

**CUSTER COUNTY  
MILES CITY, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

TABLE OF CONTENTS

Page No.

ORGANIZATION ..... 1

INDEPENDENT AUDITOR'S REPORT ..... 2

REQUIRED SUPPLEMENTARY INFORMATION:

    Management's Discussion & Analysis ..... 4

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

    Statement of Net Position ..... 8

    Statement of Activities ..... 9

Fund Financial Statements:

    Balance Sheet - Governmental Funds ..... 10

    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ..... 11

    Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds ..... 12

    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 13

    Statement of Net Position - Proprietary Funds ..... 14

    Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds ..... 15

    Statement of Cash Flows - Proprietary Funds ..... 16

    Statement of Fiduciary Net Position - Fiduciary Funds ..... 17

    Statement of Changes in Fiduciary Net Position - Fiduciary Funds ..... 18

Notes to Basic Financial Statements ..... 19

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Information:

    Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:

        General Fund ..... 39

        Custer County Event Center Fund ..... 40

        Public Safety Fund ..... 41

        Fire Fund ..... 42

        PILT Fund ..... 43

        MT 2020 Cares Act Fund ..... 45

        Notes to Required Supplementary Information ..... 45

Pension Plan Information:

    Schedule of Contributions ..... 46

    Schedule of Proportionate Share of the Net Pension Liability ..... 47

    Notes to Required Supplementary Information-Pension Plan Information ..... 48

Schedule of Changes in the Total Other Post-Employment Benefits (OPEB) Liability and Related Ratios ..... 49

OTHER SUPPLEMENTARY INFORMATION:

    Schedule of Expenditures of Federal Awards ..... 50

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* ..... 53

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE ..... 55

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 57

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS ..... 60

CORRECTIVE ACTION PLAN ..... 61

CUSTER COUNTY

ORGANIZATION

June 30, 2021

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.  
CERTIFIED PUBLIC ACCOUNTANTS

CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Custer County, Montana (the government) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for 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.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, 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, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (excluding the road fund) for the government, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the government adopted the provisions GASB Statement No. 84. Our opinions are not modified with respect to this matter.

Other Matters

*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 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022, 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'Neal & Associates, PC*

Billings, Montana  
April 18, 2022

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, 2021. Please read the information here in conjunction with our financial statements and footnotes.

- Net position at the close of fiscal year 2021 was \$11,697,978. Of this amount, \$2,412,099 is restricted and \$9,890,835 was our net investment in capital assets.
- The County's total net position increased by \$946,335 as a result of this year's operations.
- Actual general fund revenues were less than budgeted revenues by \$2,616, while actual expenditures were less than budgeted appropriations by \$545,681.
- 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, deferred outflows, 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:

Fiduciary funds consist of the investment trust fund and custodial funds. The investment trust fund accounts for the external portion of the investment pool administered by the county and includes assets held for other local governments. Custodial funds account for assets held by the government as an agent for various local governments, special districts, and individuals. Included are funds for property taxes, shared revenues and other financial resources for schools, special districts, and other local and state governments

**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 2021 was \$11,697,978. Of this amount, \$2,412,099 is restricted and \$9,890,835 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 \$833,861 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 \$946,335 as a result of this year's operations. Net position for our governmental activities increased \$1,043,670 as result of capital asset grants and contributions and levying to pay debt principal. Net position for the business-type activities decreased \$97,335, which is attributable to depreciation and landfill closure/postclosure care costs.

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,295,821	\$ 5,496,616	\$ 4,106,271	\$ 4,000,073	\$ 10,402,092	\$ 9,496,689
Capital assets	18,967,466	13,252,649	313,642	411,323	19,281,108	13,663,972
Total assets	25,263,287	18,749,265	4,419,913	4,411,396	29,683,200	23,160,661
Deferred outflows	1,494,736	970,660	-	-	1,494,736	970,660
Other liabilities	2,123,769	252,310	66,570	76,060	2,190,339	328,370
Long-term liabilities	15,338,240	10,810,245	1,387,290	1,271,948	16,725,530	12,082,193
Total liabilities	17,462,009	11,062,555	1,453,860	1,348,008	18,915,869	12,410,563
Deferred inflows	564,089	969,115	-	-	564,089	969,115
Net position:						
Net Investment in capital assets	9,577,193	6,993,683	313,642	411,323	9,890,835	7,405,006
Restricted	1,578,238	2,553,094	833,861	817,511	2,412,099	3,370,605
Unrestricted	(2,423,506)	(1,858,522)	1,818,550	1,834,554	(604,956)	(23,968)
	<u>\$ 8,731,925</u>	<u>\$ 7,688,255</u>	<u>\$ 2,966,053</u>	<u>\$ 3,063,388</u>	<u>\$ 11,697,978</u>	<u>\$ 10,751,643</u>

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,016,961	\$ 947,727	\$ 870,726	\$ 842,283	\$ 1,887,687	\$ 1,790,010
Operating grants and contributions	2,041,418	1,844,480	-	-	2,041,418	1,844,480
Capital grants and contributions	848,493	445,273	-	-	848,493	445,273
General revenues:						
Taxes	5,658,211	5,386,971	-	-	5,658,211	5,386,971
Licenses and permits	1,560	2,580	-	-	1,560	2,580
Intergovernmental	1,477,489	1,293,096	-	-	1,477,489	1,293,096
Interest	7,336	65,347	33,596	65,582	40,932	130,929
Miscellaneous	9,233	168,686	-	-	9,233	168,686
<b>Total revenues</b>	<b>11,060,701</b>	<b>10,154,160</b>	<b>904,322</b>	<b>907,865</b>	<b>11,965,023</b>	<b>11,062,025</b>
<b>Expenses:</b>						
General government	2,797,302	2,570,660	-	-	2,797,302	2,570,660
Public safety	2,726,536	2,507,275	-	-	2,726,536	2,507,275
Public works	1,895,062	1,857,121	-	-	1,895,062	1,857,121
Public health	916,343	842,686	-	-	916,343	842,686
Social and economic services	709,880	602,937	-	-	709,880	602,937
Culture and recreation	642,994	627,713	-	-	642,994	627,713
Housing and community dev.	31,989	31,283	-	-	31,989	31,283
Other current charges	33,332	29,704	-	-	33,332	29,704
Solid Waste	-	-	1,001,657	1,023,296	1,001,657	1,023,296
Interest on long-term debt	263,593	213,554	-	-	263,593	213,554
<b>Total expenses</b>	<b>10,017,031</b>	<b>9,282,933</b>	<b>1,001,657</b>	<b>1,023,296</b>	<b>11,018,688</b>	<b>10,306,229</b>
Change in net position before transfers	1,043,670	871,227	(97,335)	(115,431)	946,335	755,796
Transfers	-	-	-	-	-	-
Change in net position	1,043,670	871,227	(97,335)	(115,431)	946,335	755,796
Net position, beginning	7,688,255	6,770,499	3,063,388	3,178,819	10,751,643	9,949,318
Prior period adjustments	-	46,529	-	-	-	46,529
Net position, ending	<u>\$ 8,731,925</u>	<u>\$ 7,688,255</u>	<u>\$ 2,966,053</u>	<u>\$ 3,063,388</u>	<u>\$ 11,697,978</u>	<u>\$ 10,751,643</u>

**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 \$184,035. Fund balance decreased \$152,358. Available fund balance was used to fund current year operations.

The Custer County Event Center fund accounts for the construction of a new event center. Fund balance as of June 30, 2021 was a deficit of \$983,572. The deficit will be eliminated by drawing down loan funds and a transfer from the MT 2020 Cares Act fund.



CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

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 \$361,599, which was mainly due to transferring funds to the MT 2020 Cares Act fund.

The fire fund accounts for resources accumulated and payments made for the financing of fire control activities. During the year, funds from a grant were used to build a fire hall.

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 2021, resources from the PILT fund were transferred to fund other fund's budgets. Overall fund balance increased \$142,880.

