

SWEET GRASS COUNTY

BIG TIMBER, MONTANA

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2020

Strom & Associates, P. C.

PO BOX 1980

Billings, Montana 59103

SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

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SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

William Wallace County Commissioner
James V Moody County Commissioner
Melanie Roe County Commissioner

OFFICIALS

Vera Pederson Clerk & Recorder
Charlene Rasnick Treasurer
Jessie Connolly Justice/County Court Judge
Barb Swanson Clerk of District Court
Pat Dringman County Attorney
Alan Ronneberg Sheriff/Coroner
Susan Metcalf Superintendent of Schools
Elaine Allstad Public Administrator
Vicki Uehling Finance Officer

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, 2020. 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, 2020, by \$19,256,472 (total net position). Of this amount, \$401,616 represents unrestricted net position. In previous years this amount has been negative. When preparing the assumptions of the GASB 45 recording of Other Post Employment Benefits (OPEB), it was discovered that the question regarding the percentage of health insurance the county paid for retirees had been answered incorrectly since the recording of OPEB began. The question had been answered that the county paid 90% of the retiree's health insurance premium, when, in fact, that percentage should be zero. The county allows retirees to stay on our health plan but does not cover any of the cost.

At the close of the current fiscal year, Sweet Grass County’s governmental funds reported combined fund balances of \$13,964,566, an increase of \$2,350,490 in comparison with the prior year. Approximately 26% 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 53% of the total general fund expenditures.

Sweet Grass County is home to Sibanye Stillwater Mining Company - East Boulder Mine (SSMC). The company mines platinum and palladium and is the world’s 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.

There is currently a county-wide 25-mill voted tax levy for the Pioneer Medical Center (PMC), with the very original vote occurring in FY 2003. The chart below shows the history of the levy. At the end of FY2016 the PMC branched off on its own as a 501c3 corporation. The county began accounting for their taxes in the new fund 2235 PMC Facility. The county made bond payments and liability insurance payments from the tax proceeds, with the remainder of the money being given to the PMC. The bonds/loans are paid in full as of June 30, 2020. From this point on the county will only retain what is needed for insurance with the remainder being disbursed to the PMC.

History of the PMC Mill Levy

Fiscal Year	Levy	Taxable Value	Total Taxes	
2003				voted in FY 2003 levy to begin FY 2004; 2 years only
2004	25	\$ 13,060,900	\$ 326,522.50	
2005	25	\$ 16,488,014	\$ 412,200.35	voted in FY 2005 levy to begin FY 2006, 2007, 2008, 2009, 2010
2006	25	\$ 14,640,510	\$ 366,012.75	PMC and ambulance combined 7/1/2006
2007	25	\$ 15,806,560	\$ 395,164.00	
2008	25	\$ 17,252,550	\$ 431,313.75	
2009	25	\$ 17,664,927	\$ 441,623.18	voted in FY 2009 levy to begin FY 2010, 2011, 2012, 2013, 2014 (voted on one year early)
2010	50	\$ 17,141,634	\$ 857,081.70	1 year only additional 25 mills
2011	25	\$ 16,091,971	\$ 402,299.28	
2012	25	\$ 16,389,565	\$ 409,739.13	
2013	25	\$ 17,533,500	\$ 438,337.50	
2014	25	\$ 17,258,261	\$ 431,456.53	voted in FY 2014 levy to begin FY 2015, 2016, 2017, 2018, 2019
2015	25	\$ 17,451,289	\$ 436,282.23	
2016	25	\$ 18,927,609	\$ 473,190.23	

SWEET GRASS COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

2017	25	\$	17,866,541	\$	446,663.53	PMC became non-profit and separated from the county 7/1/2016
2018	25	\$	18,859,074	\$	471,476.85	
2019	25	\$	20,889,071	\$	522,226.78	voted in fy 2019 levy to begin fy 2020, 2021, 2022, 2023, 2024
2020	25	\$	22,630,881	\$	565,772.03	

In March, 2020 the Covid-19 virus became a very real health emergency. In Sweet Grass County our first diagnosed case did not occur until July 14th. In FY 2020 there were some increased costs to the county in the form of sanitizing items (wipes, hand sanitizer, masks, etc.). Non-essential employees were placed on administrative leave (with pay) during the month of April to help limit the spread.

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

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

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

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

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

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

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

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; however, *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.

The county will comply with GASB 84 for FY 2021. The GASB summary states "The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported".

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.

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 \$19,256,472 at June 30, 2020 as compared to \$15,727,737 at June 30, 2019; an increase of \$3,528,735.

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Net Position	Governmental Activities		
	FY 19	FY20	Change Inc(Dec)
Current & other assets	\$ 11,793,208	\$ 14,164,191	\$ 2,370,983
Restricted Assets			
Capital assets	\$ 8,453,889	\$ 8,651,605	\$ 197,716
Total assets	\$ 20,247,097	\$ 22,815,796	\$ 2,568,699
DEFERRED OUTFLOW OF RESOURCES	\$ 696,997	\$ 529,859	\$ (167,138)
Current Liabilities	\$ 390,640	\$ 213,666	\$ (176,974)
Long Term Liabilities	\$ 2,789,790	\$ 2,587,966	\$ (201,824)
Total Liabilities	\$ 3,180,430	\$ 2,801,632	\$ (378,798)
Deferred Inflows of Resources	\$ 2,035,927	\$ 1,287,551	\$ (748,376)
Net Position:			
Net investment in capital assets	\$ 8,407,488	\$ 8,614,484	\$ 206,996
Restricted	\$ 8,513,060	\$ 10,280,954	\$ 1,767,894
Unrestricted (deficit)	(1,192,811)	\$ 361,034	\$ 1,553,845
Total Net Position	\$ 15,727,737	\$ 19,256,472	\$ 3,528,735

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, **\$10,240,373** represents resources that are subject to external restrictions on how they may be used. Of this amount, **\$401,616** represents unrestricted net position.

At the end of the current fiscal year, Sweet Grass County is able to report positive balances in all restricted and unrestricted categories of net position.

Sweet Grass County's overall change in net position increased by **\$3,528,735** from fiscal year 2019. 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 **\$15,727,737** in FY19 to **\$19,256,472** in FY 20, an increase of **\$3,528,735**.

Increases to Revenues:

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

- State and federal shared revenues increased primarily due to an increase in production at Sibanye Stillwater Mine. This results in the mine paying more in gross proceeds taxes which 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.

- We budget interest earnings very conservatively and have enjoyed rates averaging 2.8% on our certificates of deposit (cd's) and with the State of Montana STIP (Short Term Investment Program). It should be noted that many of our cd's will be maturing in the next fiscal year and interest rates have reduced by approximately 80% primarily due to the Covid-19 health crisis which began in March 2020.

1. The Clerk and Recorder received two grants to purchase election equipment \$22,000
2. The airport received \$437,000 in FAA grant funds to rebuild a perimeter fence, pave the runway, and purchase a snow plow
3. The weed department has numerous weed grants that were all renewed. These grants are a match grant with land owners. The land owner pays the full amount to spray their weeds and the grant will reimburse them up to 50% of eligible costs.
4. The county has partnered with Tumblewood Teas, a local tea distribution company, for a planning grant through the Montana Department of Commerce Big Sky Trust Fund (BSTF). This grant of \$15,097 is for the planning stage of a new business venture for the company. The county is considered the grantee and we in turn reimburse Tumblewood 50% of their planning costs that we receive from BSTF. The county is participating in this program as a way to help a local business.

