% effective July 1, 2017);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retire before January 1, 2016 and accumulate at least 2 years additional service credit:
 - A recalculated retirement benefit based on provision in effect after the initial retirement; and
 - GABA starts on the recalculation benefit in the January after receiving the new benefit for 12 months.
- Retire on or after January 1, 2016 and accumulate 5 or more years additional service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting:

5 years of membership service

Member's Highest

Average

Compensation (HAC):

- Hired prior to July 1, 2011:
 - HAC during any consecutive 36 months.
- Hired on or after July 1, 2011:
 - HAC 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 HAC.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

- Monthly Benefit Formula:
- Hired prior to July 1, 2011:
 - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
 - 25 years of membership service or more - 2% of HAC per year of service credit.
 - 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; or
 - 30 years or more of membership service - 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment: After the member has completed 12 full months of retirement, the member’s benefit increases by the following percentage each January, inclusive of other adjustments to the member’s benefit:

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- 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.

10. b. 2. OVERVIEW OF CONTRIBUTIONS

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
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 would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

3. Non-Employer Contributions:

- a. Special Funding
 - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$33,454,182.
- b. Not Special Funding
 - i. The State contributed a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

10. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2018 was determined by taking the results of the June 30, 2017 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 6.3%
- Postretirement Benefit Increases:
 - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage 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 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 and service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

10. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under MCA. The State contributed 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

10. b. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2011 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of June 30, 2018 are summarized below.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

Asset Class	Target Asset	Long-Term	Long-Term
	Allocation	Expected Real Rate of Return Arithmetic Basis	Expected Real Rate of Return
	(a)	(b)	(a) x (b)
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%		4.36%
Inflation			2.75%
Portfolio Return Expectation			7.11%

The long-term expected nominal rate of return of 7.11% is an expected portfolio rate of return provided by Board of Investments, which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a long-term expected real rate of return of 4.36%.

10. b. 6. DEFINED CONTRIBUTION PLAN

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

All new PERS members are initially members of the Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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

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

At the plan level for the measurement period ended June 30, 2018, the Defined Contribution plan employer did not recognize any net pension liability or pension expense for the Defined Contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

10. c. SHERIFFS' RETIREMENT SYSTEM

The Sheriffs' Retirement System (SRS), administered by 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.

10. c. 1. SUMMARY OF BENEFITS

Eligibility for benefit

Service Retirement

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

Early Retirement

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

Second Retirement:

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

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

Vesting

5 years of membership service

Member's highest average compensation

HAC = Highest Average Compensation

Hired prior to July 1, 2011 – HAC is average of the highest 36 consecutive months of compensation paid to members.

Hired on or after July 1, 2011 – HAC is average of the highest 60 consecutive months of compensation paid to members.

Compensation Cap

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

GABA

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

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

10. c. 2. OVERVIEW OF CONTRIBUTIONS

Rates are specified by state law 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
2010-2018	10.495%	13.115%
2010-2017	9.445%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

10. c. 3. STAND-ALONE STATEMENTS

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

10. c. 4. ACTUARIAL ASSUMPTIONS

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

- Investment Return (net of administration expense) 7.65%
- Admin expense as % of Payroll at 0.21%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0.00% to 6.30%
- 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, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables.

10. c. 5. DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members 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 be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

10. c. 6. 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 2011 through 2016, is outlined in a report dated May 2017, 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, 2018, is summarized in the below table.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

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

10. 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 7.65% for PERS and SRS, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
<u>PERS</u>			
Net Pension Liability	\$ 3,018,490,542	\$ 2,087,141,869	\$ 1,322,356,189
County's Net Pension Liability	\$ 2,662,059	\$ 1,840,687	\$ 1,166,209
<u>SRS</u>			
Net Pension Liability	\$ 136,802,579	\$ 75,171,732	\$ 24,701,286
County's Net Pension Liability	\$ 664,497	\$ 365,135	\$ 119,983

10. 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 NPL, Pension Expense, and 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 that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