The federal 2021 ARPA fund received \$1,107,353 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

Net position for the business-type activities decreased \$97,335 which is attributable to depreciation and landfill closure/postclosure care costs.

General Fund Budgetary Highlights:

There were no significant general fund budget amendments. Actual general fund revenues were less than budgeted revenues by \$2,616, while actual expenditures were less than budgeted appropriations by \$545,681.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Custer County's net investment in capital assets, as of June 30, 2021 as \$9,890,835. 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, 2021 was \$510,919. Other liabilities outstanding consist of the net pension liability, the total other post-employment benefits liability, GO bonds, SID bonds, capital 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 following factors were considered in preparing the County Budget for FY 2021-22:

- The uncertainty of PILT money is a constant concern.
- Lack of funds and other road and bridge problems continue to plague the road department.
- Progress continues on fairgrounds buildings and grounds repair. The Event Center project construction was completed May 2021 and is designed to seat groups of up to 1,000 people at a single event. Since the Event Center opened, it has been booked almost every weekend and during the weekdays is increasing.
- High energy and fuel costs continue to be a major concern for the road, fairgrounds, sheriff and maintenance departments.
- The Tussler bridge crosses the Yellowstone River east of Miles City. This was a Milwaukee RR bridge, and was given to Custer County for vehicle use between Miles City and Kinsey. There was an accident on this bridge, and as a result the commissioners closed the bridge until minor repairs could be made. The bridge is now open; however, the bridge deck must be replaced at an estimated cost of over \$2,000,000. Custer County is currently working with MDT secondary bridge system project funding.
- 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.
- 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, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 5,027,710	\$ 1,792,617	\$ 6,820,327
Investments	213,173	76,006	289,179
Receivables:			
Taxes and assessments	336,281	13,392	349,673
Governments	529,625	-	529,625
Solid waste	-	3,105	3,105
Cemetery	6,689	-	6,689
Inventories	182,343	-	182,343
Restricted assets:			
Cash and equivalents	-	19,683	19,683
Investments	-	2,201,468	2,201,468
Capital assets:			
Land and construction in progress	6,225,567	89,836	6,315,403
Capital assets, net of accumulated depreciation	12,741,899	223,806	12,965,705
Total assets	<u>25,263,287</u>	<u>4,419,913</u>	<u>29,683,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	1,494,736	-	1,494,736
<b>LIABILITIES</b>			
Accounts payable-vendors	1,016,014	66,570	1,082,584
Due to other governments	402	-	402
Unearned revenues	1,107,353	-	1,107,353
Long-term liabilities:			
Due within one year:			
Accrued interest	22,345	-	22,345
Notes, capital leases and bonds	3,627,869	-	3,627,869
Compensated absences	51,092	-	51,092
Due in more than one year:			
Notes, capital leases and bonds	5,762,404	-	5,762,404
Compensated absences	459,827	-	459,827
Landfill closure/postclosure care payable	-	1,387,290	1,387,290
Net pension liability	4,932,148	-	4,932,148
Total other post-employment benefits liability	482,555	-	482,555
Total liabilities	<u>17,462,009</u>	<u>1,453,860</u>	<u>18,915,869</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plans	356,596	-	356,596
Unavailable revenue-deferred special assessments	207,493	-	207,493
Total deferred inflows of resources	<u>564,089</u>	<u>-</u>	<u>564,089</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	9,577,193	313,642	9,890,835
Restricted for:			
Landfill closure/postclosure care	-	833,861	833,861
General government	320,459	-	320,459
Public safety	85,357	-	85,357
Public works	438,404	-	438,404
Public health	71,119	-	71,119
Social and economic	111,821	-	111,821
Culture and recreation	8,414	-	8,414
Housing and community development	4,640	-	4,640
Capital projects	464,241	-	464,241
Debt service	73,783	-	73,783
Other projects	-	-	-
Unrestricted (deficit)	<u>(2,423,506)</u>	<u>1,818,550</u>	<u>(604,956)</u>
Total net position (deficit)	<u>\$ 8,731,925</u>	<u>\$ 2,966,053</u>	<u>\$ 11,697,978</u>

CUSTER COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

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	\$ 2,797,302	\$ 218,025	\$ 184,535	\$ -	\$ (2,394,742)	\$ -	\$ (2,394,742)
Public safety	2,726,536	395,511	898,829	806,861	(625,335)	-	(625,335)
Public works	1,895,062	116,998	217,137	16,800	(1,544,127)	-	(1,544,127)
Public health	916,343	67,842	432,498	-	(416,003)	-	(416,003)
Social and economic services	709,880	12,555	292,366	-	(404,959)	-	(404,959)
Culture and recreation	642,994	176,314	16,053	24,832	(425,795)	-	(425,795)
Housing and community development	31,989	-	-	-	(31,989)	-	(31,989)
Other current charges	33,332	29,716	-	-	(3,616)	-	(3,616)
Interest on long-term debt	263,593	-	-	-	(263,593)	-	(263,593)
<b>Total governmental activities</b>	<b>10,017,031</b>	<b>1,016,961</b>	<b>2,041,418</b>	<b>848,493</b>	<b>(6,110,159)</b>	<b>-</b>	<b>(6,110,159)</b>
<b>Business-type activities:</b>							
Solid waste	1,001,657	870,726	-	-	-	(130,931)	(130,931)
<b>Total business-type activities</b>	<b>1,001,657</b>	<b>870,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(130,931)</b>	<b>(130,931)</b>
<b>Total</b>	<b>\$ 11,018,688</b>	<b>\$ 1,887,687</b>	<b>\$ 2,041,418</b>	<b>\$ 848,493</b>	<b>(6,110,159)</b>	<b>(130,931)</b>	<b>(6,241,090)</b>
<b>General revenues:</b>							
Property taxes					5,658,211	-	5,658,211
Licenses and permits					1,560	-	1,560
Intergovernmental					1,477,489	-	1,477,489
Unrestricted investment earnings					7,336	33,596	40,932
Miscellaneous					9,233	-	9,233
<b>Total general revenues</b>					<b>7,153,829</b>	<b>33,596</b>	<b>7,187,425</b>
<b>Change in net position</b>					<b>1,043,670</b>	<b>(97,335)</b>	<b>946,335</b>
<b>Net position - beginning</b>					<b>7,688,255</b>	<b>3,063,388</b>	<b>10,751,643</b>
<b>Net position - ending</b>					<b>\$ 8,731,925</b>	<b>\$ 2,966,053</b>	<b>\$ 11,697,978</b>