Changes in Expenditures:

The County Commissioners created a new community health department whose mission is to connect clients with needed mental health services. This is budgeted through mental health (fund 2271) and alcohol rehab (fund 2800). Budgets in these two funds changed from \$24,627 in FY 19 to \$65,467 in FY 20. Two part time people were hired to staff this department.

The County Commissioners were approached in FY20 by the board of the senior citizens center (aka Hospitality House) for assistance in making their match to Area II on Aging, which provides money to purchase food for meals that are served and delivered at the senior center. The commissioners approved the \$8,600 increase in expenditures in fund 2280.

1. Coinciding with the revenue side, the expenditures for the Clerk and Recorder's election budget increased from \$13,914 in FY 19 to \$47,716 in FY 20.
2. It was necessary to install a new boiler system at the courthouse for \$28,000.
3. A new line item in the general fund was created to track Covid-19 related supplies (1000.000.600.411800.222).
4. The parking lot around the courthouse and the weed department building was paved for \$65,704.
5. With the help of Special Gas Tax money (fund 2281) the county replaced a bridge on Swamp Creek Road for \$62,000
6. Engineering work began on the replacement of the Old Boulder Bridge. The bridge will be completed in the fall of 2020. Costs during FY20 are \$122,000

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

Sweet Grass County's Change in Net Position

Changes in Net Position	Governmental Activities		
Revenues			
<i>Program revenues (by major source)</i>	FY19	FY20	Change Inc(Dec)
Charges for services	\$ 606,037	\$ 599,538	\$ (6,499)
Operating grants & contributions	\$ 507,481	\$ 489,438	\$ (18,043)
Capital grants and contributions	\$ 122,404	\$ 619,478	\$ 497,074
<i>General revenues (by major source)</i>			\$ -
Property taxes for general purposes	\$ 4,490,422	\$ 4,822,165	\$ 331,743
Local option tax	\$ 209,472	\$ 214,568	\$ 5,096
Licenses and permits	\$ 2,707	\$ 3,892	\$ 1,185
Federal/State Shared Revenues	\$ 1,665,772	\$ 1,907,289	\$ 241,517
Miscellaneous	\$ 83,307	\$ 156,278	\$ 72,971
Gain/Loss on Sale of Assets	\$ -	\$ 16,153	\$ 16,153
Interest/investment earnings	\$ 138,704	\$ 191,871	\$ 53,167
Insurance Proceeds	\$ 8,168	\$ -	\$ (8,168)
Other	\$ -	\$ 1,381	\$ 1,381
Total revenues	\$ 7,834,474	\$ 9,022,051	\$ 1,186,196
Program expenses			
General government	\$ 1,313,282	\$ 1,196,732	\$ (116,550)
Public safety	\$ 1,443,415	\$ 1,472,982	\$ 29,567
Public works	\$ 1,447,746	\$ 1,597,160	\$ 149,414
Public health	\$ 564,318	\$ 730,355	\$ 166,037
Social and economic services	\$ 96,997	\$ 120,851	\$ 23,854
Culture and recreation	\$ 133,445	\$ 132,796	\$ (649)
Housing and community development	\$ 101,951	\$ 65,955	\$ (35,996)
Miscellaneous	\$ 148,446	\$ 153,693	\$ 5,247
Debt service - interest	\$ 18,810	\$ 6,133	\$ (12,677)
Total expenses	\$ 5,268,410	\$ 5,476,657	\$ 208,247
Increase (decrease) in net position	\$ 2,566,064.00	\$ 3,545,394.00	\$ 977,949.00

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

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

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, 2020, Sweet Grass County's governmental funds reported combined funds balances of **\$13,964,566**, an increase of **\$2,350,490** in comparison with the adjusted fund balance from **FY19**. Approximately **27%** of this amount (**\$3,724,192**) 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 (**\$143,884**), or 2) restricted for a particular purpose (**\$10,096,489**).

The general fund is the chief operating fund of Sweet Grass County. At the end of **FY20**, unassigned fund balance of the general fund was **\$3,724,192**, while total fund balance increased to **\$13,964,565**. 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 **\$567,465** during **FY20**.

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

2235 PMC Facility - \$125,653 cash balance not included in budget

2387 Tumblewood Tea - established fund for grant with Department of Commerce for \$15,097

2711 Search & Rescue - increased machinery & equipment expenditure budget by \$15,000, received a grant from Sweet Grass Community Foundation

2713 Sheriff Posted Bonds - increased expenditure budget by \$2,790, sufficient additional revenues to cover change

2844 McLeod-Mendenhall - expenditure budget increased to \$50,000 due to grant being approved after budgets were adopted

2847 2020 Boulder - expenditure budget increased to \$52,000 due to grant being approved after budgets were adopted

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 \$115,030 but actual revenue received was \$191,871. The commissioners budget very conservatively for interest revenues.
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 \$108,857 for FY 2020.
4. Metal Mine Trust revenue increased due to an increase in production at Sibayne Stillwater Mine. We anticipated \$390,000 but actually received \$673,314.

There are multiple construction-in-progress projects

1. Replacement of the Old Boulder Bridge anticipated to be completed in the fall of 2020 with an anticipated budget \$,1,090,426
2. A second Dodge Durango was purchased as a replacement vehicle for the sheriff department but is not available for use until all the equipment has been installed on it.

SWEET GRASS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2020

3. The weed building is being remodeled on the west side for a new entry way and also the replacement of the windows on the west side.
4. The airport fencing and paving projects have not been 100% completed at the end of FY 2020
5. The replacement of the boiler in the courthouse was not 100% completed at the end of FY 2020.

New purchases and building remodels include:

1. Election system purchases \$18,890
2. Audio visual system for extension conference room \$7,382
3. Senior Center remodel \$9,624
4. Water truck for fire department \$45,000
5. 2012 Honda 4-wheeler for weed department \$7,520
6. 2020 Ford F350 crew cab for road department \$40,142
7. 2020 Dodge Durango #1 for sheriff department, total cost with equipment \$47,993
8. 2019 Dodge Ram for sheriff department, total cost with equipment \$39,655
9. 2008 Ford F550 Quick Attach for fire department, \$51,000
10. 2020 Ford F150 Supercrew for fire department. \$41,737
11. Swamp Creek Bridge replacement \$117,362
12. 1994 RGN Trailer and 2008 Volvo Tractor donated to fire department from military, approximate value of both \$50,500

Assets sold include:

1. Fire department sold 2000 Ford "Fire 7" \$5,101
2. Airport sold 1982 IH Snowplow \$2,150

Long-term debt. As of June 30, 2020 the County had total outstanding bank debt of \$37,121.60; compensated absences \$218,191.61; Other Post-Employment Benefits (OPEB) \$202,675.00; Pension liability \$2,196,231.00.

No new debt was entered into during FY 2020.

The following statistics are from the most recent data cited:

The latest unemployment rate as of September 2020 for Sweet Grass County is 2.8% compared to a state-wide average of 5.3%.

The major employers in the county are Sibanye-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 2020 fiscal year.

The FY 2020 budget reflects 2020 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.

Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

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 information of the Sweet Grass County as of and for the year ended June 30, 2020, 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; 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 information of Sweet Grass County as of June 30, 2020, 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 require that the Management's Discussion and Analysis (pages 3-10), 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 December 7, 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 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
December 7, 2020

STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 13,795,115
Taxes Receivable	52,213
Due from Other Governments	172,979
Inventories	<u>143,884</u>
Total Current Assets	<u>14,164,191</u>
Noncurrent Assets:	
Capital Assets:	
Land	162,723
Construction in Progress	467,077
Net Depreciable Assets	<u>8,021,805</u>
Total Noncurrent Assets	<u>8,651,605</u>
Total Assets	<u>22,815,796</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	<u>529,859</u>
Total Deferred Outflows of Resources	<u>529,859</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 23,345,655</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	3
Accrued Payroll	147,410
Current Portion of Compensated Absences	56,973
Current Portion of Long-term Capital Obligations	<u>9,280</u>
Total Current Liabilities	<u>213,666</u>
Noncurrent Liabilities:	
Compensated Absences	161,219
Net Pension Accrual	2,196,231
Other Postemployment Benefits	202,675
Long-term Capital Debt Obligations	<u>27,841</u>
Total Noncurrent Liabilities	<u>2,587,966</u>
Total Liabilities	<u>2,801,632</u>
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	<u>1,287,551</u>
Total Deferred Inflows of Resources	<u>1,287,551</u>
NET POSITION:	
Net Investment in Capital Assets	8,614,484
Restricted	10,280,954
Unrestricted (Deficit)	<u>361,034</u>
Total Net Position	<u>19,256,472</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 23,345,655</u>

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	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	\$ 1,402,995	\$ 250,110	\$ 27,642	\$ -	\$ (1,125,243)
Public safety	1,478,685	287,196	127,973	-	(1,063,516)
Public works	1,619,873	32,087	282,974	568,978	(735,834)
Public health	730,779	14,317	10,580	-	(705,882)
Social and economic services	121,361	-	-	-	(121,361)
Culture and recreation	132,796	5,855	-	-	(126,941)
Housing and community development	65,955	9,973	-	-	(55,982)
Miscellaneous	(65,261)	-	-	50,500	115,761
Debt service:					
Interest and Other Charges	6,133	-	-	-	(6,133)
Total Governmental Operations	<u>5,493,316</u>	<u>599,538</u>	<u>449,169</u>	<u>619,478</u>	<u>(3,825,131)</u>
Total Primary Government	<u>\$ 5,493,316</u>	<u>\$ 599,538</u>	<u>\$ 449,169</u>	<u>\$ 619,478</u>	<u>\$ (3,825,131)</u>
GENERAL REVENUES:					
Taxes/Assessments					4,822,165
Local Option Taxes					214,568
Licenses and Permits					3,892
Federal/State Shared Revenues					1,907,289
Miscellaneous					196,547
Investment and Royalty Earnings					191,871
Other					1,381
Gain (loss) on Sale of Assets					16,153
Total General Revenues					<u>7,353,866</u>
Change in Net Position					3,528,735
NET POSITION:					
Beginning of the Year					15,727,737
End of the Year					<u>\$ 19,256,472</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	MAJOR					Total Governmental Funds
	General	Road	Law Enforcement	Hard Rock Mine Trust	Other Governmental Funds	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 3,734,882	\$ 1,067,417	\$ 474,242	\$ 3,479,331	\$ 5,039,243	\$ 13,795,115
Taxes Receivable	11,632	6,226	7,100	-	27,255	52,213
Interfund Receivable	32,521	-	-	-	-	32,521
Due from Other Governments	6,582	-	11,343	-	155,054	172,979
Inventories	-	143,884	-	-	-	143,884
Total Assets	3,785,617	1,217,527	492,685	3,479,331	5,221,552	14,196,712
DEFERRED OUTFLOWS OF RESOURCES:						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 3,785,617	\$ 1,217,527	\$ 492,685	\$ 3,479,331	\$ 5,221,552	\$ 14,196,712
LIABILITIES:						
Current Liabilities:						
Unearned Revenue	3	-	-	-	-	3
Interfund Payable	-	-	-	-	32,521	32,521
Accrued Payroll	49,790	11,351	35,877	-	50,392	147,410
Total Liabilities	49,793	11,351	35,877	-	82,913	179,934
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Property Taxes Receivable	11,632	6,226	7,100	-	27,255	52,213
Total Deferred Inflows of Resources	11,632	6,226	7,100	-	27,255	52,213
FUND BALANCE (DEFICITS):						
Nonspendable	-	143,884	-	-	-	143,884
Restricted	-	1,056,066	449,708	3,479,331	5,111,384	10,096,489
Unassigned	3,724,192	-	-	-	-	3,724,192
Total Fund Balance	3,724,192	1,199,950	449,708	3,479,331	5,111,384	13,964,565
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,785,617	\$ 1,217,527	\$ 492,685	\$ 3,479,331	\$ 5,221,552	\$ 14,196,712
RECONCILIATION TO THE STATEMENT OF NET POSITION						
Total Fund Balance Reported Above						\$ 13,964,565
Unavailable Property Taxes Receivable						52,213
Governmental Capital Assets						8,651,605
Employer Pension Plan Related						529,859
Long-term Liabilities						
Long-term Capital Obligations						(37,121)
Compensated Absences						(218,192)
Net Pension Accrual						(2,196,231)
Other Postemployment Benefits						(202,675)
Employer Pension Plan Related						(1,287,551)
Net Position of Governmental Activities						\$ 19,256,472

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, 2020

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Road	Law Enforcement	Hard Rock Mine Trust		
REVENUES:						
Taxes/assessments	\$ 1,299,042	\$ 631,321	\$ 660,633	\$ -	\$ 2,443,369	\$ 5,034,365
Licenses and permits	472	2,175	-	-	1,245	3,892
Intergovernmental revenues	825,714	216,303	65,021	615,724	1,212,647	2,935,409
Charges for services	164,938	-	230,886	-	79,936	475,760
Fines and forfeitures	43,342	-	-	-	1,435	44,777
Miscellaneous	98,076	641	1,344	-	126,626	226,687
Investment and royalty earnings	72,111	-	5,193	57,590	56,977	191,871
Total Revenues	<u>2,503,695</u>	<u>850,440</u>	<u>963,077</u>	<u>673,314</u>	<u>3,922,235</u>	<u>8,912,761</u>
EXPENDITURES:						
Current:						
General government	1,445,751	-	-	-	344,840	1,790,591
Public safety	64,268	-	911,725	-	380,706	1,356,699
Public works	55,311	404,428	-	-	715,196	1,174,935
Public health	36,739	-	-	-	459,825	496,564
Social and economic services	1,000	-	-	-	106,508	107,508
Culture and recreation	-	-	-	-	107,098	107,098
Housing and community development	-	-	-	-	65,955	65,955
Miscellaneous	26,379	7,656	17,771	-	101,887	153,693
Debt service:						
Principal	-	-	-	-	210,505	210,505
Interest and Other Charges	-	-	-	-	6,133	6,133
Capital Outlay	59,032	-	-	-	1,049,712	1,108,744
Total Expenditures	<u>1,688,480</u>	<u>412,084</u>	<u>929,496</u>	<u>-</u>	<u>3,548,365</u>	<u>6,578,425</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>815,215</u>	<u>438,356</u>	<u>33,581</u>	<u>673,314</u>	<u>373,870</u>	<u>2,334,336</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	7,721	-	8,432	16,153
Fund Transfers In	-	-	1,198	-	1,502,184	1,503,382
Fund Transfers (Out)	(247,750)	(175,000)	(47,865)	-	(1,032,767)	(1,503,382)
Total Other Financial Sources (Uses)	<u>(247,750)</u>	<u>(175,000)</u>	<u>(38,946)</u>	<u>-</u>	<u>477,849</u>	<u>16,153</u>
Net Change in Fund Balance	567,465	263,356	(5,365)	673,314	851,719	2,350,489
FUND BALANCE:						
Beginning of the Year	3,156,727	953,253	455,073	2,806,017	4,259,665	11,630,735
Change in Inventory	-	(16,659)	-	-	-	(16,659)
End of the Year	<u>\$ 3,724,192</u>	<u>\$ 1,199,950</u>	<u>\$ 449,708</u>	<u>\$ 3,479,331</u>	<u>\$ 5,111,384</u>	<u>\$ 13,964,565</u>

