SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

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SWEET GRASS COUNTY
BIG TIMBER, MONTANA 59011

ORGANIZATION

BOARD OF COUNTY COMMISSIONERS

Robert Faw	Chair
William Wallace	Commissioner
Vacant	Commissioner

OFFICIALS

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

Sweet Grass County FY 2018
Management Discussion and Analysis

As management of Sweet Grass County (the County), we offer readers of Sweet Grass County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. 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, 2018, by $13,161,653 (*total net position*). Of this amount, -$2,768,507 represents a deficit unrestricted net position. The deficit is a result of the implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). This deficit should in no way reflect the ability of the County to meet its ongoing obligation to its citizens and creditors.

At the close of the current fiscal year, Sweet Grass County's governmental funds reported combined fund balances of $10,091534, an increase of $1,331,574 in comparison with prior year. Approximately 27% of this amount is available for spending at the government's discretion (*unassigned fund balance*).

At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned* and *unassigned* components of *fund balance*) for the general fund was $2,726,606, or approximately 72% of the total general fund expenditures.

Sweet Grass County incurred no new debt in Fiscal Year 2018. The airport loan was paid in full, as was PMC Bond 2016A.

There is currently a county-wide 25 mill voted tax levy, originally voted on in the spring of 2009 and effective from FY10 – FY14. In the spring of 2014 voters approved another 5-year 25-mill levy that will be effective from FY14 - FY19 (June 30, 2019). These taxes are accounted for in fund 2235 PMC Facility. The county makes bond payments and liability insurance payments from the tax proceeds, with the remainder of the money being given to the PMC. It is anticipated that the PMC will request the County Commissioners to put the levy out to a vote of the people for another five years in FY2019.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Proprietary Funds. Sweet Grass County will no longer maintain a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for the activities of the Pioneer Medical Center. The only activity in the proprietary fund for FY 2017 is to close it out.

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

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

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

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

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Sweet Grass County, assets and deferred outflows of resources exceeded liabilities by $13,161,653 at June 30, 2018 as compared to $11,779,143 at June 30, 2017; an increase of $1,382,510.

Sweet Grass County's Net Position

Net Position	Governmental Activities		
	FY17	FY18	Change Inc(Dec)
Current & other assets	$ 8,987,108	$ 10,292,378	$ 1,305,270
Restricted Assets			
Capital assets	$ 9,204,564	$ 8,654,529	$ (550,035)
Total assets	$ 18,191,672	$ 18,946,907	$ 755,235
DEFERRED OUTFLOW OF RESOURCES	$ 1,071,286	$ 938,926	$ (132,360)
Current Liabilities	$ 438,919	$ 433,473	$ (5,446)
Long Term Liabilities	$ 6,783,752	$ 4,454,280	$ (2,329,472)
Total Liabilities	$ 7,222,671	$ 4,887,753	$ (2,334,918)
Deferred Inflows of Resources	$ 261,144	$ 1,836,427	$ 1,575,283
Net Position:			
Net investment in capital assets	$ 8,971,253	$ 8,498,002	$ (473,251)
Restricted	$ 6,603,236	$ 7,432,158	$ 828,922
Unrestricted (deficit)	$ (3,795,346)	$ (2,768,507)	$ 1,026,839
Total Net Position	$ 11,779,143	$ 13,161,653	$ 1,382,510

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

An additional portion of Sweet Grass County's net position (56%) represents resources that are subject to external restrictions on how they may be used. Of this amount, -$2,768,507 represents a deficit unrestricted net position. The unusual deficit is a result of implementation of GASB-68 and the recording of our share of the State of Montana pension liability for Public Employment Retirement System (PERS) and Sheriff Retirement System (SRS). The large increase in capital assets also has an effect on the county net position. While increasing the net position, capital assets are considered restricted in their availability for use. It should in no way reflect the ability of the County to pay its obligations to its citizens or its creditors.

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

Sweet Grass County's overall change in net position increased by $1,358,010 from fiscal year 2017. 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 $11,779,143 in FY17 to $13,161,653, an increase of $1,382,510.

Sweet Grass County's Change in Net Position

Changes in Net Position	Governmental Activities		
Revenues			
Program revenues (by major source)	FY17	FY18	Change Inc(Dec)
Charges for services	$ 972,427	$ 506,012	$ 466,415
Operating grants & contributions	$ 382,342	$ 579,493	$ (197,151)
Capital grants and contributions	$ 359,034	$ 55,450	$ 303,584
General revenues (by major source)			$ -
Property taxes for general purposes	$ 3,867,577	$ 4,087,356	$ (219,779)
Local option tax	$ 195,764	$ 202,138	$ (6,374)
Licenses and permits	$ 1,804	$ 2,888	$ (1,084)
Federal/State Shared Revenues	$ 1,272,571	$ 1,608,379	
Miscellaneous	$ 200,720	$ 96,746	$ 103,974
Gain/Loss on Sale of Assets	$ 79,980	$ (20,843)	$ 100,823
Interest/investment earnings	*$ 37,705*	*$ 87,645*	$ (49,940)
Other	$ 41,412	$ 10,400	$ 31,012
Special Item - PMC disposal	$ 396,222	$ -	
Total revenues	$ 7,411,336	$ 7,215,664	$ 531,480
Program expenses			
General government	$ 1,997,449	$ 1,599,383	$ 398,066
Public safety	$ 1,647,377	$ 1,589,539	$ 57,838
Public works	$ 1,986,553	$ 1,696,670	$ 289,883
Public health	$ 562,641	$ 512,546	$ 50,095
Social and economic services	$ 93,925	$ 100,497	$ (6,572)
Culture and recreation	$ 131,384	$ 125,575	$ 5,809
Housing and community development	$ 63,309	$ 65,513	$ (2,204)
Miscellaneous	$ 119,658	$ 140,397	$ (20,739)
Debt service - interest	$ 33,831	$ 27,534	$ 6,297
Total expenses	$ 6,636,127	$ 5,857,654	$ 778,473
Transfer from PMC to County	$ (151,409.00)	$ -	
Increase (decrease) in net position	$ 926,618.00	$ 1,358,010.00	$ 431,392

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

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

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

At June 30, 2018, Sweet Grass County's governmental funds reported combined funds balances of $10,091,532, an increase of $1,331,572 in comparison with the adjusted fund balance from FY17. Approximately 27% of this amount ($2,726,607) constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable or restricted* to indicate that it is 1) not in spendable form ($189,433), or 2) restricted for a particular purpose ($7,175,492).

The general fund is the chief operating fund of Sweet Grass County. At the end of FY18, unassigned fund balance of the general fund was $2,733,527, while total fund balance increased to $10,091532. 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 $485,364 during FY18.

General Fund Budgetary Highlights

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

- 2153 Predatory Animal Sheep - did not budget $101 in expenditure budget
- 2300 Law Enforcement - increased prisoner board expenditure budget by $37,911
- 2386 Technology - increased machinery & equipment expenditure budget by $7,545
- 2713 Sheriff Posted Bonds - increased expenditure budget by $430
- 2715 Sheriff Garnishments - increased expenditure budget by $3,307
- 2750 County Attorney Trust increased expenditure budget by $6,669
- 2841 Urban Spurge expenditure budget changed from $18,260 to $5,479
- 2844 Deer/Bridger Creek expenditure budget changed from $11,406 to $8,814
- 2845 Otter Creek expenditure budget changed from $16,072 to $15,747
- 2917 Victim Witness - increased expenditure budget by $259
- 4316 Pony Truss TSEP - increased expenditure budget by $581

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

1. Interest revenue was budgeted for $24,420 but actual revenue received was $87,646. This was due to increasing interest rates. We had been averaging .81% and the average has changed to 1.8%
2. There has been a significant increase to the sheriff office 24-7 program. This is an alcohol program where individuals are required to be tested twice a day for alcohol usage. The fee is paid by the individual. Budget was set at $1,400 and actual revenue was $4,255.
3. Sheriff Posse had anticipated just $100 in miscellaneous revenues but actually received $2,287 for reimbursement from the sheriff office for usage of their vehicle on patrols.
4. Donations to the Posse, Search and Rescue and Fire Department far exceeded what was anticipated. We budgeted $85,000, but actually received $159,051.
5. Miscellaneous revenues for Justice Court and County Attorney Trust accounts were over what was anticipated because it is difficult to predict the revenues that will come in in both offices.
6. Metal Mine Trust revenue increased due to an increase in production at Stillwater Mine. We anticipated $289,000 but actually received $549,833.
7. Actual expenditures did not exceed budgeted amounts.