CUSTER COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021

	General	Custer County Event Center	Public Safety	Fire	PILT	Federal 2021 ARPA	MT 2020 CARES Act	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 99,447	\$ -	\$ 9,337	\$ 8,220	\$ 1,618,783	\$ 1,062,305	\$ 848,731	\$ 1,360,006	\$ 5,006,829
Investments	4,628	-	403	361	68,654	45,048	36,004	57,190	212,288
Receivables:									
Taxes and assessments	26,405	-	30,553	-	-	-	-	279,323	336,281
Governments	121,336	-	19,866	287,961	-	-	-	100,462	529,625
Cemetery	-	-	-	-	-	-	-	6,689	6,689
Due from other funds	-	-	-	-	503,704	-	-	-	503,704
Inventories	-	-	-	-	-	-	-	182,343	182,343
<b>Total assets</b>	<b>\$ 251,816</b>	<b>\$ -</b>	<b>\$ 60,159</b>	<b>\$ 296,542</b>	<b>\$ 2,191,141</b>	<b>\$ 1,107,353</b>	<b>\$ 884,735</b>	<b>\$ 1,986,013</b>	<b>\$ 6,777,759</b>
<b>LIABILITIES</b>									
Accounts payable-vendors	\$ 41,376	\$ 526,810	\$ 15,381	\$ 303,279	\$ -	\$ -	\$ -	\$ 129,168	\$ 1,016,014
Due to other funds	-	456,762	-	-	-	-	-	46,942	503,704
Due to other governments	-	-	-	-	-	-	-	402	402
Unearned revenue	-	-	-	-	-	1,107,353	-	-	1,107,353
<b>Total liabilities</b>	<b>41,376</b>	<b>983,572</b>	<b>15,381</b>	<b>303,279</b>	<b>-</b>	<b>1,107,353</b>	<b>-</b>	<b>176,512</b>	<b>2,627,473</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue-taxes and assessments	26,405	-	30,553	-	-	-	-	279,323	336,281
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	182,343	182,343
Restricted for:									
General government	-	-	-	-	-	-	-	301,061	301,061
Public safety	-	-	14,225	-	-	-	-	40,575	54,800
Public works	-	-	-	-	-	-	-	248,972	248,972
Public health	-	-	-	-	-	-	-	48,739	48,739
Social and economic services	-	-	-	-	-	-	-	107,642	107,642
Culture and recreation	-	-	-	-	-	-	-	4,975	4,975
Housing and community development	-	-	-	-	-	-	-	4,111	4,111
Capital projects	-	-	-	-	-	-	-	464,241	464,241
Debt service	-	-	-	-	-	-	-	60,500	60,500
Committed for:									
General government	-	-	-	-	2,191,141	-	884,735	70,853	3,146,729
Culture and recreation	-	-	-	-	-	-	-	43,791	43,791
Assigned									
Unassigned	184,035	(983,572)	-	(6,737)	-	-	-	(47,625)	(853,899)
<b>Total fund balances (deficits)</b>	<b>184,035</b>	<b>(983,572)</b>	<b>14,225</b>	<b>(6,737)</b>	<b>2,191,141</b>	<b>-</b>	<b>884,735</b>	<b>1,530,178</b>	<b>3,814,005</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 251,816</b>	<b>\$ -</b>	<b>\$ 60,159</b>	<b>\$ 296,542</b>	<b>\$ 2,191,141</b>	<b>\$ 1,107,353</b>	<b>\$ 884,735</b>	<b>\$ 1,986,013</b>	<b>\$ 6,777,759</b>

CUSTER COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET  
POSITION  
June 30, 2021

Total fund balances, governmental funds	\$ 3,814,005
<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>	18,967,466
<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>	128,788
<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	1,494,736
Deferred inflows of resources related to pensions	(356,596)
<p>Some liabilities, (such as compensated absences, the total other post-employment benefits liability, notes payable, bonds payable, accrued interest and the net pension liability), are not due and payable in the current period and, therefore, are not included in the funds.</p>	(15,330,466)
<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>13,992</u>
Net position of governmental activities	<u><u>\$ 8,731,925</u></u>

CUSTER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021

	General	Custer County Event Center	Public Safety	Fire	PILT	MT 2020 CARES Act	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes/assessments	\$ 1,585,657	\$ -	\$ 1,335,234	\$ -	\$ -	\$ -	\$ 2,763,164	\$ 5,684,055
Fines and forfeitures	81,954	-	-	-	-	-	8,193	90,147
Licenses and permits	650	-	910	-	-	-	-	1,560
Intergovernmental	484,566	-	650,708	715,759	946,742	-	1,319,345	4,117,120
Charges for services	193,472	-	205,547	98,748	-	-	373,030	870,797
Investment earnings	6,960	-	2	-	-	-	374	7,336
Miscellaneous	52,114	5,000	6,024	106,114	-	-	103,544	272,796
<b>Total revenues</b>	<b>2,405,373</b>	<b>5,000</b>	<b>2,198,425</b>	<b>920,621</b>	<b>946,742</b>	<b>-</b>	<b>4,567,650</b>	<b>11,043,811</b>
<b>EXPENDITURES</b>								
Current:								
General government	2,016,116	-	-	-	-	-	531,165	2,547,281
Public safety	132,914	-	1,899,339	121,217	-	-	313,590	2,467,060
Public works	48,968	-	-	-	-	-	1,527,869	1,576,837
Public health	384,761	-	883	-	-	-	509,726	895,370
Social and economic services	33,576	-	-	-	1,000	-	620,146	654,722
Culture and recreation	27,747	-	-	-	-	-	519,854	547,601
Housing and community development	8,923	-	-	-	-	-	23,066	31,989
Other current charges	-	-	-	-	-	-	33,332	33,332
Debt service:								
Principal	-	-	-	-	-	-	375,735	375,735
Interest and other charges	-	38,306	-	-	-	-	216,000	254,306
Capital outlay	19,075	5,025,646	4,084	798,765	-	-	575,427	6,422,997
<b>Total expenditures</b>	<b>2,672,080</b>	<b>5,063,952</b>	<b>1,904,306</b>	<b>919,982</b>	<b>1,000</b>	<b>-</b>	<b>5,245,910</b>	<b>15,807,230</b>
Excess (deficiency) of revenues over expenditures	(266,707)	(5,058,952)	294,119	639	945,742	-	(678,260)	(4,763,419)
<b>OTHER FINANCING SOURCES (USES)</b>								
Long-term debt issued	-	3,235,100	-	-	-	-	200,000	3,435,100
Capital leases	-	-	-	-	-	-	85,000	85,000
Sale of capital assets	-	-	9,090	-	-	-	95,199	104,289
Insurance recoveries	-	-	28,375	11,954	-	-	-	40,329
Transfers in	157,579	250,000	154,084	69,015	35,909	884,735	516,206	2,067,528
Transfers out	(43,230)	-	(847,267)	(88,345)	(838,771)	-	(249,915)	(2,067,528)
<b>Total other financing sources (uses)</b>	<b>114,349</b>	<b>3,485,100</b>	<b>(655,718)</b>	<b>(7,376)</b>	<b>(802,862)</b>	<b>884,735</b>	<b>646,490</b>	<b>3,664,718</b>
<b>Net change in fund balances</b>	<b>(152,358)</b>	<b>(1,573,852)</b>	<b>(361,599)</b>	<b>(6,737)</b>	<b>142,880</b>	<b>884,735</b>	<b>(31,770)</b>	<b>(1,098,701)</b>
Fund balances - beginning	336,393	590,280	375,824	-	2,048,261	-	1,561,948	4,912,706
<b>Fund balances - ending</b>	<b>\$ 184,035</b>	<b>\$ (983,572)</b>	<b>\$ 14,225</b>	<b>\$ (6,737)</b>	<b>\$ 2,191,141</b>	<b>\$ 884,735</b>	<b>\$ 1,530,178</b>	<b>\$ 3,814,005</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, 2021

Net change in fund balances - total governmental funds	\$ (1,098,701)
<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 expense for the period.</p>	
This is the amount by which capital outlay (\$6,422,997) exceeded depreciation (\$561,869) in the current period.	5,861,128
<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>	
	(146,311)
<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>	
	16,890
<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>	
	(384,858)
<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 amount of debt issued and principal repaid.</p>	
	(3,144,365)
<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>	
Accrued interest not reflected in governmental funds	(22,345)
Compensated absences	(25,868)
Other post-employment benefits	(41,294)
Amortization of general obligation bond premium	13,058
<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>	
	16,336
Change in net position of governmental activities	\$ 1,043,670

CUSTER COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,792,617	\$ 20,881
Investments	76,006	885
Receivables:		
Taxes and assessments	13,392	-
Solid waste	3,105	-
Total current assets	1,885,120	21,766
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	19,683	-
Investments	2,201,468	-
Total restricted assets	2,221,151	-
Capital assets:		
Land and construction in progress	89,836	-
Buildings and improvements	2,073,005	-
Less accumulated depreciation	(1,849,199)	-
	313,642	-
Total non-current assets	2,534,793	-
Total assets	4,419,913	21,766
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable-vendors	66,570	-
Compensated absences	-	777
Total current liabilities	66,570	777
Non-current liabilities:		
Compensated absences	-	6,997
Landfill closure/postclosure care payable	1,387,290	-
Total non-current liabilities	1,387,290	6,997
Total liabilities	1,453,860	7,774
<b>NET POSITION</b>		
Net investment in capital assets	313,642	-
Restricted for landfill closure/postclosure care	833,861	-
Unrestricted	1,818,550	13,992
Total net position	\$ 2,966,053	\$ 13,992

