

**CUSTER COUNTY  
MILES CITY, MONTANA  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022**

**OLNESS & ASSOCIATES, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

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CUSTER COUNTY

ORGANIZATION

June 30, 2022

BOARD OF COUNTY COMMISSIONERS

Jason Strouf	Presiding Officer
Keith Holmlund	Commissioner
Kevin Krausz	Commissioner

ELECTED OFFICIALS

Linda Corbett	County Clerk and Recorder
Tara Moorehead	County Treasurer
Pat Roos	County Sheriff/Coroner
Wyatt Glade	County Attorney
Doug Ellingson	County Superintendent
Kristi Celander	Clerk of District Court
Mark Hilderbrand	Justice of the Peace

# OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

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ERNEST J. OLNESS, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners  
Custer County  
Miles City, Montana

### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Custer County, Montana (the government) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

#### Qualified Opinions:

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the government, as of June 30, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the government as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

#### Matter Giving Rise to the Qualified Opinions:

Because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities and the aggregate remaining fund information.

### Emphasis of Matter

As described in Note 1 to the financial statements the government adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITORS REPORT (Continued)

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

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

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

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

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

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's 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 government's internal control over financial reporting and compliance.

*O'Leary & Associates, PC*

Billings, Montana  
March 24, 2023

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of Custer County's financial performance provides an overview of the government's financial activities for the year ended June 30, 2022. Please read the information here in conjunction with our financial statements and footnotes.

- Net position at the close of fiscal year 2022 was \$11,746,398. Of this amount, \$2,701,899 is restricted and \$9,754,322 was our net investment in capital assets.
- The County's total net position increased by \$33,028 as a result of this year's operations.
- Actual general fund revenues were more than budgeted revenues by \$130,893, while actual expenditures were less than budgeted appropriations by \$68,939.
- Custer County held a special election in January 2020 for voter approval to borrow \$3.85 million for the event center project. Voters approved borrowing the funds with 1975 in favor and 876 opposed. The event center was completed in early fiscal year 2022.

### USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the government as a whole and present a longer-term view of the finances. The fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts in a fiduciary capacity.

### OVERVIEW OF THE FINANCIAL STATEMENTS

**Government-wide financial statements** One of the most important questions asked about the government's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and the changes in it. You can think of net position—the difference between assets and deferred outflows less liabilities and deferred inflows—as one way to measure the County's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the statement of net position and the statement of activities, our government is divided into two kinds of activities:

Governmental activities—Basic services are reported here, including general government, public safety, public works and culture and recreation. Property taxes and state and federal grants finance most of these activities.

Business-type activities—Fees are charged to customers to help cover all or most of the cost of the services provided. Solid waste services are reported here.

**Fund financial statements** The fund financial statements provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and/or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds:

Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations.

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary funds:

Fees are charged to customers for the services provided—whether to outside customers or to other units of the government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other programs and activities—such as the data processing fund.

Fiduciary funds:

The fiduciary funds consist of custodial funds. Custodial funds account for assets held by the government as an agent for various local governments, special districts, and individuals. The external portion of the investment pool is reported as part of the custodial funds.

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position at the close of fiscal year 2022 was \$11,746,398. Of this amount, \$2,701,899 is restricted and \$9,754,322 was our net investment in capital assets. Business-type activities restricted net position represents resources that are subject to external restrictions on how they may be used. The \$854,851 is related to the landfill closure/post closure care trust. The money is set aside to satisfy the financial assurance requirements established by the EPA. Governmental activities restricted net position is also subject to external restrictions on how it can be used.

The County's total net position increased \$33,028 as a result of this year's operations. Net position for our governmental activities decreased \$12,479. Net position for the business-type activities increased \$45,507, which is attributable to our landfill accepting asbestos. Most landfills do not accept asbestos.

The following schedules of net position and change in net position provide summaries of the county's governmental and business-type activities.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 6,669,095	\$ 6,295,821	\$ 4,382,202	\$ 4,106,271	\$ 11,051,297	\$ 10,402,092
Capital assets	18,899,542	18,967,466	261,092	313,642	19,160,634	19,281,108
<b>Total assets</b>	<b>25,568,637</b>	<b>25,263,287</b>	<b>4,643,294</b>	<b>4,419,913</b>	<b>30,211,931</b>	<b>29,683,200</b>
Deferred outflows	1,065,999	1,494,736	-	-	1,065,999	1,494,736
Other liabilities	2,544,601	2,123,769	133,967	66,570	2,678,568	2,190,339
Long-term liabilities	13,638,041	15,338,240	1,474,028	1,387,290	15,112,069	16,725,530
<b>Total liabilities</b>	<b>16,182,642</b>	<b>17,462,009</b>	<b>1,607,995</b>	<b>1,453,860</b>	<b>17,790,637</b>	<b>18,915,869</b>
Deferred inflows	1,740,895	564,089	-	-	1,740,895	564,089
Net position:						
Net Investment in capital assets	9,493,230	9,577,193	261,092	313,642	9,754,322	9,890,835
Restricted	1,847,048	1,578,238	854,851	833,861	2,701,899	2,412,099
Unrestricted	(2,629,179)	(2,423,506)	1,919,356	1,818,550	(709,823)	(604,956)
	<b>\$ 8,711,099</b>	<b>\$ 8,731,925</b>	<b>\$ 3,035,299</b>	<b>\$ 2,966,053</b>	<b>\$ 11,746,398</b>	<b>\$ 11,697,978</b>

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,073,139	\$ 1,016,961	\$ 1,082,182	\$ 870,726	\$ 2,155,321	\$ 1,887,687
Operating grants and contributions	1,432,615	2,041,418	-	-	1,432,615	2,041,418
Capital grants and contributions	407,122	848,493	-	-	407,122	848,493
General revenues:						
Taxes	5,764,617	5,658,211	-	-	5,764,617	5,658,211
Licenses and permits	1,875	1,560	-	-	1,875	1,560
Intergovernmental	1,531,078	1,477,489	-	-	1,531,078	1,477,489
Interest	16,666	7,336	12,081	33,596	28,747	40,932
Miscellaneous	61,982	9,233	-	-	61,982	9,233
<b>Total revenues</b>	<b>10,289,094</b>	<b>11,060,701</b>	<b>1,094,263</b>	<b>904,322</b>	<b>11,383,357</b>	<b>11,965,023</b>
<b>Expenses:</b>						
General government	2,759,015	2,797,302	-	-	2,759,015	2,797,302
Public safety	2,576,725	2,726,536	-	-	2,576,725	2,726,536
Public works	1,895,487	1,895,062	-	-	1,895,487	1,895,062
Public health	988,044	916,343	-	-	988,044	916,343
Social and economic services	901,055	709,880	-	-	901,055	709,880
Culture and recreation	884,356	642,994	-	-	884,356	642,994
Housing and community dev.	32,429	31,989	-	-	32,429	31,989
Other current charges	-	33,332	-	-	-	33,332
Solid Waste	-	-	1,048,756	1,001,657	1,048,756	1,001,657
Interest on long-term debt	264,462	263,593	-	-	264,462	263,593
<b>Total expenses</b>	<b>10,301,573</b>	<b>10,017,031</b>	<b>1,048,756</b>	<b>1,001,657</b>	<b>11,350,329</b>	<b>11,018,688</b>
Change in net position	(12,479)	1,043,670	45,507	(97,335)	33,028	946,335
Net position, beginning	8,731,925	7,688,255	2,966,053	3,063,388	11,697,978	10,751,643
Prior period adjustments	(8,347)	-	23,739	-	15,392	-
<b>Net position, ending</b>	<b>\$ 8,711,099</b>	<b>\$ 8,731,925</b>	<b>\$ 3,035,299</b>	<b>\$ 2,966,053</b>	<b>\$ 11,746,398</b>	<b>\$ 11,697,978</b>

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the major (most significant) funds. The general fund is always reported as a major fund. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. To be reported as a major fund, a fund must meet each of the two following criteria:

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds). The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The general fund is the County's primary operating fund. It accounts for all financial resources of the government, except those accounted for in another fund. At the end of the fiscal year, unassigned fund balance was \$329,373. Fund balance increased \$145,338. The increase is mainly due to transfers in from the PILT fund.

The Custer County Event Center fund accounts for the construction of a new event center. Fund balance as of June 30, 2022 was zero. The county completed the event center and paid off the interim financing with a permanent loan.

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services. The public safety fund balance decreased \$24,978.



CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

The PILT (payments in lieu of taxes) fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Expenditures made from the fund are at the discretion of the Board of County Commissioners. During fiscal year 2022, resources from the PILT fund were transferred to fund other fund's budgets. Overall fund balance increased \$1,470,275.

The federal 2021 ARPA fund received an additional \$1,107,353 in 2022 which will be deferred until the funds are spent.

The MT 2020 CARES act fund resulted from setting aside amounts equal to 2020 CARES act revenues. There was no activity in the fund during fiscal year 2022.

Net position for the business-type activities increased \$45,507.

General Fund Budgetary Highlights:

There were no significant general fund budget amendments. Actual general fund revenues were more than budgeted revenues by \$130,893, while actual expenditures were less than budgeted appropriations by \$68,939.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Custer County's net investment in capital assets, as of June 30, 2022 as \$9,754,322. This investment in capital assets includes property, buildings, improvements, machinery and equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items). The County has elected not to report major infrastructure assets retroactively. For more information related to capital assets, see the notes to the basic financial statements.

Compensated absences are a liability of the County for unpaid vacation leave, sick leave, and compensatory time. The liability generally increases on an annual basis as a result of increasing wages and a general growth in the number of total compensable hours. The balance of this liability at June 30, 2022 was \$519,081. Other liabilities outstanding consist of the net pension liability, the total other post-employment benefits liability, GO bonds, SID bonds, leases and notes payable. For more information related to long-term debt, see the notes to the basic financial statements.

**THE GOVERNMENT'S FUTURE**

The Tussler Bridge crosses the Yellowstone River east of Miles City. This was a Milwaukee railroad bridge that was given to Custer County for vehicle use between Miles City and Kinsey. The County partnered with Montana Department of Transportation to fund a project to remove the old timber decking and replace with metal grate decking. This project was completed November 2022. The bridge on Mizpah Road over Sheep Creek was replaced with a pre-cast concrete beam and concrete deck bridge. Custer County collaborated with the T&Y Irrigation District to procure Minimum Allocation Grant money from HB632 in the 2021 legislature to replace the irrigation flume over Kircher Creek. The County completed the Preliminary Architectural Report (PAR) for a Senior Center and is working on securing funding to complete this project. Custer County transferred \$111,000 of Minimum Allocation Grant money to the City of Miles City to offset part of the expense to reline the concrete sewer line under North Haynes Avenue.

The following factors were considered in preparing the County Budget for FY 2022-23.

- The uncertainty of PILT money is a constant concern.
- Lack of funds and other road and bridge problems continue to plague the Road Dept.
- High energy and fuel costs continue to be a major concern for road, fairgrounds, sheriff and maintenance depts.
- A planning committee made up of community leaders has been formed to advise the commissioners and planning board of local issues, and help solve area problems.
- Custer County is partnering with Miles Community College to secure funding to replace a sewer line. The County is also partnering with the Kinsey Irrigation District to secure funding to replace the Muster Creek Siphon. T & Y Irrigation District is doing a Preliminary Engineering Report on Cowles Creek and the County has partnered to secure funding for the report. All of these projects were awarded Minimum Allocation Grants through Custer County and are scheduled to be completed by the end of 2023.
- Negative impacts from job losses due to less coal and oil production are happening in our area. The commissioners are working closely with our economic development and planning committee on how best to handle the situation.

CUSTER COUNTY  
STATEMENT OF NET POSITION  
June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 4,605,170	\$ 1,422,962	\$ 6,028,132
Investments	1,164,342	359,773	1,524,115
Receivables:			
Taxes and assessments	305,276	11,408	316,684
Governments	259,491	-	259,491
Solid waste	-	259,180	259,180
Cemetery	5,083	-	5,083
Other	82,951	-	82,951
Leases	25,906	-	25,906
Inventories	183,308	-	183,308
Prepays	37,568	-	37,568
Restricted assets:			
Cash and equivalents	-	11,537	11,537
Investments	-	2,317,342	2,317,342
Capital assets:			
Land and construction in progress	332,340	89,836	422,176
Capital assets, net of accumulated depreciation	18,567,202	171,256	18,738,458
Total assets	<u>25,568,637</u>	<u>4,643,294</u>	<u>30,211,931</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	<u>1,065,999</u>	<u>-</u>	<u>1,065,999</u>
<b>LIABILITIES</b>			
Accounts payable-vendors	187,412	133,967	321,379
Due to other governments	59,532	-	59,532
Unearned revenues	2,297,657	-	2,297,657
Long-term liabilities:			
Due within one year:			
Notes, leases and bonds	566,591	-	566,591
Compensated absences	161,640	-	161,640
Due in more than one year:			
Notes, leases and bonds	8,839,721	-	8,839,721
Compensated absences	357,441	-	357,441
Landfill closure/postclosure care payable	-	1,474,028	1,474,028
Net pension liability	3,166,010	-	3,166,010
Total other post-employment benefits liability	546,638	-	546,638
Total liabilities	<u>16,182,642</u>	<u>1,607,995</u>	<u>17,790,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	25,282	-	25,282
Pension plans	1,512,204	-	1,512,204
Unavailable revenue-deferred special assessments	203,409	-	203,409
Total deferred inflows of resources	<u>1,740,895</u>	<u>-</u>	<u>1,740,895</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,493,230	261,092	9,754,322
Restricted for:			
Landfill closure/postclosure care	-	854,851	854,851
General government	290,213	-	290,213
Public safety	70,900	-	70,900
Public works	650,222	-	650,222
Public health	59,913	-	59,913
Social and economic	28,579	-	28,579
Culture and recreation	27,165	-	27,165
Housing and community development	4,584	-	4,584
Capital projects	693,391	-	693,391
Debt service	22,081	-	22,081
Unrestricted (deficit)	<u>(2,629,179)</u>	<u>1,919,356</u>	<u>(709,823)</u>
Total net position	<u>\$ 8,711,099</u>	<u>\$ 3,035,299</u>	<u>\$ 11,746,398</u>

See notes to basic financial statements.

CUSTER COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,759,015	\$ 257,986	\$ 135,144	\$ -	\$ (2,365,885)	\$ -	\$ (2,365,885)
Public safety	2,576,725	293,939	335,964	60,814	(1,886,008)	-	(1,886,008)
Public works	1,895,487	95,927	185,498	269,964	(1,344,098)	-	(1,344,098)
Public health	988,044	79,528	508,034	-	(400,482)	-	(400,482)
Social and economic services	901,055	62,712	253,004	76,344	(508,995)	-	(508,995)
Culture and recreation	884,356	283,047	14,971	-	(586,338)	-	(586,338)
Housing and community development	32,429	-	-	-	(32,429)	-	(32,429)
Interest on long-term debt	264,462	-	-	-	(264,462)	-	(264,462)
<b>Total governmental activities</b>	<b>10,301,573</b>	<b>1,073,139</b>	<b>1,432,615</b>	<b>407,122</b>	<b>(7,388,697)</b>	<b>-</b>	<b>(7,388,697)</b>
<b>Business-type activities:</b>							
Solid waste	1,048,756	1,082,182	-	-	-	33,426	33,426
<b>Total business-type activities</b>	<b>1,048,756</b>	<b>1,082,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,426</b>	<b>33,426</b>
<b>Total</b>	<b>\$ 11,350,329</b>	<b>\$ 2,155,321</b>	<b>\$ 1,432,615</b>	<b>\$ 407,122</b>	<b>(7,388,697)</b>	<b>33,426</b>	<b>(7,355,271)</b>
<b>General revenues:</b>							
Property taxes					5,764,617	-	5,764,617
Licenses and permits					1,875	-	1,875
Intergovernmental					1,531,078	-	1,531,078
Unrestricted investment earnings					16,666	12,081	28,747
Miscellaneous					51,910	-	51,910
Gain on disposal of capital assets					10,072	-	10,072
<b>Total general revenues</b>					<b>7,376,218</b>	<b>12,081</b>	<b>7,388,299</b>
<b>Change in net position</b>					<b>(12,479)</b>	<b>45,507</b>	<b>33,028</b>
<b>Net position - beginning</b>					<b>8,731,925</b>	<b>2,966,053</b>	<b>11,697,978</b>
<b>Prior period adjustments</b>					<b>(8,347)</b>	<b>23,739</b>	<b>15,392</b>
<b>Net position - ending</b>					<b>\$ 8,711,099</b>	<b>\$ 3,035,299</b>	<b>\$ 11,746,398</b>