As of measurement date	NPL		Percent of	Percent of	Change in
	as of 6/30/18	as of 6/30/17	Collective NPL as of 6/30/18	Collective NPL as of 6/30/17	Percent of Collective NPL
<u>PERS</u>					
County Proportionate Share	\$ 1,840,687	\$2,965,824	0.0882%	0.1523%	(0.1100)%
State of Montana Proportionate Share associated with Employer	615,503	38,374	0.1184%	0.1956%	(0.0772)%
Total	<u>\$ 2,456,189</u>	<u>\$3,004,198</u>	<u>0.2066%</u>	<u>0.3478%</u>	<u>(0.1413)%</u>
<u>SRS</u>					
County Proportionate Share	\$ 365,135	\$ 366,229	0.4857%	0.4813%	0.045%

At June 30, 2019, the employer recorded a liability for its proportionate share of the NPL of \$2,456,189 and \$365,135 for PERS and SRS, respectively. At June 30, 2019, the employer's proportion was 0.2066 percent and 0.4857 percent for PERS and SRS, respectively.

The NPL was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

- June 30, 2017 and applying standard roll forward procedures for PERS and SRS. The roll forward procedures uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

	<u>PERS</u>	<u>SRS</u>
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	<p>Effective July 1, 2017, the following assumption changes were used:</p> <ul style="list-style-type: none"> • Lowered the interest rate from 7.75% to 7.65%. • Lowered the inflation rate from 3.00% to 2.75%. • Updated non-disabled mortality to the RP 2000 Combined Employee and Annuitant projected to 2020 using scale BB, males set back one year. • Increased rates of withdrawal. • Lowered the merit component of the total salary increase. • Lowered the wage base component of the total salary increase from 4.00% to 3.50%. • Decreased the administrative expense load from 0.27% to 0.26%. <p>Effective July 1, 2017, the following method changes were used:</p> <ul style="list-style-type: none"> • Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for PERS. This amount will vary from year to year based on the prior year's actual administrative expenses. • To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%. 	<p>There were no changes in actuarial assumptions and other inputs since the previous measurement date.</p>
<u>Changes in benefit terms:</u>	<p>Effective July 1, 2017, the following were benefit changes:</p> <ul style="list-style-type: none"> • Working Retiree Limitation – if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations. • Refunds: <ol style="list-style-type: none"> 1. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum. 2. Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service. 3. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment. • The interest rate credited to member accounts increased from 0.25% to 0.77%. • Lump sum payouts are limited to the member's accumulated contributions rather than the present value of the member's benefit. • Disabled PERS Defined Contribution (DC) Members – PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65. 	<p>There were no changes in benefit terms since the previous measurement date.</p>
<u>Changes in proportionate share:</u>	<p>There were no changes between the measurement date of the collective NPL and the employer's reporting date.</p>	<p>There were no changes between the measurement date of the collective NPL and the reporting date.</p>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

10. f. PENSION EXPENSE

	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
<u>PERS</u> (as of measurement date)		
County's Proportionate Share	\$ (493,920)	\$ (145,490)
Employer Grant Revenue – State of Montana Proportionate Share for employer	41,078	2,046
Employer Grant Revenue – State of Montana State Appropriation for employer	<u>0</u>	<u>42,427</u>
Total	<u>\$ (452,842)</u>	<u>\$ (101,017)</u>
 <u>SRS</u>		
County's Proportionate Share	\$ (17,229)	\$ 14,259

At June 30, 2019, the employer recognized a Pension Expense of \$(452,842) and \$(17,229) for its proportionate share of the PERS and SRS Pension Expense, respectively. The employer also recognized grant revenue of \$x41,078 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.

10. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2019, the employer reported its proportionate share of PERS and SRS deferred outflows of resources and deferred inflows of resources related to PERS and SRS from the following sources:

	<u>PERS</u>		<u>SRS</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 139,972	\$ 0	\$ 20,139	\$ 813
Changes in actuarial assumptions	156,523	0	207,637	345,279
Difference between projected and actual investment earnings	0	28,586	0	10,221
Changes in proportion and differences between actual and expected contributions	0	0	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	1,640,772	0	10,257
Contributions paid subsequent to the measurement date	<u>123,301</u>	<u>0</u>	<u>49,425</u>	<u>0</u>
Total	<u>\$ 419,796</u>	<u>\$ 1,669,357</u>	<u>\$ 277,201</u>	<u>\$ 366,570</u>

* 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 NPL in the year ended June 30, 2019.