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, 2021

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
<b>REVENUES</b>		
Charges for services	\$ 377,292	\$ 162,357
Taxes and assessments	493,434	-
	<u>870,726</u>	<u>162,357</u>
<b>OPERATING EXPENSES</b>		
Personal services	-	100,253
Supplies	943	1,920
Purchased services	782,311	43,848
Fixed charges	5,380	-
Closure/postclosure costs	115,342	-
Depreciation	97,681	-
	<u>1,001,657</u>	<u>146,021</u>
Total operating expenses	<u>1,001,657</u>	<u>146,021</u>
Operating income (loss)	<u>(130,931)</u>	<u>16,336</u>
<b>NON-OPERATING REVENUES</b>		
Investment earnings	<u>33,596</u>	<u>-</u>
Total non-operating revenues	<u>33,596</u>	<u>-</u>
Change in net position	(97,335)	16,336
Net position - beginning	<u>3,063,388</u>	<u>(2,344)</u>
Net position - ending	<u>\$ 2,966,053</u>	<u>\$ 13,992</u>

CUSTER COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 871,571	\$ -
Cash received from interfund services	-	162,357
Cash paid to employees	-	(103,047)
Cash paid to suppliers for goods and services	(787,940)	(45,798)
	<u>83,631</u>	<u>13,512</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in investments	(19,291)	(66)
Interest received	33,596	-
	<u>14,305</u>	<u>(66)</u>
Change in cash and cash equivalents	97,936	13,446
Cash and cash equivalents - beginning	<u>1,714,364</u>	<u>7,435</u>
Cash and cash equivalents - ending	<u>\$ 1,812,300</u>	<u>\$ 20,881</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (130,931)	\$ 16,336
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	97,681	-
Closure/post closure costs	115,342	-
Increase in taxes/assessments receivable	(496)	-
Decrease in solid waste receivable	1,341	-
Decrease in prepaid items	10,184	-
Decrease in accounts payable	(9,490)	(30)
Decrease in compensated absences	-	(2,794)
	<u>83,631</u>	<u>13,512</u>
Net cash provided by operating activities	<u>\$ 83,631</u>	<u>\$ 13,512</u>

CUSTER COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2021

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>External Investment Pool</u>	<u>Other</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,888,226	\$ 486,097	\$ 11,374,323
Investments	441,144	19,677	460,821
Taxes and assessments receivable	-	380,005	380,005
Equity position in external investment trust	-	11,329,370	11,329,370
	<u>11,329,370</u>	<u>12,215,149</u>	<u>23,544,519</u>
<b>LIABILITIES</b>			
Accounts payable	-	444,350	444,350
	<u>-</u>	<u>444,350</u>	<u>444,350</u>
<b>NET POSITION</b>			
Restricted for:			
Pool participants	11,329,370	-	11,329,370
Individuals, organizations and other governments	-	11,770,799	11,770,799
	<u>-</u>	<u>11,770,799</u>	<u>11,770,799</u>
Total net position	<u>\$ 11,329,370</u>	<u>\$ 11,770,799</u>	<u>\$ 23,100,169</u>

CUSTER COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>		Total Custodial Funds
	External Investment Pool	Other	
<b>ADDITIONS:</b>			
Contributions from pool participants	\$ 5,375,271	\$ -	\$ 5,375,271
Property taxes billed for other governments	-	13,867,945	13,867,945
Interest	-	12,071	12,071
Federal, state and local sources	-	29,378,768	29,378,768
	<u>5,375,271</u>	<u>43,258,784</u>	<u>48,634,055</u>
<b>DEDUCTIONS:</b>			
Distributions to pool participants	5,381,652	-	5,381,652
Distributions to other governments	-	9,089,255	9,089,255
Distributions to others	-	120,198	120,198
Payments made on behalf of school districts	-	33,460,018	33,460,018
Payments made on behalf of special districts	-	549,714	549,714
	<u>5,381,652</u>	<u>43,219,185</u>	<u>48,600,837</u>
Net increase (decrease) in fiduciary net position	(6,381)	39,599	33,218
Net position - beginning	11,335,751	-	11,335,751
Prior period adjustment	-	11,731,200	11,731,200
Net position - ending	<u>\$ 11,329,370</u>	<u>\$ 11,770,799</u>	<u>\$ 23,100,169</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 accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2021, the government implemented the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. As a result, the government's fiduciary fund financial statements have been modified to reflect the implementation of this new guidance, including reclassifying activities previously reported in agency funds to custodial or governmental funds, as applicable.

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 (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements with exception of interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary activities are not included in the government-wide financial statements.

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.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual 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. Fiduciary funds are aggregated and each type of fiduciary fund is reported.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

The Custer County event center fund accounts for resources that have been committed to upgrading or construction of a 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 fire fund accounts for resources accumulated and payments made for the financing of fire control activities.

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.

The fiduciary funds consist of the investment trust fund and custodial funds. The investment trust fund accounts for the external portion of the investment pool administered by the county and includes assets held for other local governments. Custodial funds account for assets held by the government as an agent for various local governments, special districts, and individuals. Included are funds for property taxes, shared revenues and other financial resources for schools, special districts, and other local and state governments.

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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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. 54% 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 \$2,650.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

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

All inventories are valued at cost. Inventories are recorded as 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, 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. The government

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

has elected not to report major infrastructure assets retroactively. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2021.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	100
Building and improvements	10-100
Machinery and 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 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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The government has two items that meet the criterion: pension plans and long-term special assessments.

In the governmental funds, the only deferred inflow of resources is for 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 property taxes are reported in the governmental funds balance sheet.



CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

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 the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk and recorder or commissioners to assign fund balance. There was no assigned fund balance in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

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 Mitigation fund had a deficit fund balance of \$41,853 as of June 30, 2021, which is a carryover from the prior year. Additionally, the Fair (\$4,219), Custer County Event Center (\$983,572), Airport (\$62), Senior Citizens (\$1,491) and Fire (\$6,737) funds had deficit fund balances. The deficits occurred because current year expenditures/expenses exceeded current year revenues. The deficit in the Custer County Event Center fund will be eliminated through a loan and transfer from the MT2020 CARES Act fund. The remaining 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	\$ 5,240,883
Business-type activities	4,089,774
Fiduciary funds	<u>11,835,144</u>
	<u>\$ 21,165,801</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2021, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,500	\$ -	\$ 1,500
Cash in banks:			
Demand deposits	4,188,847	-	4,188,847
Savings deposits	3,715	-	3,715
Brokerage:			
Money markets	20,271	-	20,271
U.S. Government securities	-	2,951,468	2,951,468
Short-term investment pool (STIP)	<u>14,000,000</u>	<u>-</u>	<u>14,000,000</u>
	<u>\$ 18,214,333</u>	<u>\$ 2,951,468</u>	<u>\$ 21,165,801</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, 2021, \$4,214,564 of the government's bank balance of \$4,469,279 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>\$ 4,214,564</u>
--	---------------------

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, 2021, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2021:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. government securities	\$ 2,953,306	<u>\$ 2,953,306</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	<u>14,001,246</u>			
	<u>\$ 16,954,552</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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and 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	\$ 20,271	\$ -	\$ -	\$ 20,271	\$ 20,271
U.S. Government securities:	1,000,000	-	1,951,468	2,951,468	2,953,306
	<u>\$ 1,020,271</u>	<u>\$ -</u>	<u>\$ 1,951,468</u>	2,971,739	2,973,577
Uncategorized:					
STIP				14,000,000	14,001,246
				<u>\$ 16,971,739</u>	<u>\$ 16,974,823</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, 2021:

	Internal	External	Total
Net position - beginning of year	\$ 8,921,387	\$ 11,335,751	\$ 20,257,138
Contributions from participants	4,330,460	5,363,200	9,693,660
Investment earnings	40,932	12,071	53,003
Fees	(2,047)	(603)	(2,650)
Distributions to participants	(3,454,301)	(5,381,049)	(8,835,350)
Net position - end of year	<u>\$ 9,836,431</u>	<u>\$ 11,329,370</u>	<u>\$ 21,165,801</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,111	\$ -	\$ -	\$ 114,111
Construction-in-progress	254,793	5,856,663	-	6,111,456
Total capital assets, not being depreciated	<u>368,904</u>	<u>5,856,663</u>	<u>-</u>	<u>6,225,567</u>
Capital assets, being depreciated				
Buildings/improvements	10,593,985	68,199	-	10,662,184
Improvements other than buildings	945,841	-	-	945,841
Machinery and equipment	5,743,919	454,938	(338,557)	5,860,300
Infrastructure	1,670,547	43,697	-	1,714,244
Total capital assets, being depreciated	<u>18,954,292</u>	<u>566,834</u>	<u>(338,557)</u>	<u>19,182,569</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,292,427)	(169,289)	-	(2,461,716)
Improvements other than buildings	(289,969)	(55,675)	-	(345,644)
Machinery and equipment	(3,333,890)	(311,416)	191,746	(3,453,560)
Infrastructure	(154,261)	(25,489)	-	(179,750)
Total accumulated depreciation	<u>(6,070,547)</u>	<u>(561,869)</u>	<u>191,746</u>	<u>(6,440,670)</u>
Total capital assets, being depreciated, net	<u>12,883,745</u>	<u>4,965</u>	<u>(146,811)</u>	<u>12,741,899</u>
Governmental activities capital assets, net	<u>\$ 13,252,649</u>	<u>\$ 5,861,628</u>	<u>\$ (146,811)</u>	<u>\$ 18,967,466</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 68,044
Public safety	187,182
Public works	210,727
Social and economic	2,071
Culture and recreation	21,987
Housing and community development	71,858
Total depreciation-governmental activities	<u>\$ 561,869</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
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	(31,019)	(2,419)	-	(33,438)
Improvements other than buildings	(1,720,499)	(95,262)	-	(1,815,761)
Total accumulated depreciation	<u>(1,751,518)</u>	<u>(97,681)</u>	<u>-</u>	<u>(1,849,199)</u>
Total capital assets, being depreciated, net	<u>321,487</u>	<u>(97,681)</u>	<u>-</u>	<u>223,806</u>
Business-type activities capital assets, net	<u>\$ 411,323</u>	<u>\$ (97,681)</u>	<u>\$ -</u>	<u>\$ 313,642</u>

Depreciation expense was charged as follows:

Business-type activities:	
Solid Waste	<u>\$ 97,681</u>

Interfund Receivables, Payables and Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 157,579	\$ (43,230)	\$ 114,349
Custer County Event Center	250,000	-	250,000
Public Safety	154,084	(847,267)	(693,183)
Fire	69,015	(88,345)	(19,330)
PILT	35,909	(838,771)	(802,862)
MT 2020 CARES Act	884,735	-	884,735
Nonmajor governmental funds	516,206	(249,915)	266,291
	<u>\$ 2,067,528</u>	<u>\$ (2,067,528)</u>	<u>\$ -</u>

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

Interfund balances as of June 30, 2021, consisted of the Mitigation fund (\$46,942) and the Custer County Event Center fund (\$456,762) owing the PILT fund \$503,704. The loans were made to cover cash deficits and are expected to be repaid in fiscal year 2022.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Leases

The government entered into a capital lease agreement under which the related equipment will become the property of the government when all terms of the lease agreements are met. Assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 85,000
Less: accumulated depreciation	(1,889)
	\$ 83,111

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2021, are as follows:

	Year ending June 30,	Governmental Activities
	2022	\$ 10,236
	2023	10,236
	2024	10,237
	2025	10,237
	2026	42,620
Total minimum lease payments		83,566
Less: amount representing interest		(8,802)
Present value of minimum lease payments		\$ 74,764

Short-term Debt

The government issued a bond anticipation note in a principal amount not to exceed \$3,850,000. The interest rate is 2.5%. The proceeds from the bond anticipation note will be used to construct the Custer County Event Center. The balance outstanding at year end was \$3,235,100. Subsequent to the end of the year, the government borrowed the remaining principal on the bond anticipation note. In September 2021, the bond anticipation note was paid off when the county received a loan from Rural Development in the amount of \$3,850,000.

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2021
Motor grader-2019 (1), (2)	\$ 200,000	6.5 yrs	1.65%	\$ 142,599
Motor grader-2021 (1), (2)	200,000	7 yr	1.65%	200,000
				\$ 342,599

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

(2) Governmental activities.

Notes from direct borrowings 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.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 43,534	\$ 4,923	\$ 48,457
2023	58,372	4,693	63,065
2024	59,810	3,724	63,534
2025	61,285	2,740	64,025
2026	45,504	1,715	47,219
2027-2029	74,094	1,842	75,936
	<u>\$ 342,599</u>	<u>\$ 19,637</u>	<u>\$ 362,236</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, 2021 are \$5,365,000.

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 335,000	\$ 201,373	\$ 536,373
2023	345,000	192,998	537,998
2024	355,000	184,718	539,718
2025	365,000	175,488	540,488
2026	375,000	164,538	539,538
2027-2031	2,105,000	584,602	2,689,602
2032-2034	1,485,000	127,926	1,612,926
	<u>\$ 5,365,000</u>	<u>\$ 1,631,643</u>	<u>\$ 6,996,643</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, 2021 are \$203,050.

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 6,608	\$ 5,000	\$ 11,608
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
2027-2031	39,135	18,905	58,040
2032-2036	44,311	13,729	58,040
2037-2041	50,171	7,869	58,040
2042-2044	34,836	1,589	36,425
	<u>\$ 203,050</u>	<u>\$ 65,535</u>	<u>\$ 268,585</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,695,000	\$ -	\$ (330,000)	\$ 5,365,000	\$ 335,000
Bond premium	182,818	-	(13,058)	169,760	-
Special assessment bonds	209,461	-	(6,411)	203,050	6,608
Total bonds payable	<u>6,087,279</u>	<u>-</u>	<u>(349,469)</u>	<u>5,737,810</u>	<u>341,608</u>
Capital leases	-	85,000	(10,236)	74,764	7,627
Notes from direct borrowings	171,687	200,000	(29,088)	342,599	43,534
Compensated absences	487,845	23,074	-	510,919	51,092
	<u>6,746,811</u>	<u>308,074</u>	<u>(388,793)</u>	<u>6,666,092</u>	<u>443,861</u>
Governmental activities long-term liabilities	<u>\$ 6,746,811</u>	<u>\$ 308,074</u>	<u>\$ (388,793)</u>	<u>\$ 6,666,092</u>	<u>\$ 443,861</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, \$7,774 of the internal service fund compensated absences is included in the above amounts. Also, for the governmental activities, notes and capital leases payable are liquidated by the 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, 2021, 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 \$1,387,290 reported as a landfill closure and postclosure care liability as of June 30, 2021, represents the cumulative amount reported to date based on the use of 63 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of \$803,341 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, 2021. 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, 2021, \$2,221,151 had been set aside for this purpose. The amount set aside is restricted and reported as "restricted net assets." 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, 2021:

Balance July 1, 2020	Additions	Adjustment	Balance June 30, 2021
<u>\$ 1,271,948</u>	<u>\$ 115,342</u>	<u>\$ -</u>	<u>\$ 1,387,290</u>



CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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 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 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

A prior period adjustment in the amount of \$11,731,200 resulted from implementing GASB Statement No 84.

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, 2021, the County contributed approximately \$213,000 to the City for these services.

Commitments and Contingencies

In March 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". The outbreak, known now as COVID-19, has had a significant impact worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the government continues to monitor the situation and evaluate its potential impact. No impairments were recorded as of the statement of net position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the government's financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimable at this time.

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.

At year-end, the government had a commitments outstanding of approximately \$100,000 to finish the fire hall project.