CUSTER COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022

	General	Public Safety	PILT	Federal 2021 ARPA	MT 2020 CARES Act	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 266,838	\$ 3,641	\$ 537,920	\$ 1,767,757	\$ 706,187	\$ 1,295,853	\$ 4,578,196
Investments	67,466	920	136,004	446,949	178,548	327,635	1,157,522
Receivables:							
Taxes and assessments	22,235	25,473	-	-	-	257,568	305,276
Governments	34,365	24,639	-	-	-	200,487	259,491
Cemetery	-	-	-	-	-	5,083	5,083
Other	-	-	-	-	-	82,951	82,951
Leases	25,906	-	-	-	-	-	25,906
Due from other funds	-	-	46,942	-	-	-	46,942
Inventories	-	-	-	-	-	183,308	183,308
Prepaid items	-	37,568	-	-	-	-	37,568
<b>Total assets</b>	<b>\$ 416,810</b>	<b>\$ 92,241</b>	<b>\$ 720,866</b>	<b>\$ 2,214,706</b>	<b>\$ 884,735</b>	<b>\$ 2,352,885</b>	<b>\$ 6,682,243</b>
<b>LIABILITIES</b>							
Accounts payable-vendors	\$ 39,920	\$ 77,521	\$ -	\$ -	\$ -	\$ 69,971	\$ 187,412
Due to other funds	-	-	-	-	-	46,942	46,942
Due to other governments	-	-	-	-	-	59,532	59,532
Unearned revenue	-	-	-	2,214,706	-	82,951	2,297,657
<b>Total liabilities</b>	<b>39,920</b>	<b>77,521</b>	<b>-</b>	<b>2,214,706</b>	<b>-</b>	<b>259,396</b>	<b>2,591,543</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Leases	25,282	-	-	-	-	-	25,282
Unavailable revenue-taxes and assessments	22,235	25,473	-	-	-	257,568	305,276
<b>Total deferred inflows of resources</b>	<b>47,517</b>	<b>25,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,568</b>	<b>330,558</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable:							
Inventory	-	-	-	-	-	183,308	183,308
Prepaid items	-	37,568	-	-	-	-	37,568
Restricted for:							
General government	-	-	-	-	-	274,182	274,182
Public safety	-	-	-	-	-	45,422	45,422
Public works	-	-	-	-	-	467,420	467,420
Public health	-	-	-	-	-	39,464	39,464
Social and economic services	-	-	-	-	-	25,961	25,961
Culture and recreation	-	-	-	-	-	23,159	23,159
Housing and community development	-	-	-	-	-	4,146	4,146
Capital projects	-	-	-	-	-	693,391	693,391
Debt service	-	-	-	-	-	12,657	12,657
Committed for:							
General government	-	-	720,866	-	884,735	71,043	1,676,644
Culture and recreation	-	-	-	-	-	43,906	43,906
Unassigned (deficits)	329,373	(48,321)	-	-	-	(48,138)	232,914
<b>Total fund balances (deficits)</b>	<b>329,373</b>	<b>(10,753)</b>	<b>720,866</b>	<b>-</b>	<b>884,735</b>	<b>1,835,921</b>	<b>3,760,142</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 416,810</b>	<b>\$ 92,241</b>	<b>\$ 720,866</b>	<b>\$ 2,214,706</b>	<b>\$ 884,735</b>	<b>\$ 2,352,885</b>	<b>\$ 6,682,243</b>

CUSTER COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET  
POSITION  
June 30, 2022

Total fund balances, governmental funds	\$ 3,760,142
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	18,899,542
<p>Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>	101,867
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>	
Deferred outflows of resources related to pensions	1,065,999
Deferred inflows of resources related to pensions	(1,512,204)
<p>Some liabilities, (such as compensated absences, the total other post-employment benefits liability, notes payable, bonds payable, leases and the net pension liability), are not due and payable in the current period and, therefore, are not included in the funds.</p>	(13,628,421)
<p>Internal service funds are used by management to charge the costs of certain activities, such as data processing, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	<u>24,174</u>
Net position of governmental activities	<u><u>\$ 8,711,099</u></u>

CUSTER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022

	General	Custer County Event Center	Public Safety	PILT	MT 2020 CARES Act	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes/assessments	\$ 1,657,292	\$ -	\$ 1,375,962	\$ -	\$ -	\$ 2,796,615	\$ 5,829,869
Fines and forfeitures	73,100	-	-	-	-	6,828	79,928
Licenses and permits	300	-	1,575	-	-	-	1,875
Intergovernmental	457,568	-	172,060	967,167	-	1,574,867	3,171,662
Charges for services	217,437	-	103,702	-	-	621,625	942,764
Investment earnings	15,537	-	2	-	-	1,127	16,666
Miscellaneous	36,888	-	265	-	-	178,572	215,725
<b>Total revenues</b>	<b>2,458,122</b>	<b>-</b>	<b>1,653,566</b>	<b>967,167</b>	<b>-</b>	<b>5,179,634</b>	<b>10,258,489</b>
<b>EXPENDITURES</b>							
Current:							
General government	2,078,555	-	-	-	-	659,332	2,737,887
Public safety	107,559	-	1,921,079	-	-	425,001	2,453,639
Public works	53,193	-	-	-	-	1,664,276	1,717,469
Public health	392,045	-	1,206	-	-	595,257	988,508
Social and economic services	43,148	-	-	1,000	-	834,431	878,579
Culture and recreation	10,234	-	-	-	-	703,587	713,821
Housing and community development	8,889	-	-	-	-	23,540	32,429
Debt service:							
Principal	162,766	3,464,950	-	-	-	393,564	4,021,280
Interest and other charges	47,014	39,742	-	-	-	213,110	299,866
Capital outlay	107,742	-	14,500	-	-	525,483	647,725
<b>Total expenditures</b>	<b>3,011,145</b>	<b>3,504,692</b>	<b>1,936,785</b>	<b>1,000</b>	<b>-</b>	<b>6,037,581</b>	<b>14,491,203</b>
Excess (deficiency) of revenues over expenditures	(553,023)	(3,504,692)	(283,219)	966,167	-	(857,947)	(4,232,714)
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	-	4,079,850	-	-	-	-	4,079,850
Leases	8,994	-	-	-	-	-	8,994
Sale of capital assets	-	-	-	-	-	13,932	13,932
Insurance recoveries	-	-	2,241	-	-	30,490	32,731
Transfers in	695,760	456,762	281,000	-	-	1,518,313	2,951,835
Transfers out	(6,393)	(91,692)	(25,000)	(2,436,442)	-	(392,308)	(2,951,835)
<b>Total other financing sources (uses)</b>	<b>698,361</b>	<b>4,444,920</b>	<b>258,241</b>	<b>(2,436,442)</b>	<b>-</b>	<b>1,170,427</b>	<b>4,135,507</b>
<b>Net change in fund balances</b>	<b>145,338</b>	<b>940,228</b>	<b>(24,978)</b>	<b>(1,470,275)</b>	<b>-</b>	<b>312,480</b>	<b>(97,207)</b>
Fund balances - beginning	184,035	(983,572)	14,225	2,191,141	884,735	1,523,441	3,814,005
Prior period adjustments	-	43,344	-	-	-	-	43,344
<b>Fund balances - ending</b>	<b>\$ 329,373</b>	<b>\$ -</b>	<b>\$ (10,753)</b>	<b>\$ 720,866</b>	<b>\$ 884,735</b>	<b>\$ 1,835,921</b>	<b>\$ 3,760,142</b>

CUSTER COUNTY  
 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, 2022

Net change in fund balances - total governmental funds	\$ (97,207)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlay for capital assets as expenditures. In contrast, the statement of activities reports only a portion of the outlay as expense. This outlay is allocated over the assets estimated useful lives as depreciation/amortization expense for the period.</p>	
<p>This is the amount by which depreciation/amortization (\$669,086) exceeded capital outlay (\$647,725) in the current period.</p>	(21,361)
<p>Governmental funds report the entire net sales price from the sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the asset disposed of.</p>	(3,860)
<p>Contributed capital assets.</p>	47,454
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	(26,921)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.</p>	181,793
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the net amount of debt issued and principal repaid.</p>	(67,564)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
<p>Accrued interest not reflected in governmental funds</p>	22,345
<p>Compensated absences</p>	(6,316)
<p>Other post-employment benefits</p>	(64,083)
<p>Amortization of general obligation bond premium</p>	13,059
<p>Internal service funds are used by management to charge the costs of certain activities, such as data processing, to individual funds. The change in net position of the internal service funds is reported with the governmental activities.</p>	<u>10,182</u>
<p>Change in net position of governmental activities</p>	<u><u>\$ (12,479)</u></u>