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

Sweet Grass County
 Big Timber, Montana 59011

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, 2020

Net Changes in Fund Balance	\$	2,350,489
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Capital Contributions	50,500	
Increase (Decrease) in Taxes Receivable	2,368	
State Pension Aid	<u>40,269</u>	93,137
Revenues Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Sale of Capital Assets	<u>16,153</u>	(16,153)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(961,528)	
Actuarial Pension Expense	550,560	
Changes in Inventory	(16,659)	
(Increase) Decrease in Other Postemployment Benefits	218,954	
(Increase) Decrease in Compensated Absence Liability	<u>(25,548)</u>	(234,221)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	1,108,744	
Gain (Loss) on Sale of Assets	16,153	
Principal Payments on Debt	<u>210,586</u>	<u>1,335,483</u>
Change in net Position Reported on the Statement of Activities	\$	<u>3,528,735</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Investment Trust Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,617,390	\$ 969,335
Taxes receivable	-	66,421
Total Assets	<u>\$ 3,617,390</u>	<u>\$ 1,035,756</u>
LIABILITIES:		
Current liabilities:		
Due to others	-	1,035,756
Total Liabilities	-	<u>\$ 1,035,756</u>
NET POSITION:		
Held in trust for pooled investments	<u>3,617,390</u>	
Total Net Position	<u>\$ 3,617,390</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020

	Investment Trust Funds
ADDITIONS:	
Contributions to investment trust	\$ 2,113,655
Investment and royalty earnings	49,876
Total Additions	<u>2,163,531</u>
DEDUCTIONS:	
Expenses of investment funds	1,451,499
Total Deductions	<u>1,451,499</u>
Change in net position	712,032
NET POSITION:	
Beginning of the year	<u>2,905,358</u>
End of the year	<u>\$ 3,617,390</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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of 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), as applied to governmental units. The County applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the end of fiscal year 2020, the County adopted the following GASB Statements:

- GASB Statement No. 92 – *Omnibus*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The County determined that this Statement does not significantly affect its financial reporting. The County plans to follow the guidance in this Statement as it is applicable to financial reporting of the County.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The County determined that this Statement does not significantly affect its financial reporting. The County does not have any derivative instruments but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships*. This Statement establishes guidance for the various aspects of Public-Private and Public-Public Partnerships (PP&Ps) and Availability Payment Arrangements (APAs). The County determined that this Statement does not significantly affect its financial reporting. The County does not have any PP&Ps or APAs but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement changed the effective dates to June 15, 2019, except for GASB 87 which is effective for reporting periods beginning after December 15, 2021.

The following is a listing of GASB Statements which have been issued and the County's 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. 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 reviewed all funds in the fiduciary funds maintained to ensure they are correctly reported as per this Statement.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

- 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 June 15, 2021. The County plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The County plans to implement this Statement once it has identified how it affects the County and has reviewed the Q&A on this Statement.
- GASB Statement No. 97 – *Subscription-Based Information Technology Arrangements*. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and some elements are effective for reporting period beginning after June 15, 2021. The County plans to implement this Statement once it has identified how it affects the County and has reviewed the Q&A on this Statement.

Services Provided: 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.

Incorporation: 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 (primary government). 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 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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

The Statement of Activities reports the direct expenses of a given governmental 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. 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 – collections that occur after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Major fund determination - GASB Statement No. 34 requires the General fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental 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)

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

The County reports the following major governmental funds:

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

- 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 impact plan for 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.

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.

Clearing Funds – 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 items. 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.

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 are collected by the 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 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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

1. c. 3. INVENTORIES

Materials and supplies inventory are carried in an inventory account at average cost and are subsequently charged to expenditures when consumed (using the consumption method). 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	10 – 60 years
Buildings	10 – 75 years
Building Improvements	10 – 75 years
Machinery & Equipment	3 – 50 years
Infrastructure	10 – 50 years

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

In addition to assets, the Statement of Financial Position reports a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (e.g., expense/expenditure) until that time.

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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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, 2020, the amount expected to be paid within one year related to governmental activities amounted to \$56,973 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:

- Nonspendable – 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.

At June 30, 2020, fund balance components other than unassigned fund balance were as follows:

<u>Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>
General Government	\$ 0	\$ 654,194
Public Safety	0	985,592
Public Works	143,884	5,091,073
Public Health	0	28,866
Social and Economic Services	0	63,402
Culture and Recreation	0	75,346
Housing and Community Development	0	660,452
Future Capital Costs	0	2,489,658
Debt Service	0	47,906
Total	<u>\$ 143,884</u>	<u>\$10,096,489</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, 2020, cash and cash equivalents for governmental activities and fiduciary funds were as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 13,795,115</u>	<u>\$ 4,586,725</u>	<u>\$ 18,381,840</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

The carrying amounts of cash on hand, deposits, and investments at June 30, 2020 were as follows:

	<u>Amount</u>
Cash on Hand	\$ 2,692
Demand Accounts	1,840,388
Time Deposits	6,968,147
Money Market Funds	350,785
STIP	<u>9,219,828</u>
Total	<u>\$ 18,381,840</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. On June 30, 2020, the County’s bank balances were exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value June 30, 2020</u>
Covered by Depository Insurance	\$ 1,437,758
Collateral Held by the Pledging Bank’s Trust Department but not in the Entity’s Name	7,382,825
Uninsured and Uncollateralized	<u>619,659</u>
Total Bank Balance	<u>\$ 9,440,242</u>

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 and locked into a guaranteed rate of return and 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:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

- 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 or on web at <http://investmentmt.com/AnnualReportsAudits>

2. b. EXTERNAL INVESTMENT POOL

The County invests on behalf of most County funds and external participants in accordance with the County’s investment policy and Montana law. The County’s investments are managed by the County Treasurer. The external portion of the County’s investment pools are accounted for as investment trust funds. The County has one pooled investment trust fund that 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, 2020 to support the value of shares in the pool.

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

The following is a condensed Statement of Net Position and Statement of Changes in Net Position for the County’s pooled investments as of June 30, 2020:

	<u>Internal</u>	<u>External</u>
Statement of Net Position:		
Equity of pool participants	<u>\$ 10,212,564</u>	<u>\$ 3,617,390</u>
Statement of Changes in Net Position:		
Investment Earnings	\$ 140,811	\$ 49,877
Participant Investment in Pool	6,066,353	2,113,655
Distribution to Participants	<u>(3,818,037)</u>	<u>(1,451,499)</u>
Change in Net Position	2,389,127	712,033
Net Position – Beginning	<u>7,823,438</u>	<u>2,905,358</u>
Net Position – Ending	<u>\$ 10,212,564</u>	<u>\$ 3,617,390</u>

NOTE 3. OTHER ASSETS

3. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the County for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2020 were as follows:

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
General *	\$ 6,131	State of Montana	DES EMPG
Law Enforcement*	11,343	City of Big Timber	Law enforcement reimbursement
2019 Urban Spurge	6,461	State of Montana	Noxious weed reimbursement grant
McLeod Area	8,738	State of Montana	Noxious weed reimbursement grant
2019 Boulder	16,614	State of Montana	Boulder reimbursement grant
PILT *	451	State of Montana	Big Timber City reimbursement
BVP Grant	854	Patrick Leahy Partnership	Reimbursement bulletproof vest grant
TSEP Old Boulder Acct	<u>122,387</u>	State of Montana	DNRC reimbursement for capital projects
Total	<u>\$ 172,979</u>		

* Denotes Major Fund

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

3. b. 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. Interfund amounts reported as of June 30, 2020 were as follows:

Interfund Receivable	Amount	Interfund Payable	Purpose of the Transfer
PILT *	\$ 48	Posted Bond	Cover negative cash balances.
PILT *	6,461	2019 Urban Spurge	Cover negative cash balances.
PILT *	8,738	McLeod Area	Cover negative cash balances.
PILT *	16,614	Weed Mendenhall Fire	Cover negative cash balances.
PILT *	660	BVP Grant	Cover negative cash balances.
Total	<u>\$ 32,521</u>		

* Denotes Major Fund

All interfund balances were expected to be paid within one year except those between the general and general funds. Of the \$32,521 outstanding at June 30, 2020, \$0 was considered a long-term interfund activity.

NOTE 4. TAXES AND ASSESSMENTS RECEIVABLE

The County is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2019, upon which the levy for the 2020 fiscal year was based, amounted to \$22,630,881 for the County and \$18,572,469 for the Road. The tax rates assessed for the year ended June 30, 2020 to finance County operations and applicable taxes receivable as follows:

Fund	Mill Levies	Taxes Receivable	Assessment Receivable
General *	47.88	\$ 11,632	\$ 0
Road *	34.01	6,226	0
Bridge	28.30	6,863	0
Weed	4.24	1,049	0
Predatory Animal Sheep	0.00	0	105
Predatory Animal Cattle	0.00	0	1,414
Fair	1.84	454	0
Airport	6.77	1,607	0
District Court	4.26	1,040	0
Library	3.27	600	0
PMC Facility	25.00	6,061	0
Cemetery	2.14	519	0
Planning	3.02	730	0
Mental Health	2.17	507	0
Senior Citizen	1.28	311	0
Extension Services	3.57	868	0
Law Enforcement *	29.11	7,100	0
Fire	11.99	2,183	0
Permissive Medical Levy	9.84	2,438	0
Technology	0.71	178	0
Alcohol Rehabilitation	1.41	328	0
Total	<u>220.81</u>	<u>\$ 50,694</u>	<u>\$ 1,519</u>

* Denotes Major Fund

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$0 of taxes paid under protest.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

NOTE 5. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	Additions	Donations	Deletions	Transfers	Balance June 30, 2020
<u>Non-depreciable Assets:</u>						
Land	\$ 162,723	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,723
Construction in Progress	25,434	682,438	0	0	(240,795)	467,077
Total Non-depreciable Assets	188,157	682,438	0	0	(240,795)	629,800
<u>Depreciable Assets:</u>						
Buildings	11,692,037	17,006	0	(76,378)	0	11,632,665
Improvements Other than Buildings	23,439	0	0	0	0	23,439
Machinery and Equipment	8,590,135	291,938	50,500	(494,006)	240,795	8,679,362
Infrastructure	3,489,704	117,362	0	0	0	3,607,066
Total Depreciable Assets	23,795,315	426,306	50,500	(570,384)	240,795	23,942,532
<u>Accumulated Depreciation:</u>						
Buildings	(8,399,127)	(296,627)	0	76,378	0	(8,619,376)
Improvements Other than Buildings	(11,401)	(1,894)	0	0	0	(13,295)
Machinery and Equipment	(5,853,094)	(511,466)	0	494,006	0	(5,870,554)
Infrastructure	(1,265,961)	(151,541)	0	0	0	(1,417,502)
Total Accumulated Depreciation	(15,529,583)	(961,528)	0	570,384	0	(15,920,727)
Net Depreciable Assets	8,265,732	(535,222)	50,500	0	240,795	8,021,805
Net General Capital Assets	\$ 8,453,889	\$ 147,216	\$ 50,500	\$ 0	\$ 0	\$ 8,651,605

Depreciation expense charged to governmental functions was as follows:

<u>Function</u>	<u>Amount</u>
General Government	\$ 108,966
Public Safety	157,505
Public Works	422,225
Public Health	233,791
Social and Economic Services	13,343
Culture and Recreation	25,698
	<u>\$ 961,528</u>

NOTE 6. LONG-TERM DEBT

6. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	New Debt and Other Additions	Principal Pmts. & Other Reductions	Balance June 30, 2020	Due within One Year
<u>Bonds and Notes Payable:</u>					
General Obligation (GO) Bonds	\$ 201,306	\$ 0	\$ (201,306)	\$ 0	\$ 0
Equipment Note	46,401	0	(9,280)	37,121	9,280
Total Bonds and Notes Payable	247,707	0	(210,586)	37,121	9,280
<u>Other Liabilities:</u>					
Compensated Absences	192,644	25,548	0	218,192	56,973
Accrued Pension	2,205,822	8,384	(17,975)	2,196,231	0
Other Postemployment Benefits	421,629	0	(218,954)	202,675	0
Total Other Liabilities	2,820,095	33,932	(236,929)	2,845,643	56,973

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Total Governmental Activities -						
6.b.	Long-term Debt	<u>\$ 3,067,802</u>	<u>\$ 33,932</u>	<u>\$ (210,586)</u>	<u>\$ 2,882,764</u>	<u>\$ 66,253</u>
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:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2020</u>
GO Bond Series 2016B	3/30/2016	4.15%	5.5 years	1/01/2021	\$ 582,286	\$ 0

6. c. EQUIPMENT NOTE

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2020</u>	<u>Due within One Year</u>
John Deere Tractor	06/17/2019	0.00%	5 years	6/20/2024	\$ 55,982	\$ 37,121	\$ 9,280

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

<u>For the year ended June 30:</u>	<u>Principal</u>
2021	\$ 9,280
2022	9,280
2023	9,280
2024	<u>9,281</u>
Totals	<u>\$ 37,121</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

The County reported deferred inflows of resources at June 30, 2020 as follows:

7. a. PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General *	\$ 11,632	Taxes Receivable
Road*	6,226	Taxes Receivable
Bridge	6,863	Taxes Receivable
Weed	1,049	Taxes Receivable
Predatory Animal Sheep	105	Assessment Receivable
Predatory Animal Cattle	1,414	Assessment Receivable
Fair	454	Taxes Receivable
Airport	1,607	Taxes Receivable
District Court	1,040	Taxes Receivable
Library	600	Taxes Receivable
PMC Facility	6,061	Taxes Receivable
Cemetery	519	Taxes Receivable
Planning	730	Taxes Receivable
Mental Health	507	Taxes Receivable
Senior Citizen	311	Taxes Receivable
Extension Services	868	Taxes Receivable
Law Enforcement*	7,100	Taxes Receivable
Fire	2,183	Taxes Receivable
Permissive Medical Levy	2,438	Taxes Receivable
Technology	178	Taxes Receivable
Alcohol Rehabilitation	328	Taxes Receivable
Total	<u>\$ 52,213</u>	

* Denotes Major Fund

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

NOTE 8. INTERFUND OPERATING TRANSFERS IN AND OUT

The County recorded interfund transfers during the year ended June 30, 2020 as follows:

Operating Fund - In	Amount	Operating Fund - Out	Purpose
Capital Improvement Courthouse	\$ 87,750	General*	Future capital projects
Compensated Absence	50,000	General*	Employer cost of benefits
Capital Improvement Annex	10,000	General*	Future capital projects
Capital Improvement Countywide	100,000	General*	Future capital projects
Capital Improvement Road	175,000	Road*	Future capital projects
Special Gas Tax	2,160	Bridge	County match for special projects
Capital Improvement Bridge	226,840	Bridge	Future capital projects
TSEP Old Boulder	66,000	Bridge	Future capital projects
TSEP PER	15,000	Bridge	Future capital projects
Capital Improvement Weed	10,000	Weed	Future capital projects
Capital Improvement Fair	4,820	Fair	Future capital projects
Capital Improvement Airport	105,000	Airport	Future capital projects
Capital Improvement Cemetery	5,000	Cemetery	Future capital projects
Capital Improvement Senior Citizen	5,000	Senior Citizen	Future capital projects
Compensated Absence	2,000	Extension Services	Employer cost of benefits
Capital Improvement Fire	47,200	Law Enforcement	Future capital projects
BVP	665	Law Enforcement	
Capital Improvement Fire	135,000	Fire	Future capital projects
Capital Improvement Technology	3,000	Technology	Future capital projects
Fire	25,000	Search & Rescue	Operating transfer
Law Enforcement	1,198	Civil Papers	Operating transfers
TSEP Old Boulder	418,000	Capital Improvement Bridge	Future capital projects
Fire	8,749	Capital Improvement Fire	Reimbursement of PPE costs
Total	<u>\$ 1,503,382</u>		

* 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.

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 100% of the premiums for active employees.

9. d. EMPLOYEES COVERED BY BENEFIT TERMS

As of June 30, 2020, the measurement date, the following employees were covered by the benefit terms:

Active employees	39
Inactive employees (may include spouses)	1

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

9. e. TOTAL OPEB LIABILITY

The County's total OPEB liability amounted to \$202,675 at June 30, 2020. The liability was measured as of June 30, 2020 and was determined by an Alternative Measurement Method valuation 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, 2020 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	1.50%
Discount rate	1.45%
Retiree's share of benefit related costs	100.00%
Health care cost rate trend:	

<u>Year</u>	<u>% Increase</u>
2021 and after	3.00%

9. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2019	\$ 421,629
Changes for the Year:	
Service Cost (OPEB Expense)	20,871
Interest	6,114
Changes of Benefit Terms	(295,692)
Changes in Assumptions or Other Inputs	76,738
Benefit Payments	<u>(26,985)</u>
Net Changes	<u>(218,954)</u>
Balance June 30, 2020	<u>\$ 202,675</u>

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

- Increase/Decrease of \$(295,692) is due to changes in benefit terms.
- Increase/Decrease of \$76,738 is due to change in employee demographics

* GASB No. 75 requires an actuarial valuation or calculation using the specified alternative measurement method or actuarial valuation of the total OPEB liability to be performed at least once every two years and roll forward procedures on the off years. Accordingly, the County did not perform a valuation of their total OPEB liability as of June 30, 2020 and the liability displayed is based on the measurement date of June 30, 2019 with changes based on roll forward procedures. The roll forward procedures adds the annual normal costs and subtracts the benefits payments.

9. h. SENSITIVITY ANALYSIS

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 (0.45%) or 1% higher (2.45%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 237,461	\$ 202,675	\$ 173,896

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 168,774	\$ 202,675	\$ 244,798

9. i. OPEB EXPENSE

For the year ended June 30, 2020, the County reported \$(218,954) in expense related to OPEB. On June 30, 2020, the County did not report deferred outflows or inflows of resources associated with the OPEB liability as no differences between expected and actual experience are determined using the Alternative Measurement Method.

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 certain part-time, employees. The plans are established under Montana law and are administered by the State. The County participates in the following Montana administered retirement plans:

- The Sheriff's Retirement System (SRS) covers sheriffs and officers and
- The Public Employee Retirement System (PERS) covers employees

The 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:

Montana Public Employee Retirement Administration

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.

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

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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 ser-
vice)

- 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 2.02% effective July 1, 2018);
 - 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 Av-
erage
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.

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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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 & Uni-	Local Government		School Districts	
	Hired	Hired	versities	Employer	State	Employer	State
	<07/01/11	>07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
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.
3. Non-Employer Contributions:
 - a. Special Funding - The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.
 - 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 \$33,615,000.

10. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2020 was determined by taking the results of the June 30, 2019 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:

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

- 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 2122. 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, 2019 are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
	(a)	(b)
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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 Defined Contribution plan.

At the plan level for the measurement period ended June 30, 2019, 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 \$714,024.

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 highest average compensation (HAC) x years of service credit.

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.
- A member who returns to covered service is not eligible for a disability benefit.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Member's Compensation Period Used in Benefit Calculation

- 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.

GABA

After the member has completed 12 full months of retirement, a 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

Contribution rates are specified by state law and 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
2018-2020	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

10. c. 3. ACTUARIAL ASSUMPTIONS

The TPL used to calculate the NPL was determined by taking the results of June 30, 2019, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2020. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of administration expense): 7.65%
- Admin expense as % of Payroll: 0.23%
- General Wage Growth *: 3.50%
*includes Inflation at: 2.75%
- Merit Increases: 0.00% to 6.30%
- Postretirement Benefit Increases GABA (requires 12 full months of retirement before GABA will be made):
 - For members hired prior to July 1, 2007: 3.00%
 - For members hired on or after July 1, 2007: 1.50%
- Mortality:
 - Contributing members, service retired members, and beneficiaries: RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
 - Disabled members: RP 2000 Combined Mortality Tables.

10. c. 4. 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 2118. 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.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

10. c. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 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, 2019, is summarized in the below table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	
		Arithmetic Basis	
Cash Equivalents	3.00%	4.09%	
Domestic Equity	36.00%	6.05%	
Foreign Equity	18.00%	7.01%	
Fixed Income	23.00%	2.17%	
Private Equity	12.00%	10.53%	
Real Estate	8.00%	5.65%	
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% and 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%)
PERS			
Net Pension Liability	\$ 3,003,181,095	\$ 2,090,310,698	\$ 1,323,158,712
County's Net Pension Liability	2,618,718	1,822,712	1,153,770
SRS			
Net Pension Liability	\$ 1,417,965,208	\$ 83,397,787	\$ 30,472,103
County's Net Pension Liability	662,701	373,519	136,477

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.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

As of measurement date	NPL		Percent of Collective NPL as of 6/30/19	Percent of Collective NPL as of 6/30/18*	Change in Percent of Collective NPL
	as of 6/30/19	as of 6/30/18			
<u>PERS</u>					
County Proportionate Share	\$ 1,822,712	\$1,840,687	0.087198%	0.088192%	(0.000994)%
State of Montana Proportionate Share associated with Employer	<u>593,162</u>	<u>615,503</u>	<u>0.028377%</u>	<u>0.029490%</u>	<u>(0.001113)%</u>
Total	<u>\$ 2,415,873</u>	<u>\$2,456,189</u>	<u>0.115575%</u>	<u>0.117682%</u>	<u>(0.002107)%</u>

*To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage.