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	SRS
	Amount of deferred outflows and deferred inflows recog- nized in future years as an increase or (decrease) to Pension Expense	Amount of deferred outflows and deferred inflows recog- nized in future years as an increase or (decrease) to Pension Expense
2019	\$ (528,825)	\$ (36,802)
2020	(557,291)	(45,490)
2021	(275,001)	(58,328)
2022	(11,746)	1,826
2023	0	0
Thereafter	0	0

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

10. 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	\$ 6,938,134	\$ 2,108,170	\$ 9,046,304
Fiduciary Net Position	5,097,447	1,743,035	6,840,482
Net Pension Liability	1,840,687	365,135	2,205,822
Deferred Outflows of Resources	419,796	277,201	696,997
Deferred Inflows of Resources	1,669,357	366,570	2,035,927

NOTE 11. RELATED PARTY TRANSACTIONS

The County leased two vehicles from two separate employees (lessors). The vehicles were to be available and used for all of the lessors’ job-related duties. The leases were renewed on July 1 and remain in effect unless the lessors terminate their employment with the County or no longer own the leased vehicles. The lessors are responsible for maintenance of the vehicles and the County is responsible for insuring the vehicles. The County paid for the purchase and installation of specialized equipment and, in the event that a lease is not renewed, the County may remove the specialize equipment. The total annual lease payments under each lease amounted \$7,200.

Sweet Grass County purchased various services from the Sweet Grass Tire. The Sweet Grass Tire is owned and operated by the deputy clerk and recorder. During June 30, 2019 the County paid Sweet Grass Tire for services \$50,482.

NOTE 12. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

12. a. 1. INTERLOCAL AGREEMENT FUND

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

<u>Service</u>	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Law Enforcement	\$ 163,235	\$ 184,235	\$189,762	\$189,762	189,762
Law Enforcement Training	9,000	9,000	9,000	9,000	9,000
City Court	18,180	18,500	19,235	19,235	16,305
Court Compliance	6,000	6,000	6,000	6,000	6,000
Sanitarian	5,000	5,000	5,000	5,000	5,000
Planning	15,760	17,260	17,778	17,778	17,778
Addictive disorders	4,200	4,200	4,200	4,200	4,200
County Attorney	0	17,056	17,354	17,658	17,997
Caselogger Software	0	0	200	200	200
Victim/Witness Advocate	0	0	0	5,000	5,000

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2019

NOTE 13. RISK MANAGEMENT

Sweet Grass County is exposed to various types of risk of loss, including:

- Damage to and loss of property and contents
- Employee torts
- Professional liability, e.g., errors and omissions
- Environmental damage
- Workers' compensation, e.g., employee injuries
- 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 (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 (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.

SWEET GRASS COUNTY

SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2019

**OTHER POSTEMPLOYMENT BENEFITS –
CHANGE IN LIABILITY**

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/15	\$ 180,864	\$ 18,586	\$(257,886)	\$(149,444)	\$ (199,450)	\$ (407,330)	\$ 1,867,665	\$ 1,460,335
6/30/16	180,864	18,586	0	0	(199,450)	0	1,460,335	1,460,335
6/30/17	88,820	14,605	(132,919)	(616,096)	(103,425)	(749,015)	1,460,335	711,320
6/30/18	88,820	14,605	0	0	(103,425)		711,320	711,320
6/30/19	65,037	19,206	(409,702)	120,011	(84,243)	(289,691)	711,320	421,629

**OTHER POSTEMPLOYMENT BENEFITS
PAYROLL RATIO**

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/15	\$ 3,374,360	43.28%
6/30/16	3,744,150	39.00%
6/30/17	1,614,141	44.07%
6/30/18	1,584,110	44.90%
6/30/19	1,964,600	21.46%

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

Notes to schedule:

2019 - Changes in benefit terms and assumptions and other inputs are composed of the following:

- Decrease of \$409,702 is due to a change due to decrease in premiums.
- Increase of \$102,011 is due to change in employee demographic from beginning to end of year.