CUSTER COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2022

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,422,962	\$ 26,974
Investments	359,773	6,820
Receivables:		
Taxes and assessments	11,408	-
Solid waste	259,180	-
Total current assets	2,053,323	33,794
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	11,537	-
Investments	2,317,342	-
Total restricted assets	2,328,879	-
Capital assets:		
Land and construction in progress	89,836	-
Buildings and improvements	2,073,005	-
Less accumulated depreciation	(1,901,749)	-
	261,092	-
Total non-current assets	2,589,971	-
Total assets	4,643,294	33,794
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable-vendors	133,967	-
Compensated absences	-	962
Total current liabilities	133,967	962
Non-current liabilities:		
Compensated absences	-	8,658
Landfill closure/postclosure care payable	1,474,028	-
Total non-current liabilities	1,474,028	8,658
Total liabilities	1,607,995	9,620
<b>NET POSITION</b>		
Net investment in capital assets	261,092	-
Restricted for landfill closure/postclosure care	854,851	-
Unrestricted	1,919,356	24,174
Total net position	\$ 3,035,299	\$ 24,174

See notes to basic financial statements.



CUSTER COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2022

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
<b>REVENUES</b>		
Charges for services	\$ 590,415	\$ 147,786
Taxes and assessments	491,767	-
	<u>1,082,182</u>	<u>147,786</u>
<b>OPERATING EXPENSES</b>		
Personal services	-	91,472
Supplies	1,354	476
Purchased services	900,744	45,656
Fixed charges	7,370	-
Closure/postclosure costs	86,738	-
Depreciation	52,550	-
	<u>1,048,756</u>	<u>137,604</u>
Total operating expenses	<u>1,048,756</u>	<u>137,604</u>
Operating income	<u>33,426</u>	<u>10,182</u>
<b>NON-OPERATING REVENUES</b>		
Investment earnings	<u>12,081</u>	<u>-</u>
Total non-operating revenues	<u>12,081</u>	<u>-</u>
Change in net position	45,507	10,182
Net position - beginning	2,966,053	13,992
Prior period adjustments	23,739	-
Net position - ending	<u>\$ 3,035,299</u>	<u>\$ 24,174</u>

CUSTER COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2022

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 851,830	\$ -
Cash received from interfund services	-	147,786
Cash paid to employees	-	(89,626)
Cash paid to suppliers for goods and services	<u>(842,071)</u>	<u>(46,132)</u>
Net cash provided by operating activities	<u>9,759</u>	<u>12,028</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in investments	(399,641)	(5,935)
Interest received	<u>12,081</u>	<u>-</u>
Net cash used by investing activities	<u>(387,560)</u>	<u>(5,935)</u>
Change in cash and cash equivalents	(377,801)	6,093
Cash and cash equivalents - beginning	<u>1,812,300</u>	<u>20,881</u>
Cash and cash equivalents - ending	<u><u>\$ 1,434,499</u></u>	<u><u>\$ 26,974</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 33,426	\$ 10,182
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	52,550	-
Closure/post closure costs	86,738	-
Decrease in taxes/assessments receivable	1,984	-
Increase in solid waste receivable	(232,336)	-
Increase in accounts payable	67,397	-
Increase in compensated absences	-	1,846
Net cash provided by operating activities	<u><u>\$ 9,759</u></u>	<u><u>\$ 12,028</u></u>

CUSTER COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2022

	<u>Custodial Funds</u>		Total Custodial Funds
	External Investment Pool	Other Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,467,491	\$ 335,641	\$ 10,803,132
Investments	2,544,220	81,665	2,625,885
Taxes and assessments receivable	-	319,631	319,631
Equity position in external investment pool	-	13,011,711	13,011,711
	<u>13,011,711</u>	<u>13,748,648</u>	<u>26,760,359</u>
<b>LIABILITIES</b>			
Accounts payable	-	378,883	378,883
	<u>-</u>	<u>378,883</u>	<u>378,883</u>
<b>NET POSITION</b>			
Restricted for:			
Pool participants	13,011,711	-	13,011,711
Individuals, organizations and other governments	-	13,369,765	13,369,765
	<u>-</u>	<u>13,369,765</u>	<u>13,369,765</u>
Total net position	<u>\$ 13,011,711</u>	<u>\$ 13,369,765</u>	<u>\$ 26,381,476</u>

CUSTER COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2022

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>External Investment Pool</u>	<u>Other</u>	
ADDITIONS:			
Contributions from pool participants	\$ 10,269,773	\$ -	\$ 10,269,773
Property taxes billed for other governments	-	14,410,850	14,410,850
Interest	-	30,598	30,598
Collections on behalf of state	-	1,702,134	1,702,134
Federal, state and local sources	-	28,926,404	28,926,404
	<u>10,269,773</u>	<u>45,069,986</u>	<u>55,339,759</u>
Total additions			
DEDUCTIONS:			
Distributions to pool participants	8,587,432	-	8,587,432
Distributions to other governments	-	9,269,871	9,269,871
Distributions to others	-	155,136	155,136
Payments made on behalf of school districts	-	33,689,053	33,689,053
Payments made on behalf of special districts	-	356,960	356,960
	<u>8,587,432</u>	<u>43,471,020</u>	<u>52,058,452</u>
Total deductions			
Net increase in fiduciary net position	1,682,341	1,598,966	3,281,307
Net position - beginning	<u>11,329,370</u>	<u>11,770,799</u>	<u>23,100,169</u>
Net position - ending	<u>\$ 13,011,711</u>	<u>\$ 13,369,765</u>	<u>\$ 26,381,476</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2022, the government implemented the provisions of GASB Statement No. 87, Leases. This Statement was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Fiduciary activities are only reported in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

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The Custer County event center fund accounts for resources that have been committed to upgrading or constructing the new event center.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The PILT fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Payments made from the fund are at the discretion of the Board of County Commissioners.

The federal 2021 ARPA fund accounts for resources accumulated from the American Rescue Plan Act. The funds have to be spent by December 2024.

The MT 2020 CARES act fund resulted from setting aside amounts equal to 2020 CARES act revenues.

The government reports the following major proprietary fund:

The solid waste fund accounts for the activities of the government's solid waste services.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Custodial funds account for assets held by the government as an agent for various local governments, special districts, and individuals. The external portion of the investment pool is reported as part of the custodial funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is

CUSTER COUNTY  
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received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The investment pool is not registered with the SEC. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 56% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). 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. The STIP portfolio is reported at fair value versus amortized cost.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. The pool does not include any involuntary participants.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government charges a 5% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$2,869.

Receivables

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Cemetery and solid waste receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the

CUSTER COUNTY  
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government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. These amounts are reported as restricted assets.

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Infrastructure	100
Building and improvements	10-100
Machinery and equipment	5-10
Right to use leased equipment	5-10

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



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Deferred Outflows/Inflows of Resources

In addition to assets, the government's statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pension plans.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has three items that qualify for reporting in this category: leases, pension plans and long-term special assessments.

In the governmental funds, the only deferred inflow of resources is for leases and revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from leases and property taxes are reported in the governmental funds balance sheet.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the clerk and recorder to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted

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NOTES TO BASIC FINANCIAL STATEMENTS

resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The public safety (\$48,321), senior citizens (\$7,928) and mitigation grant (\$40,210) funds had deficit fund balances as of June 30, 2022. The deficits occurred because current year expenditures exceeded current year revenues. The deficits are expected to be eliminated through a general fund contribution.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 5,769,512
Business-type activities	4,111,614
Fiduciary funds	<u>13,429,017</u>
	<u><u>\$ 23,310,143</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2022, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,500	\$ -	\$ 1,500
Cash in banks:			
Demand deposits	3,826,047	-	3,826,047
Savings deposits	3,717	-	3,717
Time deposits	-	400,000	400,000
Brokerage:			
Money markets	11,537	-	11,537
U.S. Government securities	-	6,067,342	6,067,342
Short-term investment pool (STIP)	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>
	<u><u>\$ 16,842,801</u></u>	<u><u>\$ 6,467,342</u></u>	<u><u>\$ 23,310,143</u></u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$4,119,623 of the government's bank balance of \$4,774,340 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u><u>\$ 4,119,623</u></u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2022, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2022:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments				
Debt securities:				
U.S. government securities	\$ 5,916,406	<u><u>\$ 5,916,406</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
State Short-Term Investment Program (STIP)	<u>12,979,291</u>			
	<u><u>\$ 18,895,697</u></u>			

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. The government had no investments categorized as Level 2 or 3 inputs.