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, 2021, 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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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. 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 to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. 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 percent 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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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 a) is not awarded service credit for the period of reemployment; b) is refunded the accumulated contributions associated with the period of reemployment; c) starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and d) 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, 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 8.77% 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 .37% 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, 2018.

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

At June 30, 2021, the government recorded a liability of \$3,743,408 (PERS) and \$1,188,740 (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, 2021	
	PERS	SRS
Employer proportionate share	\$ 3,743,408	\$ 1,188,740
State of Montana proportionate share associated with employer	1,177,431	-
Total	\$ 4,920,839	\$ 1,188,740

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 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, 2019, through June 30, 2020, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2021, the government's

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

proportion was .1419 and .9753 percent for PERS and SRS, respectively.

For the year ended June 30, 2021, the government recognized \$551,061 (PERS) and \$154,107 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$192,559 (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 \$743,620 and \$154,107 for PERS and SRS, respectively.

At June 30, 2021, 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	\$ 60,426	\$ 107,030	\$ 53,831	\$ 333
Changes in actuarial assumptions	259,217	-	244,510	185,074
Difference between projected and actual investment earnings	324,146	-	146,128	-
Changes in the proportion and differences between actual and expected contributions	-	64,159	86,168	-
Employer contributions subsequent to measurement date	215,317	-	104,993	-
	<u>\$ 859,106</u>	<u>\$ 171,189</u>	<u>\$ 635,630</u>	<u>\$ 185,407</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, 2022. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2022	\$ 42,777	\$ 24,974
2023	235,580	111,851
2024	113,259	115,775
2025	80,984	92,630

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2020 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	7.34%	7.34%
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 expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS and SRS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS and SRS target asset allocation as of June 30, 2020, and are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.0%	0.11%
Domestic equity	30.0%	6.19%
Foreign equity	16.0%	6.92%
Natural resources	4.0%	3.43%
Fixed income	20.0%	1.57%
Private equity	14.0%	10.37%
Real estate	9.0%	5.74%
High yield bonds	5.0%	3.97%
	100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.34%. 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 governments. 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 2123. 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 7.34%. 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 2120. 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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

	1% Decrease (6.34%)	Current Discount Rate (7.34%)	1% Increase (8.34%)
Net pension liability-PERS	\$ 5,152,580	\$ 3,743,408	\$ 2,559,714
Net pension liability-SRS	1,890,807	1,188,740	614,445

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	68
	69

Total OPEB Liability

The total OPEB liability of \$482,555 was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 with a roll-forward to June 30, 2021.

*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, 2020
Actuarial cost method	Entry age normal funding
Salary increases	3.25%
Discount rate	3.50% (based on the 20 year municipal bond index) 2.53% was used in the roll-forward valuation
Healthcare costs trend rates	7% for 2020, decreasing each year to an ultimate rate of 3.8% for 2076 and years later
Participation	80% of future retirees are assumed to elect medical coverage
Mortality	For PERS and SRS: RP 2000 Healthy Combined Mortality Table projected to 2015 using Scale AA.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The actuarial assumptions used in the June 30, 2020 valuation were based on the health care premium rates and medical and prescription drug costs in effect as of June 30, 2020.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows (in thousands):

Service cost	\$	66,230
Interest on the total OPEB liability		12,840
Changes of assumptions		(10,336)
Benefits payments		(27,440)
		41,294
Net change in total OPEB liability		41,294
Total OPEB liability - beginning of year		441,261
		482,555
Total OPEB liability - end of year	\$	482,555

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 2.53%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (1.53%) or 1.00% higher (3.53%) than the current rate.

	1% Decrease (1.53%)	Current Discount Rate (2.53%)	1% Increase (3.53%)
Total OPEB liability	\$ 494,259	\$ 482,555	\$ 466,376

*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:

	1% Decrease (6.0% decreasing to 2.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 3.8%)	1% Increase (8.0% decreasing to 4.8%)
Total OPEB liability	\$ 437,286	\$ 482,555	\$ 535,074

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

For the year ended June 30, 2021, the government recognized OPEB expense of \$41,294.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following pronouncements are affected:

- Statement No. 87, Leases, effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for reporting periods beginning after December 15, 2020.
- Statement No. 90, Majority Equity Interests, effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations, effective for reporting periods beginning after December 15, 2021.
- Statement No. 92, Omnibus 2020, Paragraphs 6 and 7, effective for fiscal years beginning after June 15, 2021; paragraphs 8, 9 and 12 - effective for reporting periods beginning after June 15, 2021; Paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93, Replacement of Interbank Offered Rates, Paragraphs 13 and 14 Except for Paragraph 11b and Paragraphs 13 and 14, effective for reporting periods beginning after June 15, 2020; Paragraph 11b (removal of LIBOR as appropriate benchmark interest rate) - reporting periods ending after December 31, 2021; Paragraphs 13 and 14 - effective for fiscal years beginning after June 15, 2021.

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.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.



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, 2021

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Taxes/assessments	\$ 1,542,646	\$ 1,542,646	\$ 1,585,657	\$ -	\$ 1,585,657
Fees and fines	64,150	64,150	81,954	-	81,954
Licenses and permits	650	650	650	-	650
Intergovernmental	247,454	347,121	292,007	192,559	484,566
Charges for services	188,863	188,863	193,472	-	193,472
Investment earnings	50,000	50,000	6,960	-	6,960
Miscellaneous	22,000	22,000	52,114	-	52,114
Total revenues	2,115,763	2,215,430	2,212,814	192,559	2,405,373
<b>EXPENDITURES</b>					
Current:					
General government	2,353,402	2,414,611	1,919,780	96,336	2,016,116
Public safety	87,788	87,788	115,102	17,812	132,914
Public works	-	-	-	48,968	48,968
Public health	371,895	371,895	377,270	7,491	384,761
Social and economic services	31,950	31,950	20,771	12,805	33,576
Culture and recreation	-	-	18,600	9,147	27,747
Housing and community development	9,500	9,500	8,923	-	8,923
Capital outlay	71,000	109,458	19,075	-	19,075
Total expenditures	2,925,535	3,025,202	2,479,521	192,559	2,672,080
Excess (deficiency) of revenues over expenditures	(809,772)	(809,772)	(266,707)	-	(266,707)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	633,210	633,210	157,579	-	157,579
Transfers out	(20,716)	(20,716)	(43,230)	-	(43,230)
Total other financing sources (uses)	612,494	612,494	114,349	-	114,349
Net change in fund balance	\$ (197,278)	\$ (197,278)	(152,358)	-	(152,358)
Fund balance - beginning			336,393	-	336,393
Fund balance - ending			\$ 184,035	\$ -	\$ 184,035