Capital Asset and Debt Administration

Capital assets.

There is only one construction-in-progress project. It is for snow removal equipment at the airport. The only activity for FY2018 is a legal advertisement. It will not be depreciated until it is completed and, therefore, is accounted for separately from depreciable fixed assets.

A Western Federal Lands Highway project ($7,600,000) is a joint project with Park and Sweet Grass County. It included significant road repairs and bridge replacements over seven miles on the Main Boulder Road. This project was completed in the late fall of 2017. Total cost to the county including our match and easements that were purchased was $630,339.

The senior citizen building (a.k.a Hospitality House) underwent an extensive remodel, which was completed in FY2018. This project was removed from construction in progress and is now being depreciated. The total cost was $86,539.22.

New purchases and building remodels include:

1. New roof over records room at the annex. Cost: $18,787.50
2. New outlets and electrical work in buildings at fairgrounds. Cost: $3,000.00
3. Front bleacher board replacements at the fairgrounds. Cost: $10,700.00
4. Runway lighting project at airport. Cost: $61,611.35
5. New roof on stone cemetery shed. Cost: $5,883.29
6. New plow attachment for road. Cost: $25,301.25
7. Replaced county phone system. Cost: $54,867.00
8. Voice recorder system for dispatch. Cost: $25,773.00
9. Wing for snowplow for road department. Cost: 10,265.00
10. John Deere rotary cutter at airport (traded in 1975 David Brown tractor). Cost: $8,289.00
11. Bobcat 200 air pack welder and cover for road department. Cost: $7,560.00
12. 2015 John Deere Motor Grader for road department (traded in 1998 Caterpillar 160H). Cost: $200,000.00
13. 2017 Dodge Ram Pickup to replace totaled 2015 Dodge Ram. Cost: $49,840.00
14. Meyer snow plow attachment for cemetery. Cost: $7,649.00
15. Steel bridge 24'x51' on Lower Sweet Grass. Cost: $73,500.00

Disposed of:

1. Traded in 1998 Caterpillar Grader. Value $179,663, accumulated depreciation $125,767, received as trade in on 2015 John Deere $45,000
2. AB TELECOM phone system replaced. Value $33,575.40, fully depreciated
3. Sold 2006 Towmaster Trailer. Value $12,600, accumulated depreciation $7,560. Sold for $4,513
4. Portable weed washer. Value $38,428, accumulated depreciation $24,973.00 Sold for $3,500
5. Disposed of phone additions. Value $2,536.34. Fully depreciated.
6. 1975 David Brown tractor traded in. Value $5,000. Fully depreciated. Received $3,300 as trade in.
7. 2005 Walker mower disposed of. Value $7,174. Fully depreciated.
8. Wood chipper sold. Value $13,900. Fully depreciated.

Long-term debt. As of June 30, 2018 the County had total outstanding bank debt of $551,048.10; compensated absences $177,373.04; Other Post-Employment Benefits (OPEB) $711,320; Pension liability $5,394,472.

There was no new debt in FY 2018.

The following statistics are from the most recent data cited:
The latest unemployment rate as of October 2017 for Sweet Grass County is 3.75% compared to a state-wide average of 4.3%.
The major employers in the county are Stillwater Mine, local government, and the high school and grade school districts.
The economy is primarily agriculture, tourism, and mining.
The average earnings per year in Sweet Grass County are $41,265 according to the Montana Department of Labor and Industry.
Average wages statewide in Montana is $39,880 according to the Montana Department of Labor and Industry.
Inflationary trends in the County compare favorably to national indices.
All these factors were considered in the preparation of Sweet Grass County's budget for the 2018 fiscal year. The FY 2018 budget reflects 2018 mills and the inflationary increases allowed by statute.

Contacting the County's Financial Management

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweet Grass County (County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweet Grass County as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis (pages 3 - 8), the schedule of funding progress - other postemployment benefits other than pensions (page 41), the schedule of proportionate share of net pension liability and schedule of contributions to Montana retirement systems (pages 42 - 46), and the schedule of revenues, expenditures, and changes in fund balances - budget and actual(pages 47 - 52) 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 April 5, 2019 on our consideration of the Sweet Grass County internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Sweet Grass County internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
April 5, 2019

Sweet Grass County
Big Timber, Montana

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 9,851,583
Taxes and assessments receivable	84,887
Accounts receivable - net	450
Due from other governments	165,961
Inventories	189,433
Employee advances receivable	64
Total current assets	10,292,378
Noncurrent assets:	
Capital assets:	
Land	162,723
Construction in progress	170
Net depreciable assets	8,491,636
Total noncurrent assets	8,654,529
Total assets	18,946,907
DEFERRED OUTFLOWS OF RESOURCES:	
Employer pension plan activities	938,926
Total deferred outflows of resources	938,926
Total assets and deferred outflows of resources	$ 19,885,833
LIABILITIES:	
Current liabilities:	
Accounts payable	4,800
Accrued payroll	111,159
Current portions long-term debt obligations	193,215
Current portions compensated absences	62,216
Current portion long-term capital obligations	62,083
Total current liabilities	433,473
Noncurrent liabilities:	
Long-term debt obligations	201,306
Compensated absences	115,157
Net pension accrual	3,332,053
Other postemployment benefits	711,320
Long-term capital debt obligations	94,444
Total noncurrent liabilities	4,454,280
Total liabilities	4,887,753
DEFERRED INFLOWS OF RESOURCES:	
Employer pension plan	1,836,427
Total deferred inflows of resources	1,836,427
NET POSITION:	
Net investment in capital assets	8,498,002
Restricted	7,432,158
Unrestricted (Deficit)	(2,768,507)
Total net position	13,161,653
Total liabilities, deferred inflows and net position	$ 19,885,833

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

Sweet Grass County
Big Timber, Montana

STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
					Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENT OPERATIONS:					
General government	$ 1,599,383	$ 189,165	$ 45,525	$ -	$ (1,364,693)
Public safety	1,589,539	226,649	283,662	-	(1,079,228)
Public works	1,696,670	74,029	239,523	55,450	(1,327,668)
Public health	512,546	9,048	9,885	-	(493,613)
Social and economic services	100,497	2,521	898	-	(97,078)
Culture and recreation	125,575	4,600	-	-	(120,975)
Housing and community development	65,513	-	-	-	(65,513)
Miscellaneous	140,397	-	-	-	(140,397)
Debt service:					
Interest and other charges	27,534	-	-	-	(27,534)
Total governmental activities	5,857,654	506,012	579,493	55,450	(4,716,699)
GENERAL REVENUES:					
Taxes and assessments					4,087,356
Local option taxes					202,138
Licenses and permits					2,888
Federal and state shared revenues					1,608,379
Miscellaneous					96,746
Investment and royalty earnings					87,645
Insurance proceeds					10,400
Gain (loss) on sale of assets					(20,843)
Total general revenues					6,074,709
Change in Net Position					1,358,010
NET POSITION:					
Beginning of the year					11,779,143
Prior period adjustments					24,500
End of the year					$ 13,161,653