<u>SRS</u>					
County Proportionate Share	\$ 373,519	\$ 365,135	0.4479%	0.4857%	(0.0379)%
Total	<u>\$ 373,519</u>	<u>\$ 365,135</u>	<u>0.4479%</u>	<u>0.4857%</u>	<u>(0.0379)%</u>

At June 30, 2020, the employer recorded a liability for its proportionate share of the NPL of \$1,822,712 and \$373,519 for PERS and SRS, respectively. At June 30, 2019, the employer's proportion was 0.087198 percent and 0.4479 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:

- PERS – June 30, 2018 and applying standard roll forward procedures. 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.
- SRS – June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

<u>PERS & SRS</u>	
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	There were no changes in assumptions or other inputs that affected the measurement of the TPL.
<u>Changes in benefit terms:</u>	There have been no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

10. f. PENSION EXPENSE

	Pension Expense as of 6/30/19	Pension Expense as of 6/30/18
<u>PERS (as of measurement date)</u>		
County's Proportionate Share	\$ (403,607)	\$ (493,920)
Employer Grant Revenue – State of Montana Proportionate Share for employer	1,488	41,078
Employer Grant Revenue – State of Montana State Appropriation for employer	<u>38,781</u>	<u>0</u>
Total	<u>\$ (363,338)</u>	<u>\$ (452,842)</u>
<u>SRS (as of measurement date)</u>		
County's Proportionate Share	\$ 6,896	\$ (17,229)
Total	<u>\$ 6,896</u>	<u>\$ (17,229)</u>

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

At June 30, 2019, the employer recognized a Pension Expense of \$ (363,338) and \$6,896 for its proportionate share of the PERS and SRS Pension Expense, respectively. The employer also recognized grant revenue of \$40,269 and \$0 for the support provided by the 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:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 86,429	\$ 85,766	\$ 24,059	\$ 452
Changes in actuarial assumptions	77,380	0	116,922	201,679
Difference between projected and actual investment earnings	22,100	0	7,220	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	963,630	0	36,025
Contributions paid subsequent to the measurement date – FY 2020 Contributions *	<u>145,558</u>	<u>0</u>	<u>50,191</u>	<u>0</u>
Total	<u>\$ 331,467</u>	<u>\$ 1,049,396</u>	<u>\$ 198,392</u>	<u>\$ 238,155</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, 2021.

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 (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense	
2020	\$ (587,711)	\$ (41,211)
2021	(303,832)	(52,756)
2022	8,221	2,887
2023	19,835	1,124
Thereafter	0	0

10. h. EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	PERS	SRS	Employer's Total Pension Amounts
	Employer's Proportionate Share	Employer's Proportionate Share	
Total Pension Liability	\$ 5,147,506	\$ 1,461,654	\$ 6,609,160
Fiduciary Net Position	3,324,794	1,088,135	4,412,929
Net Pension Liability	1,822,712	373,519	2,196,231
Deferred Outflows of Resources	331,467	198,392	529,859
Deferred Inflows of Resources	1,049,396	238,155	1,287,551
Pension Expense	(363,338)	6,896	(356,442)

SWEET GRASS COUNTY

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

NOTE 11. SUBSEQUENT REPORTABLE EVENTS

Due to the COVID19 pandemic, the County may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

NOTE 12. RELATED PARTY TRANSACTIONS

Alan Ronneberg, sheriff/coroner of Sweet Grass County rents a vehicle to Sweet Grass County for use in all job related duties of the Sheriff. Terms of the lease can be negotiated annually during the budget process. The rental arrangement automatically terminates with the purchase of a new vehicle or termination of employment with the County. Sheriff Ronneberg receives \$600/month for a total of \$7,200 in fiscal year 2020.

Sweet Grass County purchased various services from Sweet Grass Tire. Sweet Grass tire is owned and operated by the deputy clerk and recorder. During the fiscal year ended June 30, 2020 the County paid Sweet Grass Tire \$44,141.

NOTE 13. 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.

13. a. INTERLOCAL AGREEMENT

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>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Law Enforcement	\$184,235	189,762	189,762	189,762	195,455
Law Enforcement Training	9,000	9,000	9,000	9,000	9,000
City Court	18,500	19,235	19,235	16,305	16,550
Court Compliance	6,000	6,000	6,000	6,000	6,000
Sanitarian	5,000	5,000	5,000	5,000	5,000
Planning	17,260	17,778	17,778	17,778	18,778
Addictive disorders	4,200	4,200	4,200	4,200	10,000
County Attorney	17,056	17,354	17,658	17,997	18,280
Caselogger Software	0	200	200	200	0
Victim/Witness Advocate	0	0	5,000	5,000	5,000

NOTE 14. 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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 2 years

SWEET GRASS COUNTY

SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2020

**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)	0	711,320	711,320
6/30/19	65,357	19,206	(409,702)	120,011	(84,243)	(289,691)	711,320	421,629
6/30/20	20,871	6,114	(295,692)	76,738	(26,985)	(218,954)	421,629	202,675

**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%
6/30/20	1,798,305	11.27%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SWEET GRASS COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 (Determined as of the measurement date)
 For the year ended June 30, 2020

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 Percent- age of the Total Pen- sion Liability
2014	0.274091%	\$ 3,415,201	\$ 41,705	\$ 3,456,906	\$ 3,126,572	111.22%	79.87%
2015	0.262432%	3,668,458	45,061	3,713,519	3,062,630	119.78%	78.40%
2016	0.262264%	4,467,262	54,585	4,521,847	3,141,463	142.20%	74.71%
2017	0.152279%	2,965,824	38,374	3,004,198	1,754,885	169.00%	73.75%
2018	0.088192%	1,840,687	615,503	2,456,189	1,450,367	126.91%	73.47%
2019	0.087198%	1,822,712	593,162	2,415,873	1,438,752	126.69%	73.85%

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	Total (a)	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 Percent- age of the Total Pen- sion Liability
2014	0.4990%	\$ 207,681	\$ 207,681	\$ 322,735	64.35%	87.24%
2015	0.4770%	459,825	459,825	324,579	141.67%	75.40%
2016	0.5278%	927,210	927,210	372,584	248.86%	63.00%
2017	0.4813%	366,229	366,229	360,081	101.71%	81.30%
2018	0.4857%	365,135	365,135	376,868	96.89%	82.68%
2019	0.4479%	373,519	373,519	359,553	103.88%	81.89%

These schedules are 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, 2020

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	123,743	0	123,743	0	1,438,752	8.60%
2020	145,558	0	145,558	0	1,678,861	8.67%

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	50,352	50,352	0	376,868	13.36%
2019	47,352	47,352	0	359,553	13.17%
2020	50,191	50,191	0	382,697	13.12%

These schedules are 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, 2020

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 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year

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, 2020

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 Sheriffs' Retirement System (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 re-employment;
 - is refunded the accumulated contributions associated with the period of re-employment;
 - 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 re-employment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit in January immediately following second retirement, and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds:

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

Interest credited to member accounts:

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, 2020

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, 2020

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 1,283,657	\$ 1,283,657	\$ 1,299,042	\$ 631,627	\$ 631,627	\$ 631,321
Licenses and permits	400	400	472	750	750	2,175
Intergovernmental revenues	212,576	212,576	237,990	107,449	107,449	216,303
Charges for services	162,942	162,942	164,938	-	-	-
Fines and forfeitures	33,200	33,200	43,342	-	-	-
Miscellaneous	17,000	17,000	85,904	-	-	641
Investment and royalty earnings	24,000	24,000	34,195	-	-	-
Total Revenues	<u>1,733,775</u>	<u>1,733,775</u>	<u>1,865,883</u>	<u>739,826</u>	<u>739,826</u>	<u>850,440</u>
EXPENDITURES:						
Current:						
General government	1,388,625	1,388,625	1,362,801	-	-	-
Public safety	81,341	81,341	64,268	-	-	-
Public works	-	-	-	901,348	901,348	404,428
Public health	36,950	36,950	36,739	-	-	-
Social and economic services	5,000	5,000	1,000	-	-	-
Miscellaneous	26,736	26,736	26,379	-	-	7,656
Capital Outlay	65,000	65,000	18,890	75,000	75,000	-
Total Expenditures	<u>1,603,652</u>	<u>1,603,652</u>	<u>1,510,077</u>	<u>976,348</u>	<u>976,348</u>	<u>412,084</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>130,123</u>	<u>130,123</u>	<u>355,806</u>	<u>(236,522)</u>	<u>(236,522)</u>	<u>438,356</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	-	-	-	-
Fund Transfers In	-	-	-	-	-	-
Fund Transfers (Out)	<u>(247,750)</u>	<u>(247,750)</u>	<u>(247,750)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>
Total Other Financial Sources (Uses)	<u>(247,750)</u>	<u>(247,750)</u>	<u>(247,750)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>
Net Change in Fund Balance	<u>(117,627)</u>	<u>(117,627)</u>	<u>108,056</u>	<u>(411,522)</u>	<u>(411,522)</u>	<u>263,356</u>
FUND BALANCE:						
Beginning of the Year			715,935			953,253
Change in Inventory			-			(16,659)
End of the Year			<u>\$ 823,991</u>			<u>\$ 1,199,950</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, 2020

	Law Enforcement			Hard Rock Mine Trust		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 658,852	\$ 658,852	\$ 660,633	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	64,893	64,893	65,021	-	-	615,724
Charges for services	218,655	218,655	230,886	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	1,344	-	-	-
Investment and royalty earnings	3,000	3,000	5,193	-	-	57,590
Total Revenues	945,400	945,400	963,077	-	-	673,314
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	934,363	934,363	911,725	-	-	-
Public works	-	-	-	-	-	-
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Miscellaneous	17,771	17,771	17,771	3,196,017	3,196,017	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	952,134	952,134	929,496	3,196,017	3,196,017	-
Excess (Deficiency) of Revenues						
Over Expenditures	(6,734)	(6,734)	33,581	(3,196,017)	(3,196,017)	673,314
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	7,721	-	-	-
Fund Transfers In	-	-	1,198	-	-	-
Fund Transfers (Out)	(47,865)	(47,865)	(47,865)	-	-	-
Total Other Financial Sources (Uses)	(47,865)	(47,865)	(38,946)	-	-	-
Net Change in Fund Balance	(54,599)	(54,599)	(5,365)	(3,196,017)	(3,196,017)	673,314
FUND BALANCE:						
Beginning of the Year			455,073			2,806,017
Change in Inventory			-			-
End of the Year			\$ 449,708			\$ 3,479,331

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, 2020

	PILT			Federal Mineral Royalty		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	587,249	-	-	475
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	12,172	-	-	-
Investment and royalty earnings	21,000	21,000	37,916	-	-	-
Total Revenues	21,000	21,000	637,337	-	-	475
EXPENDITURES:						
Current:						
General government	2,252,176	2,252,176	82,950	-	-	-
Public safety	-	-	-	-	-	-
Public works	125,000	125,000	55,311	-	-	-
Public health	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-
Miscellaneous	-	-	-	3,196,017	3,196,017	-
Capital Outlay	80,000	80,000	40,142	-	-	-
Total Expenditures	2,457,176	2,457,176	178,403	3,196,017	3,196,017	-
Excess (Deficiency) of Revenues						
Over Expenditures	(2,436,176)	(2,436,176)	458,934	(3,196,017)	(3,196,017)	475
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	-	-	-	-
Fund Transfers In	-	-	-	-	-	-
Fund Transfers (Out)	-	-	-	-	-	-
Total Other Financial Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	(2,436,176)	(2,436,176)	458,934	(3,196,017)	(3,196,017)	475
FUND BALANCE:						
Beginning of the Year			2,434,482			6,310
Change in Inventory			-			-
End of the Year			\$ 2,893,416			\$ 6,785

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, 2020

NOTE 1. 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. 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. b. 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 2019-2020 expenditure budgets:

Fund	Amount	Reason
PMC Facility	\$ 125,653	To account for unanticipated cash from tax revenues
Tumbleweed Teas	15,097	Grant awarded after the budget was adopted
Search & Rescue	15,000	Grant awarded after the budget was adopted
Posted Bonds	5,676	Unanticipated cash on hand from posted bonds
McLeod Area	50,000	Grant awarded after the budget was adopted
Weed Mendenhall Fire Grant	10,000	Adjustment to calculation in original budget
2019 Boulder	<u>52,000</u>	Grant awarded after the budget was adopted
Total	<u>\$ 273,426</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, 2020

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL SUB-FUNDS OF THE GENERAL FUND

	Total			
	General (Elem)	Federal Mineral Royalty	PILT	General Fund
Revenues:				
District Levies	\$ 1,299,042	\$ 0	\$ 0	\$ 1,299,042
Licenses & Permits	34,195	0	0	472
Intergovernmental revenues	237,990	475	587,249	825,714
Charges for Service	164,938	0	0	164,938
Fines and Forfeitures	43,342	0	0	43,342
Miscellaneous	85,904	0	12,172	98,076
Investment and Royalty Earn- ings	<u>34,195</u>	<u>0</u>	<u>37,916</u>	<u>72,111</u>
Total Revenues	<u>1,865,883</u>	<u>475</u>	<u>637,337</u>	<u>2,503,695</u>
Expenditures:				
General Government	1,362,801	0	82,950	1,445,751
Public Safety	64,268	0	0	64,268
Public Works	0	0	55,311	55,311
Public Health	36,739	0	0	36,739
Social and Economic Services	1,000	0	0	1,000
Miscellaneous	26,379	0	0	26,379
Capital Outlay	<u>18,890</u>	<u>0</u>	<u>40,142</u>	<u>59,032</u>
Total Expenditures	<u>1,510,077</u>	<u>0</u>	<u>178,403</u>	<u>1,688,480</u>
Excess (Deficiency) of Revenues over Expenditures	355,806	475	458,934	815,215
Other Financing Sources and Uses:				
Fund Transfers (Out)	<u>(247,750)</u>	<u>0</u>	<u>0</u>	<u>(247,750)</u>
Total Other Financing Sources and Uses	<u>(247,750)</u>	<u>0</u>	<u>0</u>	<u>(247,750)</u>
Net Changes in Fund Balances	108,056	475	458,934	567,465
Fund Balance:				
Beginning of the Year	<u>715,935</u>	<u>6,310</u>	<u>2,434,482</u>	<u>3,156,727</u>
End of the Year (GAAP)	<u>\$ 823,991</u>	<u>\$ 66,785</u>	<u>\$ 2,893,416</u>	<u>\$ 3,724,192</u>
Current-year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	
End of the Year (Budget)	<u>\$ 823,991</u>	<u>\$ 6,785</u>	<u>\$ 2,893,416</u>	

In the General sub-funds combining schedule above, the General fund, Federal Mineral Royalty and PILT funds are added together to get to the aggregate General fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds. The Federal Mineral Royalty and PILT 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.



STROM & ASSOCIATES, P.C.

Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Grass County as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Sweet Grass County's basic financial statements and have issued our report thereon dated December 7, 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 Sweet Grass County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sweet Grass County's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Strom & Associates, P.C.
STROM & ASSOCIATES, PC
Billings, Montana
December 7, 2020

Prior year findings/status

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

Current year findings

There were no findings or recommendations for the fiscal year ended June 30, 2020.