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Miscellaneous	\$ 5,000	\$ 5,000	\$ 5,000
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
<b>EXPENDITURES</b>			
Debt service:			
Interest and other charges	-	-	38,306
Capital outlay	4,695,280	4,695,280	5,025,646
Total expenditures	<u>4,695,280</u>	<u>4,695,280</u>	<u>5,063,952</u>
Excess (deficiency) of revenues over expenditures	<u>(4,690,280)</u>	<u>(4,690,280)</u>	<u>(5,058,952)</u>
<b>OTHER FINANCING SOURCES</b>			
Long-term debt issued	3,850,000	3,850,000	3,235,100
Transfers in	250,000	250,000	250,000
Total other financing sources	<u>4,100,000</u>	<u>4,100,000</u>	<u>3,485,100</u>
Net change in fund balance	<u>\$ (590,280)</u>	<u>\$ (590,280)</u>	<u>(1,573,852)</u>
Fund balance - beginning			<u>590,280</u>
Fund balance - ending			<u>\$ (983,572)</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Public Safety Fund  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,339,552	\$ 1,339,552	\$ 1,335,234
Licenses and permits	-	-	910
Intergovernmental	169,362	169,362	650,708
Charges for services	125,200	125,200	205,547
Investment earnings	-	-	2
Miscellaneous	600	600	6,024
Total revenues	<u>1,634,714</u>	<u>1,634,714</u>	<u>2,198,425</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	2,018,245	2,018,245	1,899,339
Public health	1,500	1,500	883
Capital outlay	50,000	50,000	4,084
Total expenditures	<u>2,069,745</u>	<u>2,069,745</u>	<u>1,904,306</u>
Excess (deficiency) of revenues over expenditures	<u>(435,031)</u>	<u>(435,031)</u>	<u>294,119</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	9,090
Insurance recoveries	-	-	28,375
Transfers in	461,498	461,498	154,084
Transfers out	-	-	(847,267)
Total other financing sources (uses)	<u>461,498</u>	<u>461,498</u>	<u>(655,718)</u>
Net change in fund balance	<u>\$ 26,467</u>	<u>\$ 26,467</u>	(361,599)
Fund balance - beginning			<u>375,824</u>
Fund balance - ending			<u>\$ 14,225</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Fire Fund  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Intergovernmental	\$ 11,000	\$ 11,000	\$ 715,759
Charges for services	-	-	98,748
Miscellaneous	-	-	106,114
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>920,621</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	132,424	132,424	121,217
Capital outlay	9,500	9,500	798,765
Total expenditures	<u>141,924</u>	<u>141,924</u>	<u>919,982</u>
Excess (deficiency) of revenues over expenditures	<u>(130,924)</u>	<u>(130,924)</u>	<u>639</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	-	-	11,954
Transfers in	130,924	130,924	69,015
Transfers out	-	-	(88,345)
Total other financing sources (uses)	<u>130,924</u>	<u>130,924</u>	<u>(7,376)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(6,737)</u>
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ (6,737)</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PILT Fund  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 750,000	\$ 750,000	\$ 946,742
Total revenues	<u>750,000</u>	<u>750,000</u>	<u>946,742</u>
EXPENDITURES:			
Current:			
Social and economic services	1,000	1,000	1,000
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Excess (deficiency) of revenues over expenditures	<u>749,000</u>	<u>749,000</u>	<u>945,742</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	35,909
Transfers out	<u>(1,604,810)</u>	<u>(1,604,810)</u>	<u>(838,771)</u>
Total other financing sources (uses)	<u>(1,604,810)</u>	<u>(1,604,810)</u>	<u>(802,862)</u>
Net change in fund balance	<u>\$ (855,810)</u>	<u>\$ (855,810)</u>	142,880
Fund balance - beginning			<u>2,048,261</u>
Fund balance - ending			<u>\$ 2,191,141</u>

CUSTER COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 MT 2020 CARES Act Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts
	Original	Final	
OTHER FINANCING SOURCES			
Transfers in	-	-	884,735
Total other financing sources	-	-	884,735
Net change in fund balance	\$ -	\$ -	884,735
Fund balance - beginning			-
Fund balance - ending			\$ 884,735

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2021

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.

The Fair (\$55,325), Custer County Event Center (\$368,672), Rural Addressing (\$9,617), Custer County Transit (\$10,865), Public Safety (\$681,828), Fire (\$866,403), IT Committee (\$832), Alcohol Tax (\$22,376), Bioterrorism (\$16,656), Immunization (\$39,173), Cancer Control Grant (\$40,345) and 98 Refuse GO Bonds (\$350) funds were overspent for the year ended June 30, 2021.



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

<u>Public Employees Retirement System:</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 215,317	\$ 208,582	\$ 194,843	\$ 184,756	\$ 176,085	\$ 162,238	\$ 148,291
Contributions in relation to the contractually required contributions	<u>215,317</u>	<u>208,582</u>	<u>194,843</u>	<u>184,756</u>	<u>176,085</u>	<u>162,238</u>	<u>148,291</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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
Contributions as a percentage of covered payroll	8.77%	8.76%	8.60%	8.47%	8.38%	8.42%	8.37%
<u>Sheriffs' Retirement System:</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 104,993	\$ 108,990	\$ 95,347	\$ 91,476	\$ 68,613	\$ 61,868	\$ 52,337
Contributions in relation to the contractually required contributions	<u>104,993</u>	<u>108,990</u>	<u>95,347</u>	<u>91,476</u>	<u>68,613</u>	<u>61,868</u>	<u>52,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 800,555	\$ 828,096	\$ 723,987	\$ 684,668	\$ 678,329	\$ 596,924	\$ 515,949
Contributions as a percentage of covered payroll	13.12%	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:	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	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	\$ 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	1,177,431	932,935	925,693	41,189	33,475	26,056	28,520
<b>Total</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	\$ 2,380,678	\$ 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	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	68.90%	73.85%	73.74%	73.75%	74.71%	78.40%	79.87%
Sheriffs' Retirement System:	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	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	\$ 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>\$ 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	\$ 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	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	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, 2021

**Public Employees Retirement System**

**Changes of Benefit Terms:**

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

2017:

Working Retiree Limitations - for PERS:

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

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:

- 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.

**Sheriffs' Retirement System**

**Changes of Benefit Terms:**

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

2017:

1. 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.

Second Retirement Benefit - for SRS:

1. Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
2. 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.

CUSTER COUNTY  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
 For the Year Ended June 30, 2021

3. 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:
    - I. The same retirement benefit previously paid to the member, and
    - II. 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:
    - I. On the initial retirement benefit in January immediately following second retirement, and
    - II. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
4. 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.

**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

	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 441,261	\$ 555,340	\$ 510,324	\$ 427,785
Prior period adjustment	-	(46,529)	-	-
Total OPEB liability restated - beginning of year	441,261	508,811	510,324	427,785
Service cost	66,230	70,636	68,355	65,829
Interest cost	12,840	20,281	22,396	19,498
Differences in experience	-	-	-	26,869
Change in assumptions	(10,336)	(128,738)	(11,058)	-
Benefit payments	(27,440)	(29,729)	(34,677)	(29,657)
Total OPEB liability - end of year	\$ 482,555	\$ 441,261	\$ 555,340	\$ 510,324
Covered-employee payroll	\$ 3,281,859	\$ 3,178,556	\$ 2,707,102	\$ 2,677,994
Total OPEB liability as a percentage of covered payroll	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.