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

Sweet Grass County
Big Timber, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	MAJOR					
	General	Road	Law Enforcement	Hard Rock Mine Trust	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Current assets:						
Cash and cash equivalents	$ 2,714,224	$ 552,921	$ 309,163	$ 2,303,541	$ 3,971,734	$ 9,851,583
Taxes and assessments receivable	17,654	9,242	12,976	-	45,015	84,887
Accounts receivable - net	450	-	-	-	-	450
Interfund receivable	29,618	-	-	-	-	29,618
Due from other governments	26,447	-	101,556	-	37,958	165,961
Inventories	-	189,433	-	-	-	189,433
Employee advances receivable	64	-	-	-	-	64
Total assets	2,788,457	751,596	423,695	2,303,541	4,054,707	10,321,996
DEFERRED OUTFLOWS OF RESOURCES:						
Total deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 2,788,457	$ 751,596	$ 423,695	$ 2,303,541	$ 4,054,707	$ 10,321,996
LIABILITIES:						
Current liabilities:						
Accounts payable	-	-	4,800	-	-	4,800
Interfund payable	-	-	-	-	29,618	29,618
Accrued payroll	37,276	8,680	30,097	-	35,106	111,159
Total liabilities	37,276	8,680	34,897	-	64,724	145,577
DEFERRED INFLOWS OF RESOURCES:						
Unavailable property taxes and assessments receivable	17,654	9,242	12,976	-	45,015	84,887
Total deferred inflows of resources	17,654	9,242	12,976	-	45,015	84,887
FUND BALANCE (DEFICITS):						
Non-spendable	-	189,433	-	-	-	189,433
Restricted	-	544,241	375,822	2,303,541	3,951,888	7,175,492
Unassigned	2,733,527	-	-	-	(6,920)	2,726,607
Total fund balance	2,733,527	733,674	375,822	2,303,541	3,944,968	10,091,532
Total liabilities, deferred inflows of resources, and fund balance	$ 2,788,457	$ 751,596	$ 423,695	$ 2,303,541	$ 4,054,707	$ 10,321,996

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	$ 10,091,532
Unavailable property taxes and assessments receivable	84,887
Governmental capital assets	8,654,529
Employer pension plan activities	938,926
Long-term Liabilities	
Long-term obligations	(394,521)
Compensated absences	(177,373)
Long-term capital obligations	(156,527)
Net pension accrual	(3,332,053)
Other postemployment benefits	(711,320)
Employer pension plan	(1,836,427)
Net Position of Governmental Activities	$ 13,161,653

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

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	MAJOR					
	General	Road	Law Enforcement	Hard Rock Mine Trust	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes and assessments	$ 1,050,932	$ 468,563	$ 619,054	$ -	$ 2,183,838	$ 4,322,387
Licenses and permits	553	975	-	-	1,360	2,888
Intergovernmental revenues	841,026	206,701	62,953	389,153	550,854	2,050,687
Charges for services	167,790	-	215,061	-	59,865	442,716
Fines and forfeitures	41,681	-	-	-	2,579	44,260
Miscellaneous	35,157	25,849	3,555	-	199,383	263,944
Investment and royalty earnings	29,617	-	2,571	29,625	25,832	87,645
Total revenues	2,166,756	702,088	903,194	418,778	3,023,711	7,214,527
EXPENDITURES:						
Current:						
General government	1,267,427	-	-	-	346,155	1,613,582
Public safety	74,470	-	918,814	-	432,876	1,426,160
Public works	89,298	546,984	-	-	727,327	1,363,609
Public health	33,094	-	-	-	233,417	266,511
Social and economic services	1,500	-	-	-	96,273	97,773
Culture and recreation	-	-	-	-	81,414	81,414
Housing and community development	-	-	-	-	65,513	65,513
Miscellaneous	25,571	8,210	15,758	-	90,858	140,397
Debt service:						
Principal	-	53,243	13,940	-	195,041	262,224
Interest and other charges	-	4,401	261	-	22,872	27,534
Capital outlay	57,613	2,581	-	-	491,694	551,888
Total expenditures	1,548,973	615,419	948,773	-	2,783,440	5,896,605
Excess (deficiency) of revenues over expenditures	617,783	86,669	(45,579)	418,778	240,271	1,317,922
OTHER FINANCING SOURCES/USES:						
Sale of capital assets	-	-	-	-	3,250	3,250
Insurance proceeds	-	-	10,400	-	-	10,400
Fund transfers in	331	-	-	-	714,248	714,579
Fund transfers (out)	(132,750)	(105,000)	(36,000)	-	(440,829)	(714,579)
Total other financial sources/uses	(132,419)	(105,000)	(25,600)	-	276,669	13,650
Net changes in fund balances	485,364	(18,331)	(71,179)	418,778	516,940	1,331,572
FUND BALANCE:						
Beginning of the year	2,248,163	752,005	447,001	1,884,763	3,428,028	8,759,960
End of the year	$ 2,733,527	$ 733,674	$ 375,822	$ 2,303,541	$ 3,944,968	$ 10,091,532

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

Sweet Grass County
Big Timber, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

Net change in fund balance reported on the governmental funds statement:		$ 1,331,572
Revenues on the statement of activities not included in governmental funds statement:		
Increase (decrease) in taxes receivable	(32,893)	
State pension aid	44,473	11,580
Revenues reported in the governmental funds statement not included in the statement of activities:		
Sale of fixed assets	3,250	(3,250)
Expenses on the statement of activities not included in the governmental funds statement:		
Depreciation expense	(1,102,330)	
Actuarial pension expense	310,303	
(Increase) decrease in compensated absence liability	16,866	(775,161)
Expenditures reported in the governmental funds statement not included in the statement of activities:		
Capital outlays	551,888	
Gain (loss) on sale of assets	(20,843)	
Principal payments on debt	262,224	793,269
Change in net position reported on the statement of activities:		$ 1,358,010

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

Sweet Grass County
Big Timber, Montana

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Investment Trust Funds	Agency Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 2,494,591	$ 1,712,096
Taxes receivable	-	113,369
Total Assets	$ 2,494,591	$ 1,825,465
LIABILITIES:		
Current liabilities:		
Warrants payable	-	290,706
Due to others	-	1,534,759
Total Liabilities	-	$ 1,825,465
NET POSITION:		
Held in trust for pooled investments	2,494,591	
Total Net Position	$ 2,494,591	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2018

	Investment Trust Funds
ADDITIONS:	
Contributions to investment trust	1,132,388
Investment and royalty earnings	22,599
Total Additions	1,154,987
DEDUCTIONS:	
Expenses of investment funds	1,131,684
Total Deductions	1,131,684
Change in net position	23,303
NET POSITION:	
Beginning of the year	2,471,288
End of the year	$ 2,494,591

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

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

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

- GASB Statement No. 83 – *Certain Asset Retirement Obligation*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The County believes that this Statement is not applicable to its financial statements, however it will make a final determination on its applicability before the effective date.
- GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County plans to implement this Statement once the State of Montana updates the standard chart of accounts.
- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The County plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The County reviewed its debt disclosures and does not believe this Statement significantly affect its current debt disclosures.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The County determined that this Statement does not significantly affect it reporting, but will comply if any construction projects are entered into.

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

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

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

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

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

1. b. 2. FUND ACCOUNTING

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

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

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

<u>Trust and agency fund financial statements</u> use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (e.g., total governmental funds).