SWEET GRASS COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 (Determined as of the measurement date)
 For the year ended June 30, 2019

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 payroll (d)	Employer's proportionate share of the net pension liability as a percentage of its covered 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%
2017	0.1523%	2,965,824	38,374	3,004,198	1,754,885	169.00%	73.75%
2018	0.0882%	1,840,687	615,503	2,456,189	1,450,367	126.91%	73.47%

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's propor- tionate share of the net pension liability associated with the Employer (a)	Employer's covered payroll (d)	Plan fiduciary net position as a per- centage of the total pension liability
2014	0.4990%	\$ 207,681	\$ 322,735	87.24%
2015	0.4770%	459,825	324,579	75.40%
2016	0.5278%	927,210	372,584	63.00%
2017	0.4813%	366,229	360,081	81.30%
2018	0.4857%	365,135	376,868	82.68%

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, 2019

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in relation to contractually required contributions (c)	Contribution deficiency (excess) (a)+(b)- (c)=(d)	Employer's covered payroll (e)	Contributions as a percentage of covered payroll ((a)+(b))/(e)
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	158,115	0	158,115	0	1,754,885	9.01%
2018	122,846	0	122,846	0	1,450,367	8.47%
2019	123,301	0	123,301	0	1,438,752	8.57%

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Contractually required contributions (a)	Contributions in relation to contractually required contributions (b)	Contribution deficiency (excess) (a)-(b)=(c)	Employer's covered payroll (d)	Contributions as a percentage of covered payroll (a)/(d)
2015	\$ 32,925	\$ 32,925	\$ 0	\$ 324,579	10.14%
2016	38,617	38,617	0	372,584	10.36%
2017	36,422	36,422	0	360,081	10.12%
2018	49,426	49,426	0	376,868	13.11%
2019	49,426	49,426	0	359,553	13.75%

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

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2019

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

1. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) plan provision were made as identified:

2017:

Working Retiree Limitations – for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(As of Measurement Date)
For the year ended June 30, 2019

Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.26%

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

NOTE 2. SHERIFFS' RETIREMENT SYSTEM

2. a. CHANGES OF BENEFIT TERMS

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

2017:

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

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

Second Retirement Benefit – for SRS

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

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

Refunds

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

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
 (As of Measurement Date)
 For the year ended June 30, 2019

Interest credited to member accounts

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

Lump-sum payouts

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

2. b. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2018 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy member)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled member)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2019

	General			Fed Min Roy		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 1,135,398	\$ 1,135,398	\$ 1,157,179	\$ -	\$ -	\$ -
Licenses and permits	400	400	522	-	-	-
Intergovernmental revenues	210,360	210,360	208,934	-	-	162
Charges for services	158,808	158,808	158,260	-	-	-
Fines and forfeitures	34,200	34,200	37,748	-	-	-
Miscellaneous	23,000	23,000	21,920	-	-	-
Investment and royalty earnings	15,000	15,000	29,969	-	-	-
Total Revenues	<u>1,577,166</u>	<u>1,577,166</u>	<u>1,614,532</u>	<u>-</u>	<u>-</u>	<u>162</u>
EXPENDITURES:						
Current:						
General government			1,290,020			-
Public safety			71,580			-
Public works			-			-
Public health			36,635			-
Social and economic services			4,500			-
Miscellaneous			26,730			-
Capital Outlay			-			-
Total Expenditures	<u>1,554,056</u>	<u>1,554,056</u>	<u>1,429,465</u>	<u>6,147</u>	<u>6,147</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,110</u>	<u>23,110</u>	<u>185,067</u>	<u>(6,147)</u>	<u>(6,147)</u>	<u>162</u>
OTHER FINANCING SOURCES (USES):						
Insurance Proceeds			-			-
Fund Transfers (Out)	(152,750)	(152,750)	(152,750)			-
Total Other Financial Sources (Uses)	<u>(152,750)</u>	<u>(152,750)</u>	<u>(152,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(129,640)</u>	<u>(129,640)</u>	<u>32,317</u>	<u>(6,147)</u>	<u>(6,147)</u>	<u>162</u>
FUND BALANCE:						
Beginning of the Year			683,618			6,148
Change in inventories			-			-
End of the Year			<u>\$ 715,935</u>			<u>\$ 6,310</u>