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

redeemed with one business days' notice. The government's STIP ownership is represented by 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 fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

*Interest Rate Risk.* The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

*Credit Risk.* Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value (1)
	1	2	3		
Brokers:					
Money market	\$ 11,537	\$ -	\$ -	\$ 11,537	\$ 11,537
U.S. Government securities:	1,000,000	-	5,067,342	6,067,342	5,916,406
	<u>\$ 1,011,537</u>	<u>\$ -</u>	<u>\$ 5,067,342</u>	6,078,879	5,927,943
Uncategorized:					
STIP				13,000,000	12,979,291
				<u>\$ 19,078,879</u>	<u>\$ 18,907,234</u>

(1) Fair value has not been reflected in the financial statements.

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2022:

	Internal	External	Total
Net position - beginning of year	\$ 9,836,431	\$ 11,329,370	\$ 21,165,801
Contributions from participants	7,323,601	10,269,773	17,593,374
Investment earnings	27,050	-	27,050
Fees	(1,353)	(1,516)	(2,869)
Distributions to participants	<u>(6,887,297)</u>	<u>(8,585,916)</u>	<u>(15,473,213)</u>
Net position - end of year	<u>\$ 10,298,432</u>	<u>\$ 13,011,711</u>	<u>\$ 23,310,143</u>

CUSTER COUNTY  
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Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,111	\$ -	\$ -	\$ 114,111
Construction-in-progress	6,111,456	150,984	(6,044,211)	218,229
Total capital assets, not being depreciated	<u>6,225,567</u>	<u>150,984</u>	<u>(6,044,211)</u>	<u>332,340</u>
Capital assets, being depreciated				
Buildings/improvements	10,662,184	6,142,540	-	16,804,724
Improvements other than buildings	945,841	47,819	(8,719)	984,941
Machinery and equipment	5,775,300	346,209	(71,885)	6,049,624
Right-to-use leased equipment	36,298	8,994	-	45,292
Infrastructure	1,714,244	-	-	1,714,244
Total capital assets, being depreciated	<u>19,133,867</u>	<u>6,545,562</u>	<u>(80,604)</u>	<u>25,598,825</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,461,716)	(286,389)	-	(2,748,105)
Improvements other than buildings	(345,644)	(56,266)	4,359	(397,551)
Machinery and equipment	(3,451,671)	(290,644)	71,885	(3,670,430)
Right-to-use leased equipment	-	(9,932)	-	(9,932)
Infrastructure	(179,750)	(25,855)	-	(205,605)
Total accumulated depreciation	<u>(6,438,781)</u>	<u>(669,086)</u>	<u>76,244</u>	<u>(7,031,623)</u>
Total capital assets, being depreciated, net	<u>12,695,086</u>	<u>5,876,476</u>	<u>(4,360)</u>	<u>18,567,202</u>
Governmental activities capital assets, net	<u>\$ 18,920,653</u>	<u>\$ 6,027,460</u>	<u>\$(6,048,571)</u>	<u>\$ 18,899,542</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 69,021
Public safety	195,834
Public works	203,691
Social and economic	2,071
Culture and recreation	20,882
Housing and community development	177,587
Total depreciation-governmental activities	<u>\$ 669,086</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction-in-progress	89,835	-	-	89,835
Total capital assets, not being depreciated	<u>89,836</u>	<u>-</u>	<u>-</u>	<u>89,836</u>
Capital assets, being depreciated				
Buildings and systems	87,946	-	-	87,946
Improvements other than buildings	1,985,059	-	-	1,985,059
Total capital assets, being depreciated	<u>2,073,005</u>	<u>-</u>	<u>-</u>	<u>2,073,005</u>
Less accumulated depreciation for:				
Buildings and systems	(33,438)	(2,419)	-	(35,857)
Improvements other than buildings	(1,815,761)	(50,131)	-	(1,865,892)
Total accumulated depreciation	<u>(1,849,199)</u>	<u>(52,550)</u>	<u>-</u>	<u>(1,901,749)</u>
Total capital assets, being depreciated, net	<u>223,806</u>	<u>(52,550)</u>	<u>-</u>	<u>171,256</u>
Business-type activities capital assets, net	<u>\$ 313,642</u>	<u>\$ (52,550)</u>	<u>\$ -</u>	<u>\$ 261,092</u>

Depreciation expense was charged as follows:

Business-type activities:	
Solid Waste	<u>\$ 52,550</u>

Interfund Receivables, Payables and Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 695,760	\$ (6,393)	\$ 689,367
Custer County Event Center	456,762	(91,692)	365,070
Public Safety	281,000	(25,000)	256,000
PILT	-	(2,436,442)	(2,436,442)
Nonmajor governmental funds	1,518,313	(392,308)	1,126,005
	<u>\$ 2,951,835</u>	<u>\$ (2,951,835)</u>	<u>\$ -</u>

Transfers are normal recurring transactions used to fund operations of various governmental activities.

Interfund balances as of June 30, 2022, consisted of the mitigation fund (\$46,942) owing the PILT fund \$46,942. The loan was made to cover a cash deficit from prior years and is expected to be repaid in fiscal year 2023.

Leases

*Government as Lessee*

The government, as a lessee, has entered into lease agreements involving a postage meter and a tractor. The total costs of the government's lease assets are recorded as \$45,292, less accumulated amortization of \$9,932. The future lease payments under lease agreements are as follows:

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Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 10,399	\$ 1,772	\$ 12,171
2024	10,921	1,249	12,170
2025	11,468	702	12,170
2026	1,807	127	1,934
2027	1,414	36	1,450
	<u>\$ 36,009</u>	<u>\$ 3,886</u>	<u>\$ 39,895</u>

*Government as Lessor*

The government, as a lessor, leases two separate office spaces.. The leases range from two to four years and the government will receive monthly payments of \$1,367. The government recognized \$15,330 in lease revenue and \$1,697 in interest revenue during the year related to these leases. As of June 30, 2022, the government's receivable for lease payments was \$25,906. Also, the government has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$25,282.

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2022
Motor grader-2019 (1), (2)	\$ 200,000	6.5 yrs	1.50%	\$ 112,587
Motor grader-2021 (1), (2)	200,000	7 yr	1.50%	186,478
Mid-Rivers through Rural Development (2)	1,000,000	10 yr	0.00%	<u>900,000</u>
				<u>\$ 1,199,065</u>

(1) Through the Montana Board of Investments-INTERCAP.

(2) Governmental activities.

The Montana Board of Investment loans include a provision that interest is adjusted each February 1<sup>st</sup>, up to a maximum of 15 percent. The loans are secured by liens on the equipment. The Mid-Rivers loan is by general fund revenues.

Annual debt service requirements to maturity for notes from direct borrowings are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 158,372	\$ 4,267	\$ 162,639
2024	159,810	3,385	163,195
2025	161,285	2,490	163,775
2026	145,504	1,559	147,063
2027	129,269	1,001	130,270
2028-2031	<u>444,825</u>	<u>673</u>	<u>445,498</u>
	<u>\$ 1,199,065</u>	<u>\$ 13,375</u>	<u>\$ 1,212,440</u>

The government issued \$7,500,000 of general obligation bonds in 2014 to provide funds for the acquisition and construction of a detention center. The bonds bear interest rates of 2 to 4.25 percent and are payable in installments of principal and interest over 20 years. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding as of June 30, 2022 are \$5,030,000.

The government issued \$2,850,000 of general obligation bonds in September 2021 to provide funds for the acquisition and construction of a community building at the fairgrounds. The bonds bear an interest rate of 2.5 percent and are payable in installments of principal and

CUSTER COUNTY  
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interest over 40 years. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding as of June 30, 2022 are \$2,788,095.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 391,081	\$ 255,730	\$ 646,811
2024	402,118	246,413	648,531
2025	413,178	236,123	649,301
2026	424,262	224,089	648,351
2027	440,370	207,981	648,351
2028-2032	2,459,370	772,872	3,232,242
2033-2037	1,311,069	307,809	1,618,878
2038-2042	336,497	207,568	544,065
2043-2047	376,097	167,968	544,065
2048-2052	420,354	123,711	544,065
2053-2057	469,821	74,244	544,065
2057-2061	373,878	19,893	393,771
	<u>\$ 7,818,095</u>	<u>\$ 2,844,401</u>	<u>\$ 10,662,496</u>

The government issued \$288,000 of special assessment bonds in 2014 to provide funds for utility infrastructure improvements. The bonds have a stated rate of interest of 2.5 percent and are payable in equal installments of principal and interest over 40 years. Special assessment bonds currently outstanding as of June 30, 2022 are \$196,442.