The County reports the following major governmental funds:

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

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

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

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

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 and for warrants written but not redeemed that are reported in the County's payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) 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. This fund primarily consists of revenues collected by the County on behalf of other governments.

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

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by State of 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, or
- Repurchase agreements as authorized by MCA or the State of Montana Short-Term Investment Pool (STIP).

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

1. c. 2. TAXES

Property tax levies 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 State of Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of market value.

Property taxes and special assessments are collected by the County Treasurer, who credits to the County funds its respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The County receives its share of the sale proceeds of any such auction.
Taxes that become delinquent are charged interest at the rate of 0.83% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3. INVENTORIES

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

1. c. 4. CAPITAL ASSETS

The County's property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, lighting, and similar items) 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 in excess of $5,000 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:

Capital Asset Classes	Useful Life
Buildings	10 - 75 years
Improvements other than buildings	10 - 60 years
Machinery and Equipment	3 – 50 years
Infrastructure	10 – 50 years

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

In addition to liabilities, the statement of financial position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an acquisition of 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, only 25% of accumulated sick leave is paid at the employee's current rate of pay.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is $ 62,216 and it 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 reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – This component of net position is restricted either externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

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

As of June 30, 2018, fund balance components other than unassigned fund balance consist of the following:

Purpose	Non-spendable	Restricted
General government	$ 0	$ 630,032
Public safety	0	850,488
Public works	189,433	3,340,065
Public health	0	126,433
Social and economic services	0	55,021
Culture and recreation	0	78,299
Housing and community development	0	369,214
Future Capital Costs	0	1,725,940
Total	$ 189,433	$ 7,175,492

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, 2018, the summary of cash, cash equivalents for governmental is as follows:

Account Type	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 9,851,583	$ 4,206,687	$ 14,058,270

The carrying amount of cash on hand, deposits, and investments at June 30, 2018 is as follows:

	Amount
Cash on hand	$ 30,520
Demand accounts	3,121,275
Time deposits	6,882,262
STIP	4,024,213
Total	$ 14,058,270

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. As of June 30, 2018, the County's bank balance was exposed to custodial credit risk as follows:

Deposits	Fair Value June 30, 2018
Covered depository insurance	$ 3,159,175
Collateral held by the pledging bank's trust department but not in the County's name	6,254,581
Uninsured and uncollateralized	868256
Total bank balance	$ 10,282012

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The County's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment portfolio is comprised 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 Securities and Exchange Commission (SEC) as an investment company and therefore is not required to abide by the SEC's rule 2a7 of the Investment Company Act of 1940. For financial reporting purposes, the STIP portfolio will be reported on a Net Asset Value basis versus amortized cost starting in fiscal year 2016.

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

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

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

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

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

2. b. EXTERNAL INVESTMENT POOL

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as a pooled investment trust fund. The pooled investment trust fund is invested in STIP, certificates of deposit, and demand accounts. The pooled funds are carried at fair value.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2018 to support the value of shares in the pool. Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month-end cash balance in relation to total pooled investments.

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2018:

Statement of Net Position:	**Amount**
Equity of Internal pool participants	$ 6,785,071
Equity of External pool participants	2,494,591
Total net position	$ 9,279,662

Statement of Changes in Net Position	**Internal**	**External**
Investment earnings	$ 57,229	$ 22,599
Participant Investment in Pool	2,867,612	1,132,388
Distribution to Participants	(2,865,830)	(1,131,684)
Change in Net Position	59,011	23,303
Net Position – Beginning	6,726,060	2,471,288
Net Position – Ending	$ 6,785,071	$ 2,494,591

NOTE 3. OTHER ASSETS

3. a. INTERFUND RECEIVABLE AND PAYABLE

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

Interfund Receivable	**Amount**	**Interfund Payable**	**Purpose**
PILT*	$ 130	Pred Animal Sheep	Cover negative cash balances
PILT*	10,747	Weed 2018 Urban Spurge	Cover negative cash balances
PILT*	1,207	Weed Urban Spurge Project	Cover negative cash balances
PILT*	1,500	Weed Cayuse Hills Grant	Cover negative cash balances
PILT*	1,035	Law Enf Rac Grant	Cover negative cash balances
PILT*	14,999	TSEP P.E.R.	Cover negative cash balances
Total	$ 29,618		

*Denotes Major Funds

3. b. DUE FROM OTHER GOVERNMENTS

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

Fund	Amount	Due From	Reason
General*	$ 9,618	City of Big Timber	City Court reimbursement
General*	3,000	City of Big Timber	Court Compliance reimbursement
General*	2,500	City of Big Timber	Sanitarian reimbursement
General*	8,829	City of Big Timber	City Prosecutor reimbursement
General*	2,500	City of Big Timber	Marcy's Law victim reimbursement
Planning	8,889	City of Big Timber	Planning reimbursement
Law Enforcement*	94,881	City of Big Timber	Law enforcement reimbursement
Law Enforcement*	6,675	City of Big Timber	Police training reimbursement
Alcohol Rehab	2,100	State of Montana	Grant reimbursement
Weed 2018 Urban Spurge	4,992	State of Montana	Grant reimbursement
Weed Urban Spurge Project	5,478	State of Montana	Grant reimbursement
Weed Cayuse Hills Grant	1,500	State of Montana	Grant reimbursement
TSEP	14,999	State of Montana	TSEP P.E.R. Grant
Total	$ 165,961		

* Denotes Major Funds

NOTE 4. TAXES/ASSESSMENTS RECEIVABLE

The County is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2017, upon which the levy for the 2018 fiscal year was based, was $18,859,074 for the County and $15,200,538 for the Road. The tax rates assessed for the year ended June 30, 2018 to finance County operations and applicable taxes receivable follows:

County General Levies	Mill Levies	Taxes Receivable	Assessments receivable
General*	44.45	$ 17,654	
Road*	30.62	9,242	
Bridge	22.03	8,124	
Weed	8.12	2,864	
Fair	3.68	1,131	
Airport	4.06	1,377	
District Court	5.99	2,217	
Library	2.97	915	
PMC/Ambulance	25.00	13,741	
Cemetery	2.10	938	
Planning	3.01	1,443	
Emg Disaster	0.00	16	
Mental Health	0.19	89	
Senior Citizens	2.26	476	
Extension Service	4.18	1,459	
Law Enforcement*	32.48	12,976	
Fire	14.57	3,224	
Permissive Levy	16.46	5,243	
Website Tech	2.63	576	
Alcohol Rehab	0.00	13	
Sheep	N/A	-	90
Cattle	N/A	-	1,079
		$ 83,718	$ 1,169
Total	224.80		$ 84,887

* Denotes Major Funds

Property taxes or special assessment fees assessed may be paid under protest and held by the county treasurer until the action is ultimately determined to be in favor or against the governmental entity levying the tax or assessment. Money paid under protest is accounted for by the county in a protested tax agency fund until the final determination. The amount reported above includes $103,668 of taxes paid under protest.