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, 2019

	PILT			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ -	\$ -	\$ -	\$ 615,266	\$ 615,266	\$ 620,259
Licenses and permits	-	-	-	500	500	825
Intergovernmental revenues	400,000	400,000	584,105	105,238	105,238	222,605
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	254	-	-	2,090
Investment and royalty earnings	10,000	-	26,716	-	-	-
Total Revenues	410,000	400,000	611,075	721,004	721,004	845,779
EXPENDITURES:						
Current:						
General government			73,166			-
Public safety			-			-
Public works			64,875			452,678
Public health			-			-
Social and economic services			-			-
Miscellaneous			-			8,632
Capital Outlay			82,313			31,000
Total Expenditures	2,423,942	2,423,942	220,354	852,077	852,077	492,310
Excess (Deficiency) of Revenues Over Expenditures	(2,013,942)	(2,023,942)	390,721	(131,073)	(131,073)	353,469
OTHER FINANCING SOURCES (USES):						
Insurance Proceeds			-			-
Fund Transfers (Out)			-	(105,000)	(105,000)	(105,000)
Total Other Financial Sources (Uses)	-	-	-	(105,000)	(105,000)	(105,000)
Net Change in Fund Balance	(2,013,942)	(2,023,942)	390,721	(236,073)	(236,073)	248,469
FUND BALANCE:						
Beginning of the Year			2,043,761			733,674
Change in inventories			-			(28,890)
End of the Year			\$ 2,434,482			\$ 953,253

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, 2019

	Law Enforcement			Metal Mines		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 702,887	\$ 702,887	\$ 708,161	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	63,558	63,558	63,873	250,000	250,000	465,084
Charges for services	212,962	212,962	209,754	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	3,294	-	-	-
Investment and royalty earnings	2,000	-	4,203	20,000	20,000	37,392
Total Revenues	<u>981,407</u>	<u>979,407</u>	<u>989,285</u>	<u>270,000</u>	<u>270,000</u>	<u>502,476</u>
EXPENDITURES:						
Current:						
General government			-			-
Public safety			859,417			-
Public works			-			-
Public health			-			-
Social and economic services			-			-
Miscellaneous			17,546			-
Capital Outlay			-			-
Total Expenditures	<u>1,009,271</u>	<u>1,009,271</u>	<u>876,963</u>	<u>2,564,432</u>	<u>2,564,432</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(27,864)</u>	<u>(29,864)</u>	<u>112,322</u>	<u>(2,294,432)</u>	<u>(2,294,432)</u>	<u>502,476</u>
OTHER FINANCING SOURCES (USES):						
Insurance Proceeds			6,929			-
Fund Transfers (Out)	(40,000)	(40,000)	(40,000)			-
Total Other Financial Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(33,071)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(67,864)</u>	<u>(69,864)</u>	<u>79,251</u>	<u>(2,294,432)</u>	<u>(2,294,432)</u>	<u>502,476</u>
FUND BALANCE:						
Beginning of the Year			375,822			2,303,541
Change in inventories			-			-
End of the Year			<u>\$ 455,073</u>			<u>\$ 2,806,017</u>

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

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the year ended June 30, 2019

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted in accordance with Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (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 for which a legal budget must be adopted to have expenditures as noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual has been prepared on the modified accrual basis of accounting and contains financial information for only the major and special revenue budgeted funds.