Special assessment bond debt service requirements to maturity are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 6,739	\$ 4,869	\$ 11,608
2024	6,908	4,700	11,608
2025	7,082	4,526	11,608
2026	7,260	4,348	11,608
2027	7,442	4,166	11,608
2028-2032	40,119	17,921	58,040
2033-2037	45,426	12,614	58,040
2038-2042	51,433	6,607	58,040
2043-2044	24,033	784	24,817
	<u>\$ 196,442</u>	<u>\$ 60,535</u>	<u>\$ 256,977</u>



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Long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,365,000	\$ 2,850,000	\$ (396,905)	\$ 7,818,095	\$ 391,081
Bond premium	169,760	-	(13,059)	156,701	-
Special assessment bonds	203,050	-	(6,608)	196,442	6,739
Total bonds payable	<u>5,737,810</u>	<u>2,850,000</u>	<u>(416,572)</u>	<u>8,171,238</u>	<u>397,820</u>
Leases	36,298	8,994	(9,283)	36,009	10,399
Notes from direct borrowings	342,599	1,000,000	(143,534)	1,199,065	158,372
Compensated absences	<u>510,919</u>	<u>8,162</u>	<u>-</u>	<u>519,081</u>	<u>161,640</u>
Governmental activities long-term liabilities	<u>\$ 6,627,626</u>	<u>\$ 3,867,156</u>	<u>\$ (569,389)</u>	<u>\$ 9,925,393</u>	<u>\$ 728,231</u>

Internal service funds predominantly serve the governmental funds. Accordingly, internal service fund long-term liabilities are included as part of the governmental activities. At year end, \$9,620 of the internal service fund compensated absences is included in the above amounts. Also, for the governmental activities, notes and leases payable are liquidated by the general, road and bridge funds. Compensated absences are generally liquidated by the general fund.

Conduit Debt

To provide for the refinancing of existing debt and construction of improvements to the Eastern Montana Community Mental Health Center (EMCMHC), a Montana nonprofit corporation, the County issued Industrial Development Revenue Bonds/Notes amounting to \$850,000. These bonds/notes are special limited obligations of the County payable solely from and secured by payments to be made by EMCMHC under the loan agreement. The bonds/notes do not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2022, the outstanding balance of the Industrial Development Revenue Bonds/Notes was not available.

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,474,028 reported as a landfill closure and postclosure care liability as of June 30, 2022, represents the cumulative amount reported to date based on the use of 64 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of \$884,996 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The government is in compliance with the requirements, and, as of June 30, 2022, \$2,328,879 had been set aside for this purpose. The amount set aside is restricted and reported as "restricted net position." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2022:

Balance July 1, 2021	Additions	Adjustment	Balance June 30, 2022
<u>\$ 1,387,290</u>	<u>\$ 86,738</u>	<u>\$ -</u>	<u>\$ 1,474,028</u>

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A

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NOTES TO BASIC FINANCIAL STATEMENTS

variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in the Montana State Fund for workers' compensation coverage. The government participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from implementing GASB Statement No. 87, eliminating a grant accrual and adjusting the beginning balance of the solid waste receivable.

Interlocal Agreements

The City of Miles City maintains the accounting records for agreements related to the operation of the library, central dispatch, animal control, airport and ambulance. The County levies or makes contributions to the City for these shared services. For the year ended June 30, 2022, the County contributed approximately \$248,511 to the City for these services.

Commitments and Contingencies

At year-end, the government had commitments outstanding of approximately \$588,775 for the Sheep Creek Bridge project.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

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

Tax Abatements

The government enters into property tax abatement agreements on an individual basis with businesses and individuals under the MCA, Title 15, Taxation. Currently, the government has agreements to abate property taxes under the following sections of the code:

- 15-24-1402. New or expanding industry - Localities may grant property tax abatements to businesses with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry. In the first 5 years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the 10<sup>th</sup> year. In subsequent years, the property is taxed at 100 percent of its taxable value (MCA 15-10-420).
- 15-24-1502. Remodeling of Buildings or Structures - Property tax abatements may be granted for remodeling, reconstruction, or expansion of commercial property where taxable value of the structure is increased by at least 5%. A property tax exemption may be received during the construction period (not to exceed 12 months), and for up to 5 years following completion of construction. Buildings and structures may also receive a reduction for 4 years following the exemption period.
- 15-24-1603. Historic Properties - Property tax abatements may be granted to owners of historic property undergoing rehabilitation, restoration, or expansion that meets specific criteria as described in MCA 15-24-1605 or 15-24-1606. Abatements may apply during the construction period (not to exceed 12 months), and for up to 5 years following completion of the construction.

For the fiscal year ended June 30, 2022, there were no abated property taxes because construction under 15-24-1402, MCA, had not begun.

The government has not made any commitments as part of the agreements other than to reduce taxes and is not subject to any tax abatement agreements entered into by other governmental entities. The government has chosen to disclose information about its tax abatement agreements in the aggregate.

Retirement Plans

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA). The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

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All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at [mpera.mt.gov](http://mpera.mt.gov).

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at [mpera.mt.gov](http://mpera.mt.gov).

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1). if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2). if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3). if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who 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 receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Sheriff's Retirement System

SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5% of the member's highest average compensation (HAC) multiplied by years of service credit.

For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on 110% annual cap on compensation. Members age 50 with 5 years of membership service are eligible for early retirement. Retirement benefits are determined using HAC and years of service credit at early retirement, reduced to the actuarial equivalent.

Plan members are eligible for early retirement at age 50 with 5 years of membership service. This benefit is calculated using HAC and service credit at early retirement and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

Second retirement applies to retirement system members re-employed in a SRS position on or after July 1, 2017. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member 1). is not awarded service credit for the period of reemployment; 2). is refunded the accumulated contributions associated with the period of reemployment; 3). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and 4). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar

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year and accumulates at least 5 years of service credit before terminating again, the member is awarded service credit for the period of reemployment. Starting the first month following termination of service, the member receives the same retirement benefit previously paid to the member and a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date. The member does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA on the initial retirement benefit in January immediately following second retirement, and on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years.

Employers contributed 8.87% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

Members contribute 10.495% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 13.115% of each member's compensation. The rate increased from 10.115% to 13.115% on July 1, 2017.

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2022, the government recorded a liability of \$2,524,384 (PERS) and \$641,626 (SRS) for its proportionate share of the net pension liability.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2022	
	PERS	SRS
Employer proportionate share	\$ 2,524,384	\$ 641,626
State of Montana proportionate share associated with employer	742,907	-
Total	\$ 3,267,291	\$ 641,626

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 for PERS and SRS. The government's proportion of the net pension liability was based on the government's contributions received by PERS and SRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2022, the government's proportion was .1392 and .8809 percent for PERS and SRS, respectively.

For the year ended June 30, 2022, the government recognized \$118,970 (PERS) and \$38,294 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$217,735 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$336,705 and \$38,294 for PERS and SRS, respectively.

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At June 30, 2022, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 26,940	\$ 18,274	\$ 83,068	\$ -
Changes in actuarial assumptions	373,908	-	243,026	-
Difference between projected and actual investment earnings	-	1,022,654	-	433,685
Changes in the proportion and differences between actual and expected contributions	-	9,997	-	27,594
Employer contributions subsequent to measurement date	231,133	-	107,924	-
	<u>\$ 631,981</u>	<u>\$ 1,050,925</u>	<u>\$ 434,018</u>	<u>\$ 461,279</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2023	\$ 21,982	\$ (4,958)
2024	(98,606)	(879)
2025	(246,997)	(22,165)
2026	(326,456)	(107,183)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	SRS
Investment rate of return, net of investment and administrative expenses	7.06%	7.06%
Salary increases	3.50%	3.50%
Inflation	2.40%	2.40%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.