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

At June 30, 2018, the schedule of changes in general capital assets follows:

Governmental Activities:	Balance July 1, 2017	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2018
Non-depreciable:					
Land	$ 162,723	$ 0	$ 0	$ 0	$ 162,723
Construction in progress	679,889	0	0	(679,719)	170
Total Non-depreciable	842,612	$ 0	0	(679,719)	162,893
Depreciable:					
Buildings	11,492,016	$ 137,141	0	49,380	11,678,537
Improvements other than buildings	23,439	0	0	0	23,439
Machinery and equipment	8,067,341	389,545	(621,582)	30,018	7,865,322
Infrastructure	2,785,865	73,500	0	630,339	3,489,704
Total Depreciable	22,368,661	600,186	(621,582)	709,737	23,057,002
Accumulated Depreciation:					
Buildings	(7,739,395)	(344,173)	0	0	(8,083,568)
Improvements other than buildings	(7,613)	(1,894)	0	0	(9,507)
Machinery and equipment	(5,302,586)	(593,090)	549,191	(5,518)	(5,352,003)
Infrastructure	(957,115)	(163,173)	0	0	(1,120,288)
Total Depreciation	(14,006,709)	(1,102,330)	549,191	(5,518)	(14,565,366)
Net Depreciable Assets	8,361,952	(502,144)	(72,391)	704,219	8,491,636
Net General Capital Assets	$ 9,204,564	$ (502,144)	$ (72,391)	$ 24,500	$ 8,654,529

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

Function	Amount
General government	$ 163,983
Public safety	222,247
Public works	417,250
Public health	246,035
Social and economic services	8,654
Culture and recreation	44,161
Total Depreciation Expense	$ 1,102,330

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. BONDS PAYABLE

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

Description	Issue Date	Interest Rate	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2018
Tax-supported series 2016B	3/30/16	4.15%	5.5 years	1/1/2021	$ 582,286	$ 394,521

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

For the year ended June 30:	Principal	Interest
2019	$ 193,215	$ 14,406
2020	201,306	6,316
Totals	$ 394,521	$ 20,722

6. b. INTERCAP LOAN

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

Description	Issue Date	Interest Rate*	Length of Loan	Maturity Date	Amount Issued	Outstanding June 30, 2018
Airport master plan	03/05/2013	1.63%	5 years	02/01/2018	$ 8,333	$ 0
Patrol cars	02/15/2013	1.0-2.50%	5 years	02/15/2018	68,000	0
Loader	07/10/2015	1.25-3.15%	5 years	08/15/2020	113,237	57,505
Asphalt Crusher	04/01/2016	1.55-3.15%	5 years	08/15/2020	176,160	99,022
					$ 365,730	$ 156,527

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

For the year ended June 30:	Principal	Interest
2019	$ 62,083	$ 4,930
2020	62,980	2,975
2021	31,464	992
Totals	$ 156,527	$ 8,897

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

6. c. GENERAL LONG-TERM DEBT

At June 30, 2018, the schedule of changes in general long-term debt follows:

Governmental Activities:	Balance July 1, 2017	Principal Payments and Other Reductions	Balance June 30, 2018	Due within One Year
Bonds and Notes Payable:				
Bonds Payable	$ 579,961	$ (185,440)	$ 394,521	$ 193,215
Intercap Loans	233,311	(76,784)	156,527	62,083
Total Bonds and Notes Payable	813,272	(262,224)	551,048	255,298
Other Liabilities:				
Compensated Absences	194,238	(16,865)	177,373	62,216
Accrued Pension	5,394,472	(2,062,419)	3,332,053	0
Other Postemployment Benefits	711,320	0	711,320	0
Total Other Liabilities	6,300,030	(2,079,284)	4,220,746	62,216
Total Governmental Activities - Long-Term Debt:	$ 7,113,302	$(2,341,508)	$ 4,771,794	$ 317,514

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

Fund	Amount	Reason
General*	$ 17,654	Taxes Receivable
Road*	9,242	Taxes Receivable
Bridge	8,124	Taxes Receivable
Weed	2,864	Taxes Receivable
Sheep	90	Taxes Receivable
Cattle	1,079	Taxes Receivable
Fair	1,131	Taxes Receivable
Airport	1,377	Taxes Receivable
District Court	2,217	Taxes Receivable
Library	915	Taxes Receivable
PMC/Ambulance	13,741	Taxes Receivable
Cemetery	938	Taxes Receivable
Planning	1,443	Taxes Receivable
Emg Disaster	16	Taxes Receivable
Mental Health	89	Taxes Receivable
Senior Citizens	476	Taxes Receivable
Extension Service	1,459	Taxes Receivable
Law enforcement*	12,976	Taxes Receivable
Fire	3,224	Taxes Receivable
Permissive levy	5,243	Taxes Receivable
Website/Tech	576	Taxes Receivable
Alcohol Rehab	13	Taxes Receivable
Total	$ 84,887	

* Denotes Major Funds

NOTE 8. DEFICIT FUND BALANCES

Deficit fund balance result from commitments exceeding the resources. The following is a listing of deficit fund balances.

Fund	Amount	How County plans to correct
Pred Animal Cattle	$ (130)	Future tax collection
Urban Spurge	(5,755)	Future tax collection
Law Enforce RAC	(1,035)	Future tax collection
Total	$ (6,920)	

* Denotes Major Funds

NOTE 9. RESIDUAL EQUITY TRANSFERS

Transfer In Fund	Amount	Transfer (Out) Fund	Purpose of the Transfer
General*	$ 331	MAF SKG/INT	Fund Close

* Denotes Major Funds

NOTE 10. PRIOR PERIOD ADJUSTMENTS

Fund	Governmental Funds	Reason
Governmental Type Activities	$ 24,500	Correction to prior period machinery and equipment amounts

NOTE 11. INTERFUND OPERATING TRANSFERS IN/OUT

Operating Fund - In	Amount	Operating Fund - Out	Purpose of Transfer
Weed	29	Weed Urban Spurge Project	Weed control projects
Weed	305	Deer & Bridger CPK	Weed control projects
Fire	15,838	Cap Imp Fire	Capital costs
Special Gas Tax	910	Bridge	Operating
Cap Imp Courthouse	117,750	General*	Capital costs
Cap Imp Road Shop	5,000	Road*	Capital costs
Cap Imp Bridge	120,000	Bridge	Capital costs
Cap Project Weed	10,000	Weed	Capital costs
Cap Imp Road M&E	100,000	Road*	Capital costs
Cap Imp Airport	25,000	Airport	Capital costs
Cap Imp Law Enf	36,000	Law Enforcement*	Capital costs
Cap Imp Annex	10,000	General	Capital costs
Cap Imp Technology	5,000	General	Capital costs
Cap Imp Sr Cit BLDG Imp	5,000	SR CIT	Capital costs
Cap Imp Fair	3,000	Fair	Capital costs
Cap Imp Fire	152,000	Fire	Capital costs
TSEP P.E.R.	15,000	Bridge	Capital costs
TSEP Old Boulder	93,416	TSEP Pony Truss Bridge	Capital costs
Total	$ 714,248		

* Denotes Major Funds

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

12. 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.

12. 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.

12. c. BENEFITS PROVIDED

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

12. d. EMPLOYEES COVERED BY BENEFIT TERMS

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

Active employees	46

12. e. TOTAL OPEB LIABILITY

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

12. f. ALTERNATIVE MEASUREMENT METHOD 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.

The County provides the same health care plan to all of its members. 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 total OPEB liability in the July 1, 2016 Alternative Measurement Method was determined using the following Alternative Measurement Method and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	2%
Discount rate	1.00%
Retiree's share of benefit related costs	100%
Health care cost rate trend:	

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

12. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance at June 30, 2017	$ 711,320
Changes for the year:	
Service cost	88,820
Interest	14,605
Changes of benefit terms	0
Changes in assumptions or other inputs	0
Benefit payments	(103,425)
Net Changes	0
Balance at June 30, 2018	$ 711,320

12. h. SENSITIVITY ANALYSIS

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

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

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	**Healthcare Cost Trend Rate**	**1% Increase**
Total OPEB Liability	$ 582,164	$ 711,320	$ 873,761

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

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

NOTE 13. RISK MANAGEMENT

The County is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, e.g., errors and omissions; d) environmental damage; e) workers' compensation, e.g., employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The County has joined with other Counties throughout the state into an interlocal common risk pool to insure workers' compensation for all participating Counties in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the County other than timely payments of premiums. The County can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The County has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

The County is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks

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

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

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

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

The Montana Public Employee Retirement Administration (MPERA) and 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.