1. a. 2 BUDGET OPERATIONS

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

- 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.
- Local government officials may not make a disbursement or expenditure, or incur an obligation, in excess of the total budgeted appropriations for a fund.
- 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.
- The governing body and each municipal city or town are legally limited to the amount of appropriations and to the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities, except where appropriations have been adjusted according to procedures authorized by the governing body for:
 - Debt service funds for obligations related to debt approved by the governing body
 - Trust funds for obligations authorized by trust covenants
 - Any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body
 - Any fund for special assessments approved by the governing body
 - The proceeds from the sale of land
 - Any fund for gifts or donations
 - Money borrowed during the fiscal year
- 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 until the tax levy is authorized and approved.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTE 2. BUDGET AMENDMENT

The County approved the following budget amendments to increase the FY 2018-2019 expenditure budgets:

<u>Fund</u>	<u>Amendment</u>	<u>Source of previously unbudgeted funds</u>
Mental Health	\$ 500	Additional revenue received
Search & Rescue	23,000	Unexpected donations
Posted Bonds	100	Unexpected revenues
Garnishments	22,057	Unexpected revenues
2019 Urban Spurge	20,114	Grant awarded after budget adopted
McLeod Area	25,000	Grant awarded after budget adopted
Mendenhall Fire	27,090	Grant awarded after budget adopted
2019 Boulder	25,000	Grant awarded after budget adopted
Law Enf RAC Grant	1,197	Grant awarded after budget adopted
TSEP PER Fund	<u>1</u>	Residual cash
*denotes major fund	<u>\$ 144,059</u>	

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (continued)
 For the year ended June 30, 2019

NOTE 3. 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 Fed Min Roy	Total General Fund
Revenues:				
Taxes/assessments	\$ 1,157,179	\$ 0	\$ 0	\$ 1,157,179
Licenses and permits	522	0	0	522
Intergovernmental revenues	208,934	584,105	162	793,201
Charges for services	158,260	0	0	158,260
Fines and forfeitures	37,748	0	0	37,748
Miscellaneous	21,920	254	0	22,174
Investment and royalty earnings	<u>29,969</u>	<u>26,716</u>	<u>0</u>	<u>56,685</u>
Total Revenues	<u>1,614,532</u>	<u>611,075</u>	<u>162</u>	<u>2,225,769</u>
Expenditures:				
General government	1,290,020	73,166	0	1,363,186
Public safety	71,580	0	0	71,580
Public works	0	64,875	0	64,875
Public health	36,635	0	0	36,635
Social and economic services	4,500	0	0	4,500
Miscellaneous	26,730	0	0	26,730
Capital Outlay	<u>0</u>	<u>82,313</u>	<u>0</u>	<u>82,313</u>
Total Expenditures	<u>1,429,465</u>	<u>220,354</u>	<u>0</u>	<u>1,649,819</u>
Excess (Deficiency) of Revenues over Expenditures	185,067	390,721	162	575,950
Other Financing Sources and Uses:				
Fund Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Fund Transfers (Out)	<u>(152,750)</u>	<u>0</u>	<u>0</u>	<u>(152,750)</u>
Total Other Financing Sources and Uses	<u>(152,750)</u>	<u>0</u>	<u>0</u>	<u>(152,750)</u>
Net Changes in Fund Balances	32,317	390,721	162	423,200
Fund Balance:				
Beginning of the Year	<u>683,618</u>	<u>2,043,761</u>	<u>6,148</u>	<u>2,733,527</u>
End of the Year (GAAP)	<u>\$ 715,935</u>	<u>\$ 2,434,482</u>	<u>\$ 6,310</u>	<u>\$ 3,156,727</u>

In the General sub-funds combining schedule above, the General fund, Fed Min Roy fund 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 Fed Min Roy funds are maintained as separate funds for accounting purposes. However, for external financial reporting purposes, they are added to the General fund because they, like the General fund, have unassigned fund balance(s).

On the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, all budgeted major governmental funds display budgeted information for the General and major special revenue funds of the County.



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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, each major fund, and the aggregate remaining fund information of Sweet Grass County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Sweet Grass County's basic financial statements and have issued our report thereon dated March 2, 2020.

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 opinion 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 or significant deficiencies. However, material weaknesses or significant deficiencies 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, PC
Billings, Montana
March 2, 2020

SWEET GRASS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2019

Prior year findings/status

There were no findings or recommendations in the prior audit report.

Current year findings

There were no findings or recommendations for the fiscal year ended June 30, 2019.