The long-term rate of return for both PERS and SRS was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

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Asset Class	PERS and SRS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Sheriff's Retirement System (SRS)

The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS and SRS net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

	1% Decrease (6.06%)	Current Discount Rate (7.06%)	1% Increase (8.06%)
Net pension liability-PERS	\$ 4,007,065	\$ 2,524,384	\$ 1,280,758
Net pension liability-SRS	1,355,226	641,626	59,259

PERS Disclosure for the Defined Contribution Plan

The government 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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

*Plan Descriptions.* The healthcare plan provides for and Section 2-18-704, MCA, requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit other post-employment benefits plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the government. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these costs when they come due. The government has less than 100 plan members and thus qualifies to use the "alternative measurement method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits provided:* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in 2-18-704, MCA. The health insurance premiums are the responsibility of the retiree.

*Employees Covered by Benefit Terms.* As of June 30, 2022, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	66
	68

Total OPEB Liability

The total OPEB liability of \$546,638 was measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and a measurement date as of June 30, 2022.

*Actuarial assumptions and other inputs.* The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal funding
Salary increases	3.50%
Discount rate	2.27% (based on the 20 year municipal bond index)
Healthcare costs trend rates	7% for 2022, decreasing each year to an ultimate rate of 3.8% for 2079 and years later
Participation	40% of future retirees are assumed to elect medical coverage
Mortality	For PERS and SRS: RP 2000 Healthy Combined Mortality Table projected to 2020 using Scale BB.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The actuarial assumptions used in the June 30, 2022 valuation were based on the health care premium rates and medical and prescription drug costs in effect as of June 30, 2022.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$	54,063
Interest on the total OPEB liability		12,181
Changes of assumptions/difference in experience		30,355
Benefits payments		<u>(32,516)</u>
Net change in total OPEB liability		64,083
Total OPEB liability - beginning of year		<u>482,555</u>
Total OPEB liability - end of year	\$	<u><u>546,638</u></u>

Changes of benefit terms reflect revised health care trend rates and retiree contribution increases based on revised projects and future increases to retirees contributions to match health care cost trend rates.

Changes of assumptions and other inputs reflect a change in status, trend, discount and other inputs.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the employer's total OPEB liability calculated using the discount rate of 2.27%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (1.27%) or 1.00% higher (3.27%) than the current rate.

	<u>1% Decrease (1.27%)</u>	<u>Current Discount Rate (2.27%)</u>	<u>1% Increase (3.27%)</u>
Total OPEB liability	\$ 567,715	\$ 546,638	\$ 523,414

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 2.8%) or 1-percentage-point higher (8.0% decreasing to 4.8%) than the current healthcare cost trend rates:

	<u>1% Decrease (6.0% decreasing to 2.8%)</u>	<u>Healthcare Cost Trend Rates (7.0% decreasing to 3.8%)</u>	<u>1% Increase (8.0% decreasing to 4.8%)</u>
Total OPEB liability	\$ 504,000	\$ 546,638	\$ 595,481

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

For the year ended June 30, 2022, the government recognized OPEB expense of \$96,599.

Future Implementation of GASB Pronouncements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements addresses issues related to public-private and public-public partnerships, and provides guidance for accounting and financial reporting for availability payment arrangements. Statement 94 is effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter.

Statement No. 96, Subscription-Based Information Technology Arrangements provides accounting and financial reporting guidance for subscription-based information technology arrangements used by state and local governments. Statement 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99, Omnibus 2022. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.



CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Taxes/assessments	\$ 1,623,671	\$ 1,623,671	\$ 1,657,292	\$ -	\$ 1,657,292
Fees and fines	57,140	57,140	73,100	-	73,100
Licenses and permits	500	500	300	-	300
Intergovernmental	222,222	224,222	239,833	217,735	457,568
Charges for services	146,511	146,511	217,437	-	217,437
Investment earnings	6,500	6,500	15,537	-	15,537
Miscellaneous	50,950	50,950	36,888	-	36,888
Total revenues	<u>2,107,494</u>	<u>2,109,494</u>	<u>2,240,387</u>	<u>217,735</u>	<u>2,458,122</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,275,966	2,304,566	1,973,150	105,405	2,078,555
Public safety	82,945	82,945	86,591	20,968	107,559
Public works	-	-	-	53,193	53,193
Public health	209,018	387,988	383,314	8,731	392,045
Social and economic services	30,250	30,250	23,944	19,204	43,148
Culture and recreation	-	-	-	10,234	10,234
Housing and community development	9,000	9,000	8,889	-	8,889
Debt service:					
Principal	-	-	162,766	-	162,766
Interest and other charges	-	-	47,014	-	47,014
Capital outlay	45,600	47,600	107,742	-	107,742
Total expenditures	<u>2,652,779</u>	<u>2,862,349</u>	<u>2,793,410</u>	<u>217,735</u>	<u>3,011,145</u>
Excess (deficiency) of revenues over expenditures	<u>(545,285)</u>	<u>(752,855)</u>	<u>(553,023)</u>	<u>-</u>	<u>(553,023)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Leases	-	-	8,994	-	8,994
Transfers in	586,000	793,570	695,760	-	695,760
Transfers out	26,021	26,021	(6,393)	-	(6,393)
Total other financing sources (uses)	<u>612,021</u>	<u>819,591</u>	<u>698,361</u>	<u>-</u>	<u>698,361</u>
Net change in fund balance	<u>\$ 66,736</u>	<u>\$ 66,736</u>	145,338	-	145,338
Fund balance - beginning			184,035	-	184,035
Fund balance - ending			<u>\$ 329,373</u>	<u>\$ -</u>	<u>\$ 329,373</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Custer County Event Center Fund  
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>EXPENDITURES</b>			
Current:			
General government	-	10,000	-
Debt service:			
Principal	-	3,464,950	3,464,950
Interest and other charges	-	45,078	39,742
Capital outlay	-	468,130	-
Total expenditures	<u>-</u>	<u>3,988,158</u>	<u>3,504,692</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,988,158)</u>	<u>(3,504,692)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	-	4,079,850	4,079,850
Transfers in	-	-	456,762
Transfers out	-	(91,692)	(91,692)
Total other financing sources (uses)	<u>-</u>	<u>3,988,158</u>	<u>4,444,920</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	940,228
Fund balance - beginning			(983,572)
Prior period adjustments			<u>43,344</u>
Fund balance - ending			<u>\$ -</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Public Safety Fund  
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,376,310	\$ 1,376,310	\$ 1,375,962
Licenses and permits	-	-	1,575
Intergovernmental	159,718	159,718	172,060
Charges for services	150,200	150,200	103,702
Investment earnings	-	-	2
Miscellaneous	600	140,600	265
Total revenues	<u>1,686,828</u>	<u>1,826,828</u>	<u>1,653,566</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	1,937,457	1,937,457	1,921,079
Public health	1,500	1,500	1,206
Capital outlay	48,000	188,000	14,500
Total expenditures	<u>1,986,957</u>	<u>2,126,957</u>	<u>1,936,785</u>
Excess (deficiency) of revenues over expenditures	<u>(300,129)</u>	<u>(300,129)</u>	<u>(283,219)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	-	-	2,241
Transfers in	368,000	368,000	281,000
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>343,000</u>	<u>343,000</u>	<u>258,241</u>
Net change in fund balance	<u>\$ 42,871</u>	<u>\$ 42,871</u>	(24,978)
Fund balance - beginning			<u>14,225</u>
Fund balance - ending			<u>\$ (10,753)</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PILT Fund  
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 800,000	\$ 800,000	\$ 967,167
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>967,167</u>
EXPENDITURES:			
Current:			
Social and economic services	-	1,000	1,000
Total expenditures	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Excess (deficiency) of revenues over expenditures	<u>800,000</u>	<u>799,000</u>	<u>966,167</u>
OTHER FINANCING USES			
Transfers out	<u>(1,801,570)</u>	<u>(2,436,443)</u>	<u>(2,436,442)</u>
Total other financing uses	<u>(1,801,570)</u>	<u>(2,436,443)</u>	<u>(2,436,442)</u>
Net change in fund balance	<u>\$ (1,001,570)</u>	<u>\$ (1,637,443)</u>	(1,470,275)
Fund balance - beginning			<u>2,191,141</u>
Fund balance - ending			<u>\$ 720,866</u>

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

Budget to actual differences for the General fund are state support revenue and expense related to pensions.