14. 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.

All new 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 members of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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 Legislature.

14. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

<u>Service Retirement</u>:

- 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.

<u>Early Retirement</u>:
(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.

<u>Second Retirement</u>:
(requires returning to PERS-covered employer or PERS service)

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

- Retire on or after January 1, 2016 and accumulate 5 or more years additional service credit:
    - The same retirement as prior to the return to service;
    - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
    - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting: 5 years of membership service

Member's Highest Average Compensation (HAC):

- Hired prior to July 1, 2011:
    - HAC during any consecutive 36 months.
- Hired on or after July 1, 2011:
    - HAC during any consecutive 60 months.

Compensation Cap:

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

Monthly Benefit Formula:

- Hired prior to July 1, 2011:
    - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
    - 25 years of membership service or more - 2% of HAC per year of service credit.
- Hired on or after July 1, 2011:
    - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
    - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
    - 30 years or more of membership service - 2% of HAC per year of service credit.

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more.

14. 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.

	Member		State & Universities	Local Government		School Districts	
Fiscal Year	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
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
      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.
   b. Not Special Funding
      i. The State contributed a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

14. b. 3. ACTUARIAL ASSUMPTIONS

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

- Investment Return (net of admin expenses) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0% 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.

14. b. 4. DISCOUNT RATE

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

14. 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, 2010 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, 2017 are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			2.75%
Portfolio Return Expectation			7.12%

The long-term expected nominal rate of return of 7.12% is an expected portfolio rate of return provided by Board of Investments, which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

14. b. 6. DEFINED CONTRIBUTION PLAN

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

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

Member and employer 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 PERS-DCRP.

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled $396,650.

14. 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.

14. c. 1. SUMMARY OF BENEFITS

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

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

Vesting
5 years of membership service

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

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

Monthly benefit formula
2.5% of HAC per year of service

GABA
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

14. c. 2. OVERVIEW OF CONTRIBUTIONS

Rates are specified by state law for periodic employer and employee contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below:

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

14. c. 3. ACTUARIAL ASSUMPTIONS

The TPL as of June 30, 2016 is based on the results of an actuarial valuation date of June 30, 2014, with update procedures to roll forward the total pension liability to June 30, 2017. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period July 1, 2010 to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. Among those assumptions were the following:

- Investment Return (net of administration expense) 7.65%
- Admin expense as % of Payroll at 0.21%
- General Wage Growth* 3.50%
  *includes Inflation at 2.75%
- Merit Increases 0.00% to 6.30%
- Postretirement Benefit Increases
  For members hired **prior to** July 1, 2007 3.00%
  For members hired **on or after** July 1, 2007 1.50%
  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables.

14. 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 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

14. 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, 2017, is summarized in the below table.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
	Inflation		2.75%
	Portfolio Return Expectation		7.12%

14. d. SENSITIVITY ANALYSIS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the below table presents the net pension liability calculated using the discount rate of 7.65% for PERS and SRS, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

As of measurement date	**1.0% Decrease (6.65%)**	**Current Discount Rate (7.65%)**	**1.0% Increase (8.65%)**
PERS			
Net Pension Liability	$ 2,836,551,371	$ 1,947,626,401	$ 1,201,441,171
County's Net Pension Liability	4,319,469	2,965,824	1,829,542
SRS			
Net Pension Liability	$ 134,369,280	$ 76,097,180	$ 28,423,431
County's Net Pension Liability	646,672	366,229	136,792

14. e. NET PENSION LIABILITY

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize, and report certain amounts associated with their participation in the PERS and SRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS and SRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and SRS that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

As of measurement date	**NPL**		**Percent of Collective NPL**	**Percent of Collective NPL**	**Change in Percent of Collective NPL**
	as of 6/30/18	**as of 6/30/17**	**as of 6/30/18**	**as of 6/30/17**	
PERS					
County Proportionate Share	$ 2,965,824	$4,467,262	0.1523%	0.2623%	(0.1100)%
State of Montana Proportionate Share associated with Employer	38,374	54,585	0.1956%	0.3351%	(0.1396)%
Total	$ 3,004,198	$4,521,847	0.3478%	0.5974%	(0.2496)%
SRS					
County Proportionate Share	$ 366,229	$ 927,210	0.4813%	0.5278%	(0.0465)%

At June 30, 2018, the employer recorded a liability for its proportionate share of the NPL of $3,004,198 and $366,229 for PERS and SRS, respectively. At June 30, 2018, the employer's proportion was 0.3478 percent and 0.4813 percent for PERS and SRS, respectively.

The net pension liability for PERS and SRS was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 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.

<table>
<tr><th></th><th>PERS</th><th>SRS</th></tr>
<tr><td>Changes in actuarial assumptions, other inputs, and methods:</td><td>Effective July 1, 2017, the following assumption changes were used:
• Lowered the interest rate from 7.75% to 7.65%.
• Lowered the inflation rate from 3.00% to 2.75%.
• Updated non-disabled mortality to the RP 2000 Combined Employee and Annuitant projected to 2020 using scale BB, males set back one year.
• Increased rates of withdrawal.
• Lowered the merit component of the total salary increase.
• Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
• Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:
• Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for PERS. This amount will vary from year to year based on the prior year's actual administrative expenses.
• To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.</td><td>There were no changes in actuarial assumptions and other inputs since the previous measurement date.</td></tr>
</table>

	PERS	SRS
Changes in benefit terms:	Effective July 1, 2017, the following were benefit changes: • The interest rate credited to member accounts increased from 0.25% to 0.77%. • Lump sum payouts are limited to the member's accumulated contributions rather than the present value of the member's benefit.	There were no changes in benefit terms since the previous measurement date.
Changes in proportionate share:	There were no changes between the measurement date of the collective NPL and the employer's reporting date.	There were no changes between the measurement date of the collective NPL and the reporting date.

14. f. PENSION EXPENSE

	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
PERS (as of measurement date)		
County's Proportionate Share	$ (145,490)	$ 262,389
State of Montana Proportionate Share associated with the Employer	2,046	4,574
Grant revenue from the State of Montana Coal Tax Fund	42,427	78,268
Total	$ (101,017)	$ 345,231
SRS		
County's Proportionate Share	$ 14,259	$ 123,758

At June 30, 2018, the employer recognized a Pension Expense of $(145,490) and $14,259 for its proportionate share of the PERS and SRS, respectively. The employer also recognized grant revenue of $44,473 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS.

14. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2018, the employer reported its proportionate share of PERS and SRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS 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	$ 73,039	$ 4,293	$ 2,404	$ 1,127
Changes in actuarial assumptions	405,397	0	285,814	467,490
Difference between projected and actual investment earnings	0	19,919	0	4,495
Changes in proportion and differences between actual and expected contributions	0	0	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	1,318,715	0	20,388
Contributions paid subsequent to the measurement date – FY 2018 Contributions *	122,846	0	49,426	0
Total	$ 601,282	$ 1,342,927	$ 337,644	$ 493,500

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2019.

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

Year ended June 30	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense	
	PERS	**SRS**
2018	$ 105,057	$ (54,359)
2019	231,915	(32,291)
2020	180,379	(40,899)
2021	(63,126)	(57,344)
2022	0	0
Thereafter	0	0

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

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with SRS	The employer's Total Pension Amounts
Total Pension Liability	$ 14,264,201	$ 2,324,673	$ 16,588,874
Fiduciary Net Position	$ 11,298,377	$ 1,958,444	$ 13,256,821
Net Pension Liability	$ 2,965,824	$ 366,229	$ 3,332,053
Deferred Outflows of Resources	$ 601,282	$ 337,644	$ 938,926
Deferred Inflows of Resources	$ 1,342,927	$ 493,500	$ 1,836,427
Pension Expense	$ 275,129	$ 35,174	$ 310,303

NOTE 15. SUBSEQUENT REPORTABLE EVENTS

On July 16, 2018, the commission approved a motion to accept the bid of $560,377 for the purchase of a fire truck. The county's share of the purchase price was $380,377.

NOTE 16. RELATED PARTY TRANSACTIONS

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

Sweet Grass County purchased various services from the Sweet Grass Tire. The Sweet Grass Tire is owned and operated by the deputy clerk and recorder. During June 30, 2018 the County paid Sweet Grass Tire for services $34,674.

NOTE 17. 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.

NOTE 18. INTERLOCAL AGREEMENTS

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:

Service	FY 2015	FY 2016	FY 2017	FY 2018
Law enforcement	$ 163,235	$ 184,235	$ 189,762	$ 189,762
Law enforcement training	9,000	9,000	9,000	9,000
City court	18,180	18,500	19,235	19,235
Court compliance	6,000	6,000	6,000	6,000
Sanitarian	5,000	5,000	5,000	5,000
Planning	15,760	17,260	17,778	17,778
Addictive disorders	4,200	4,200	4,200	4,200
Attorney	0	17,056	17,354	17,658
Marsy's Law	0	0	0	5,000

SWEET GRASS COUNTY

SCHEDULE OF FUNDING PROGRESS
Other Postemployment Benefits Other Than Pensions
For the year ended June 30, 2018

Other Postemployment Benefits

Fiscal year end	Service cost (a)	Interest (b)	Changes of benefit terms (c)	Changes of assumptions or other inputs (d)	Benefit payments (e)	Net Change in total OPEB liability Sum of (a) to (e)=(f)	Total OPEB Liability beginning (g)	Total OPEB Liability ending (f)+(g)
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

Notes to schedule:

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

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

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

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

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

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

SWEET GRASS COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year ended June 30:	**Employer's proportion of the net pension liability**	**Employer's proportionate share of the net pension liability associated with the Employer (a)**	**State of Montana's proportionate share of the net pension liability associated with the Employer (b)**	**Total (a)+(b)=(c)**	**Employer's covered payroll (d)**	**Employer's proportionate share of the net pension liability as a percentage of its covered payroll (a)/(d)**	**Plan fiduciary net position as a percentage of the total pension liability**
2014	0.2741%	$ 3,415,201	$ 41,705	$ 3,456,906	$ 3,126,572	111.22%	79.87%
2015	0.2624%	3,668,458	45,061	3,713,519	3,062,630	119.78%	78.40%
2016	0.2623%	4,467,262	54,585	4,521,847	3,141,463	142.20%	74.71%
2017	0.1523%	2,965,824	38,374	3,004,198	1,754,885	169.00%	73.75%

SHERIFFS RETIREMENT SYSTEM

Year ended June 30:	Employer's proportion of the net pension liability	Employer's pro-portionate share of the net pension liability associated with the Employer (a)	Employer's cov-ered-employee payroll (d)	Employer's proportionate share of the net pension liability as a per-centage of its cov-ered-employee payroll (a)/(d)	Plan fiduciary net position as a per-centage of the total pension liability
2014	0.4990%	$ 207,681	$ 322,735	64.35%	87.24%
2015	0.4770%	459,825	324,579	141.67%	75.40%
2016	0.5278%	927,210	372,584	248.86%	63.00%
2017	0.4813%	366,229	360,081	101.71%	81.30%

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

SWEET GRASS COUNTY

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2018

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	1,450,337	8.47%

SHERIFFS RETIREMENT SYSTEM

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

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

SWEET GRASS COUNTY

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2018

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:

2015 Legislative Changes:
General Revisions - House Bill 101, effective January 1, 2016
Second Retirement Benefit - for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
    - refund of member’s contributions from second employment plus regular interest (currently 0.25%);
    - no service credit for second employment;
    - start same benefit amount the month following termination; and
    - GABA starts again the January immediately following second retirement.
2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
    - member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
    - GABA starts the January after receiving recalculated benefit for 12 months.
3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
    - refund of member’s contributions from second employment plus regular interest (currently 0.25%);
    - no service credit for second employment;
    - start same benefit amount the month following termination; and,
    - GABA starts again the January immediately following second retirement.
4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
    - member receives same retirement benefit as prior to return to service;
    - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
    - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015
Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

2017 Legislative Changes:
General Revisions – House Bill 101, effective July 1, 2017
Working Retiree Limitations – for PERS

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.

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

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.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the GABA, the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

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, 2018

Disabled PERS Defined Contribution Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS Defined Contribution (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.

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY 2018 - $31.386 million
2. FY 2019 - $31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
   a. FY 2020 - $32.277 million
   b. FY 2021 - $32.6 million
   c. FY 2022 - $32.926 million
   d. FY 2023 - $33.255 million
   e. FY 2024 - $33.588 million
   f. FY 2025 - $33.924 million

1. 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, 2017 actuarial valuation:

General Wage Growth*	3.50%
*Includes inflation at	2.75%
Merit increase	0% to 4.8%
Investment rate of return	7.65 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.26%

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:

2015 Legislative Changes: none

2. b. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2016:

- Sheriffs' Retirement System (SRS) discount rate (used to measure the TPL) – 5.93%, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and a municipal bond index rate of 3.01%.

The following change to the actuarial assumptions was adopted in 2015:

- SRS Discount rate (used to measure the TPL) – 6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and a municipal bond index rate of 3.80%.

The following additions were adopted in 2014 based on implementation of GASB Statement 68:

- Admin Expense as % of Payroll – 0.17%
- SRS Discount rate (used to measure the TPL) – 7.75%, which is the assumed long-term expected rate of return on pension plan investments.

The following change to the actuarial assumptions was adopted in 2013:

- SRS Discount rate (used to measure the TPL) – 6.68 percent, which is a blend of the assumed long-term expected rate of return of 7.75% on pension plan investments and the municipal bond index rate.

There were no changes following the 2013 Economic Experience study.

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

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	General			Road		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes and assessments	$ 1,023,358	$ 1,023,358	$ 1,050,932	$ 465,372	$ 465,372	$ 468,563
Licenses and permits	400	400	553	500	500	975
Intergovernmental revenues	206,734	206,734	205,196	103,991	103,991	206,701
Charges for services	162,118	162,118	167,790	-	-	-
Fines and forfeitures	30,150	30,150	41,681	-	-	-
Miscellaneous	40,500	40,500	33,384	-	-	25,849
Investment and royalty earnings	6,000	6,000	16,152	-	-	-
Total revenues	1,469,260	1,469,260	1,515,688	569,863	569,863	702,088
EXPENDITURES:						
Current:						
General government			1,206,903			-
Public safety			74,470			-
Public works			-			494,360
Public health			33,094			-
Social and economic services			1,500			-
Miscellaneous			25,571			8,210
Debt service:			-			-
Principal			-			53,243
Interest and other charges			-			4,401
Capital outlay			18,788			2,581
Total expenditures	1,478,666	1,478,666	1,360,326	732,692	732,692	562,795
Excess (deficiency) of revenues over expenditures	(9,406)	(9,406)	155,362	(162,829)	(162,829)	139,293
OTHER FINANCING SOURCES/USES:						
Insurance proceeds	-	-	-	-	-	-
Fund transfers in			331			-
Fund transfers (out)	(132,750)	(132,750)	(132,750)	(105,000)	(105,000)	(105,000)
Total other financial sources/uses	(132,750)	(132,750)	(132,419)	(105,000)	(105,000)	(105,000)
Net changes in fund balances	(142,156)	(142,156)	22,943	(267,829)	(267,829)	34,293
FUND BALANCE:						
Beginning of the year			660,675			752,005
Change in inventory			-			(52,624)
End of the year			$ 683,618			$ 733,674