CUSTER COUNTY  
SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA  
For the Years Ended June 30,

Public Employees Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 231,133	\$ 217,930	\$ 208,582	\$ 194,843	\$ 184,756	\$ 176,085	\$ 162,238	\$ 148,291
Contributions in relation to the contractually required contributions	231,133	217,930	208,582	194,843	184,756	176,085	162,238	148,291
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,605,788	\$ 2,455,149	\$ 2,380,678	\$ 2,265,440	\$ 2,181,297	\$ 2,100,755	\$ 1,926,564	\$ 1,770,964
Contributions as a percentage of covered payroll	8.87%	8.88%	8.76%	8.60%	8.47%	8.38%	8.42%	8.37%
Sheriffs' Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 107,924	\$ 104,797	\$ 108,990	\$ 95,347	\$ 91,476	\$ 68,613	\$ 61,868	\$ 52,337
Contributions in relation to the contractually required contributions	107,924	104,797	108,990	95,347	91,476	68,613	61,868	52,337
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 822,904	\$ 800,555	\$ 828,096	\$ 723,987	\$ 684,668	\$ 678,329	\$ 596,924	\$ 515,949
Contributions as a percentage of covered payroll	13.12%	13.09%	13.16%	13.17%	13.36%	10.12%	10.36%	10.14%

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



CUSTER COUNTY  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA  
For the Years Ended June 30,

Public Employees Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.1392%	0.1419%	0.1373%	0.1326%	0.1696%	0.1608%	0.1518%	0.1874%
Employer's proportionate share of the net pension liability associated with the employer	\$ 2,524,384	\$ 3,743,408	\$ 2,870,006	\$ 2,768,335	\$ 3,302,906	\$ 2,739,637	\$ 2,121,284	\$ 2,335,475
State of Montana's proportionate share of the net pension liability associated with the employer	742,907	1,177,431	932,935	925,693	41,189	33,475	26,056	28,520
<b>Total</b>	<b>\$ 3,267,291</b>	<b>\$ 4,920,839</b>	<b>\$ 3,802,941</b>	<b>\$ 3,694,028</b>	<b>\$ 3,344,095</b>	<b>\$ 2,773,112</b>	<b>\$ 2,147,340</b>	<b>\$ 2,363,995</b>
Employer's covered payroll	\$ 2,455,149	\$ 2,380,678	\$ 2,265,440	\$ 2,181,297	\$ 2,100,755	\$ 1,926,564	\$ 1,770,964	\$ 2,129,645
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	102.82%	157.24%	126.69%	126.91%	157.22%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.74%	73.75%	74.71%	78.40%	79.87%
Sheriffs' Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.8809%	0.9753%	0.9018%	0.8824%	0.9066%	0.8456%	0.7582%	0.7297%
Employer's proportionate share of the net pension liability associated with the employer	\$ 641,626	\$ 1,188,740	\$ 752,107	\$ 663,352	\$ 689,906	\$ 1,485,499	\$ 730,937	\$ 303,684
State of Montana's proportionate share of the net pension liability associated with the employer	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 641,626</b>	<b>\$ 1,188,740</b>	<b>\$ 752,107</b>	<b>\$ 663,352</b>	<b>\$ 689,906</b>	<b>\$ 1,485,499</b>	<b>\$ 730,937</b>	<b>\$ 303,684</b>
Employer's covered payroll	\$ 800,555	\$ 828,096	\$ 723,987	\$ 684,668	\$ 678,329	\$ 596,924	\$ 515,949	\$ 471,924
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	80.15%	143.55%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2022

**Public Employees Retirement System**

**Changes of Benefit Terms:**

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

2017:

Working Retiree Limitations - for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

- The interest credited to member accounts increased from 0.25% to 0.77%.

Lump-sum Payouts:

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

Disabled PERS Defined Contribution (DC) Members:

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

**Sheriffs' Retirement System**

**Changes of Benefit Terms:**

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

2017:

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

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

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2022

Second Retirement Benefit - for SRS:

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

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

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

CUSTER COUNTY  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
 For the Year Ended June 30, 2022

**Changes in actuarial assumptions and other inputs**

**Method and assumptions used in calculations of actuarially determined contributions:**

	PERS and SRS
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years (PERS) and 21 years (SRS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

CUSTER COUNTY  
SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT  
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS  
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 482,555	\$ 441,261	\$ 555,340	\$ 510,324	\$ 427,785
Prior period adjustment	-	-	(46,529)	-	-
Total OPEB liability restated - beginning of year	482,555	441,261	508,811	510,324	427,785
Service cost	54,063	66,230	70,636	68,355	65,829
Interest cost	12,181	12,840	20,281	22,396	19,498
Differences in experience	32,369	-	-	-	26,869
Change in assumptions	(2,014)	(10,336)	(128,738)	(11,058)	-
Benefit payments	(32,516)	(27,440)	(29,729)	(34,677)	(29,657)
Total OPEB liability - end of year	<u>\$ 546,638</u>	<u>\$ 482,555</u>	<u>\$ 441,261</u>	<u>\$ 555,340</u>	<u>\$ 510,324</u>
Covered-employee payroll	\$ 3,126,818	\$ 3,281,859	\$ 3,178,556	\$ 2,707,102	\$ 2,677,994
Total OPEB liability as a percentage of covered payroll	17.48%	14.70%	13.88%	20.51%	19.06%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

2.27%	2.53%	3.50%	3.87%	3.87%
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Differences in experience measure the expected versus actual claims experience.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

SUPPLEMENTARY INFORMATION

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

To the Board of County Commissioners  
Custer County  
Miles City, Montana

### Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Custer County, Montana (the government) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 24, 2023. The report included an explanatory paragraph to describe a change in accounting principles. The report on governmental activities and aggregate remaining fund information was qualified because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit retroactive tests of inventory quantities.

### Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 through 2022-003 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2022-004 to be a significant deficiency.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-004.

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

The Government's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the government's response to the findings identified in our audit and described in the accompanying schedule of findings and responses costs. The government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

*O'ness & Associates, PC*

Billings, Montana  
March 24, 2023



CUSTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2022

2022-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Response: Custer County recognizes that there is a lack of segregation of duties; however, we believe our present control structure is adequate for a county of our size. We will continue to evaluate our segregation of duties and assign appropriate staff.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Response: It is the opinion of our County that we do not believe that the cost of hiring staff to prepare complicated government financial statements would out-weigh the benefit to us. We officials will continue to read the financial statements and maintain adequately trained staff.

2022-003. SOLID WASTE ACCOUNTS RECEIVABLE

Criteria: The solid waste department maintains and accounts for its own accounts receivable billings, collections and write-offs. Information is provided to the commissioner's office to post billings and write-offs to the general ledger control accounts. The solid waste department receives payments on outstanding accounts and makes periodic deposits with the county treasurer's office who posts the receipts to the accounts receivable control account.

Condition: The accounts receivable balance provided by the solid waste department at year-end did not agree with the accounts receivable control account in the general ledger. Procedures do not exist to reconcile the balances at month-end.

Cause: Unknown.

Effect: The solid waste department accounts receivable and related revenue balances are incorrect.

Recommendation: Procedures should be developed to reconcile the solid waste department's accounting records with the county's accounting records. Further, collections on outstanding balances should be separated from the accounting function.

Response: The Board of County Commissioners will work with the Solid Waste Department and Budget Manager to develop a procedure to reconcile accounts receivable and separate collections from the accounting function with in the Solid Waste department.

CUSTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2022

2022-004. EXCESS VACATION LEAVE

Criteria: Per Section 2-18-617(1)(a), MCA, annual vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually as of the end of the first pay period of the next calendar year. Excess vacation time is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued.

Condition: During our review of the balances of employee annual leave, we noted several employees that had more annual vacation leave than allowed by law.

Cause: Inadequate procedures to monitor excess vacation.

Effect: Noncompliance with state statutes.

Recommendation: We recommend the County reconcile and monitor excess vacation leave and comply with MCA 2-18-617(1)(a).

Response: The Board of County Commissioners will work with the County financial software administrator to allow access for the County Budget Manager to review and monitor accrued vacation leave. Employees will be notified when they reach the statutory balance set by MCA 2-18-617(1)(a) during a calendar year; as well as the necessary action to take and consequences. Any employees that have an excess of allowed accrued vacation hours from 2022; will be granted an extension until Dec. 31, 2023 to use enough vacation hours to be compliant with MCA 2-18-617(1)(a).

CUSTER COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2022

2021-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2022-001 for the year ended June 30, 2022.

2021-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2022-002 for the year ended June 30, 2022.

2021-003. IMPROVE DISTRICT COURT ACCOUNTING PROCEDURES

Status: This finding is resolved.

2021-004. EXPENDITURE BUDGETS OVERSPENT

Status: This finding is resolved.