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

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	Law Enforcement			Hard Rock Mine Trust		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes and assessments	$ 612,510	$ 612,510	$ 619,054	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	62,805	62,805	62,953	193,000	193,000	389,153
Charges for services	211,362	211,362	215,061	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	3,555	-	-	-
Investment and royalty earnings	1,000	1,000	2,571	7,000	7,000	29,625
Total revenues	887,677	887,677	903,194	200,000	200,000	418,778
EXPENDITURES:						
Current:						
General government			-			-
Public safety			918,814			-
Public works			-			-
Public health			-			-
Social and economic services			-			-
Miscellaneous			15,758			-
Debt service:			-			-
Principal			13,940			-
Interest and other charges			261			-
Capital outlay			-			-
Total expenditures	910,863	948,774	948,773	2,084,763	2,084,763	-
Excess (deficiency) of revenues over expenditures	(23,186)	(61,097)	(45,579)	(1,884,763)	(1,884,763)	418,778
OTHER FINANCING SOURCES/USES:						
Insurance proceeds	-	-	10,400	-	-	-
Fund transfers in			-			-
Fund transfers (out)	(36,000)	(36,000)	(36,000)			-
Total other financial sources/uses	(36,000)	(36,000)	(25,600)	-	-	-
Net changes in fund balances	(59,186)	(97,097)	(71,179)	(1,884,763)	(1,884,763)	418,778
FUND BALANCE:						
Beginning of the year			447,001			1,884,763
Change in inventory			-			-
End of the year			$ 375,822			$ 2,303,541

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

Sweet Grass County
Big Timber, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Budget and Actual)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	Federal Mineral Royalty			PILT		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes and assessments	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	1	400,000	-	635,829
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	1,773
Investment and royalty earnings	-	-	-	5,000	-	13,465
Total revenues	-	-	1	405,000	-	651,067
EXPENDITURES:						
Current:						
General government			-			60,524
Public safety			-			-
Public works			-			89,298
Public health			-			-
Social and economic services			-			-
Miscellaneous			-			-
Debt service:			-			-
Principal			-			-
Interest and other charges			-			-
Capital outlay			-			38,825
Total expenditures	6,147	6,147	-	1,554,710	1,554,710	188,647
Excess (deficiency) of revenues over expenditures	(6,147)	(6,147)	1	(1,149,710)	(1,554,710)	462,420
OTHER FINANCING SOURCES/USES:						
Insurance proceeds	-	-	-	-	-	-
Fund transfers in			-			-
Fund transfers (out)			-			-
Total other financial sources/uses	-	-	-	-	-	-
Net changes in fund balances	(6,147)	(6,147)	1	(1,149,710)	(1,554,710)	462,420
FUND BALANCE:						
Beginning of the year			6,147			1,581,341
Change in inventory			-			-
End of the year			$ 6,148			$ 2,043,761

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

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2018

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 GENERAL BUDGET POLICIES:

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

1. a. 2 BUDGET OPERATION:

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

- 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 an expenditure or incur an obligation in excess of the total 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/town only official are limited to the amount of appropriations and by the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities. Exceptions to this limitation - Appropriations may be adjusted according to procedures authorized by the governing body for:
    - 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; and
    - 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 against the expenditure until the tax levy is authorized and approved.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the County.

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (continued)
For the year ended June 30, 2018

NOTE 2. BUDGET AMENDMENT

The County approved budget amendments during the year as follows:

Fund		Amount	Purpose
Predatory Animal Sheep	$	101	Interfund money received from PILT
Posted Bonds (Law Enforcement)		430	Unanticipated expenditures
Garnishments (Law Enforcement)		3,307	Unanticipated expenditures
County Attorney Trust		6,669	Unanticipated expenditures
2018 Urban Spurge Weed Grant		15,738	Interfund money received from PILT
Urban Spurge Weed Grant		29	Interfund money received from PILT
Deer & Bridger Creek Weed Grant		304	Unanticipated expenditures
Cayuse Hills Weed Grant		13,000	Interfund money received from PILT
Law RAC Grant		1,571	Interfund money received from PILT
Victim Witness Advocate		259	Unanticipated expenditures
TSEP P.E.R.		14,999	Unanticipated expenditures
TSEP Pony Truss Bridge		581	Unanticipated expenditures
Urban Spurge Weed Grant		(12,781)	Original budget misstated amount from grant for FY 2018
Deer & Bridger Creek Weed Grant		(2,593)	Original budget misstated amount from grant for FY 2018
Otter Creek Weed Grant		(325)	Original budget misstated amount from grant for FY 2018
Technology		7,545	Unanticipated new phone system
TSEP Pony Truss Bridge		669	Unanticipated expenditures
Law Enforcement Prisoner Board		37,911	Unanticipated expenditures
Total	$	87,414	

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

	Sub-fund General	Sub-fund PILT	Sub-fund Federal Mineral Royalty	Total General Fund
REVENUES:				
Taxes/assessments	$ 1,050,932	$ 0	$ 0	$ 1,050,932
Licenses and permits	553	0	0	553
Intergovernmental revenues	205,196	635,829	1	841,026
Charges for services	167,790	0	0	167,790
Fines and forfeitures	41,681	0	0	41,681
Miscellaneous	33,384	1,773	0	35,157
Investment and royalty earnings	16,152	13,465	0	29,617
Total revenues	$ 1,515,688	$ 651,067	$ 1	$ 2,166,756
EXPENDITURES:				
General government	$ 1,206,903	$ 60,524	$ 0	$ 1,267,427
Public safety	74,470	0	0	74,470
Public works	0	89,298	0	89,298
Public health	33,094	0	0	33,094
Social and economic services	1,500	0	0	1,500
Miscellaneous	25,571	0	0	25,571
Capital Outlay	18,788	38,825	0	57,613
Total expenditures	$ 1,360,326	$ 188,647	$ 0	$ 1,548,973
Excess of revenues over expenditures	155,362	462,420	1	617,783
OTHER FINANCING SOURCES/USES:				
Fund transfers in	$ 331	$ 0	$ 0	$ 331
Fund transfers (out)	(132,750)	0	0	(132,750)
Total other financial sources/uses	$ (132,419)	$ 0	$ 0	$ (132,419)
Net changes in fund balances	22,943	462,420	1	485,364
FUND BALANCE:				
Beginning of the Year	660,675	1,581,341	6,147	2,248,163
Ending of the Year (GAAP)	$ 683,618	$ 2,043,761	$ 6,148	$ 2,733,527

In the General sub-funds combining schedule above, the General, PILT, and Federal Mineral Royalty funds are added together to get to the aggregate General fund shown as a major fund on the statement of revenues, expenditures, and changes in fund balance - governmental funds. The PILT and Federal Mineral Royalty funds are maintained as separate funds for accounting purposes. However, for external financial reporting purposes, they are added to the General fund because they, like the General fund, have unassigned fund balance(s).

On the schedule of revenues, expenditures, and changes in fund balances - budget and actual, all budgeted major governmental funds display budgeted information for the General and major special revenue funds of the County.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sweet Grass County as of and for the year ended June 30, 2018, 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 April 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
April 5, 2019

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2018

Prior year findings/status:

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

Current year findings:

There were no findings or recommendations for the fiscal year ended June 30, 2018.