	2.53%	3.50%	3.87%	3.87%
--	-------	-------	-------	-------

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.*

OTHER SUPPLEMENTARY INFORMATION

CUSTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Award/Pass-through Grantor's Number	Program or Award Amount	Balance July 1, 2020	Receipts	Expenditures	Returned to Grantor/Other	Balance June 30, 2021	Amount Provided to Subrecipients
<u>U.S. Department of Transportation:</u>									
Passed through the Montana Department of Transportation:									
Cash Assistance:									
Formula Grants for Rural Areas and Tribal Transit Program (1)	20 509	110744C	\$ 91,327	\$ (51,352)	\$ 51,352	\$ -	\$ -	\$ -	\$ -
Formula Grants for Rural Areas and Tribal Transit Program (1)	20 509	111288	215,917	-	176,499	215,917	-	(39,418)	-
Total U.S. Department of Transportation				(51,352)	227,851	215,917	-	(39,418)	-
<u>U.S. Department of Justice:</u>									
Passed through the Montana Board of Crime Control:									
Coronavirus Emergency Supplemental Funding Program (1)	16 034	20-CV01-92721	61,209	-	4,784	35,284	-	(30,500)	-
Subtotal				-	4,784	35,284	-	(30,500)	-
Crime Victim Assistance	16 575	18-V01-92414	158,300	(22,392)	114,218	91,826	-	-	-
Subtotal				(22,392)	114,218	91,826	-	-	-
Total U.S. Department of Justice				(22,392)	119,002	127,110	-	(30,500)	-
<u>U.S. Department of Homeland Security:</u>									
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:									
Homeland Security Grant Program	97 067	EMW-2018-SS-00021	38,458	-	-	38,132	-	(38,132)	-
Subtotal				-	-	38,132	-	(38,132)	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97 036	N/A	3,458	(3,458)	-	-	3,458	-	-
Subtotal				(3,458)	-	-	3,458	-	-
Emergency Management Performance Grants	97 042	20 EMPG Custer	42,232	-	-	25,377	-	(25,377)	-
Subtotal				-	-	25,377	-	(25,377)	-
Total U.S. Department of Homeland Security				(3,458)	-	63,509	3,458	(63,509)	-
<u>U.S. Department of Health and Human Services:</u>									
Passed through the Montana Department of Public Health and Human Services:									
Maternal and Child Health Services Block Grant to the States	93 994	20-07-5-01-009-0	11,262	-	6,757	6,757	-	-	6,757
Maternal and Child Health Services Block Grant to the States	93 994	21-25-5-01-009-0	11,055	-	4,422	4,422	-	-	4,422
Subtotal				-	11,179	11,179	-	-	11,179
Immunization Cooperative Agreements	93 268	20-07-4-31-109-0	7,251	(1,813)	1,813	-	-	-	-
Immunization Cooperative Agreements (1)	93 268	21-07-4-31-109-0	33,221	-	33,221	33,221	-	-	33,221
Immunization Cooperative Agreements	93 268	21-07-4-31-109-0	7,251	-	5,438	7,251	-	(1,813)	7,251
Subtotal				(1,813)	40,472	40,472	-	(1,813)	40,472
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (1)	93 354	20-07-6-11-014-0	33,312	-	16,656	16,656	-	-	16,656
Subtotal				-	16,656	16,656	-	-	16,656
Epidemiology and Laboratory Capacity for Infections Diseases (ELC)	93 074	20-07-6-11-014-0	31,881	-	-	-	-	-	-
Subtotal				-	-	-	-	-	-
Public Health Emergency Preparedness	93 074	20-07-6-11-014-0	107,415	-	35,805	35,805	-	-	35,805
Subtotal				-	35,805	35,805	-	-	35,805
Foster Care Title IV-E	93 658	N/A	8,607	-	6,220	8,607	-	(2,387)	-
Subtotal				-	6,220	8,607	-	(2,387)	-
Grants to States to Support Oral Health Workforce Activities	93 236	20-25-5-01-110-0	35,000	-	10,508	10,508	-	-	10,508
Subtotal				-	10,508	10,508	-	-	10,508
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93 898	21-07-3-01-004-0	40,409	-	40,409	40,409	-	-	40,409
Subtotal				-	40,409	40,409	-	-	40,409
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	21-07-3-01-004-0	15,000	-	15,000	15,000	-	-	15,000
Subtotal				-	15,000	15,000	-	-	15,000
Passed through Action for Eastern Montana:									
Aging Cluster:									
Special Programs for the Aging-									
Title III, Part B-Grants for Supportive Services and Senior Centers	93 044	2020-001-02	19,144	(1,302)	1,302	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93 044	2021-001-02	28,826	-	12,837	17,692	-	(4,855)	-
Subtotal				(1,302)	14,139	17,692	-	(4,855)	-

CUSTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance	Award/Pass-through Grantor's	Program or Award	Balance			Returned to Grantor/Other	Balance	Amount
	Listing Number	Number	Amount	July 1, 2020	Receipts	Expenditures	June 30, 2021	Provided to Subrecipients	
Title III, Part C-Nutrition Services (1)	93 045	2020-001-02	14,596	(2,400)	2,400	-	-	-	
Title III, Part C-Nutrition Services	93 045	2020-001-02	38,545	(5,520)	5,520	-	-	-	
Title III, Part C-Nutrition Services	93 045	2021-001-02	53,346	-	25,662	38,676	-	(13,014)	
Subtotal				(7,920)	33,582	38,676	-	(13,014)	
Aging Cluster Subtotal				(9,222)	47,721	56,368	-	(17,869)	
Title III, Part D-Disease Prevention and Health Promotion Services	93 043	2020-001-02	2,311	(227)	227	-	-	-	
Subtotal				(227)	227	-	-	-	
National Family Caregiver Support, Title III, Part E	93 052	2021-001-02	3,763	-	314	941	-	(627)	
Subtotal				-	314	941	-	(627)	
Total U.S. Department of Health and Human Services				(11,262)	224,511	235,945	-	(22,696)	
<u>U.S. Department of the Interior:</u>									
Direct Programs:									
Invasive and Noxious Plant Management	15 228	L19AC00181-0001	67,269	(3,600)	18,119	14,519	-	-	
Invasive and Noxious Plant Management	15 228	L19AC00181-0002	30,000	-	27,251	28,356	-	(1,105)	
Subtotal				(3,600)	45,370	42,875	-	(1,105)	
Invasive and Noxious Plant Management	15 230	L16AC00046-0004	25,000	-	15,310	15,310	-	-	
Invasive and Noxious Plant Management	15 230	L16AC00046-0005	25,000	-	8,303	8,303	-	-	
Subtotal				-	23,613	23,613	-	-	
Bankhead Jones Farm Tenant Act	15 999	N/A	5,521	-	-	5,035	-	(5,035)	
Subtotal				-	-	5,035	-	(5,035)	
Total U.S. Department of the Interior				(3,600)	68,983	71,523	-	(6,140)	
<u>U.S. Department of Agriculture:</u>									
Direct Program:									
Community Facilities Loans and Grants	10.766	N/A	1,000,000	-	-	1,000,000	-	(1,000,000)	
Community Facilities Loans and Grants	10.766	N/A	2,850,000	-	-	2,794,130	-	(2,794,130)	
Subtotal				-	-	3,794,130	-	(3,794,130)	
Passed through the Montana Department of Natural Resources and Conservation:									
Cooperative Forestry Assistance	10 664	RFC-21-090	9,900	-	8,898	8,898	-	-	
Subtotal				-	8,898	8,898	-	-	
Total U.S. Department of Agriculture				-	8,898	3,803,028	-	(3,794,130)	
<u>U.S. Department of Commerce:</u>									
Direct Program:									
Economic Adjustment Assistance	11 307	05-79-06107	380,000	-	-	-	-	-	
Total U.S. Department of Commerce				-	-	-	-	-	
<u>U.S. Department of the Treasury:</u>									
Passed through the Montana Department of Administration:									
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	N/A	2,214,706	-	1,107,353	-	-	1,107,353	
Subtotal				-	1,107,353	-	-	1,107,353	
Coronavirus Relief Fund (1)	21 019	N/A	884,735	(371,039)	884,735	513,696	-	-	
Subtotal				(371,039)	884,735	513,696	-	-	
Total U.S. Department of the Treasury				(371,039)	1,992,088	513,696	-	1,107,353	
<u>U.S. Election Assistance Commission:</u>									
Passed through the Montana Secretary of State:									
Help America Vote Act Requirements Payments	90.401	N/A	26,699	(26,699)	26,699	-	-	-	
Total U.S. Election Assistance Commission				(26,699)	26,699	-	-	-	
Total Federal Awards				\$ (489,802)	\$ 2,668,032	\$ 5,030,728	\$ 3,458	\$ (2,849,040)	
								\$ 170,029	

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DONATED PPE

The estimated Fair Market Value (FMV) of donated PPE for the year ended June 30, 2021 was \$13,350 (unaudited).

(1) - COVID 19



OLNESS & ASSOCIATES, P. C.  
CERTIFIED PUBLIC ACCOUNTANTS

CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

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

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, 2021, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated April 18, 2022. 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.

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 questioned costs, 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 questioned costs as items 2021-001 through 2021-003 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 accompanying schedule of findings and questioned costs as item 2021-004 to be a significant deficiency.

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 questioned costs as item 2021-004.

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

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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  
April 18, 2022

OLNESS & ASSOCIATES, P. C.  
CERTIFIED PUBLIC ACCOUNTANTS

CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
(406) 252-6230  
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Custer County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the government's major federal program for the year ended June 30, 2021. The government's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the government's compliance.

Opinion on Each Major Federal Program

In our opinion, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-005 that we consider to be a material weakness.

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*O'Leary & Associates, PC*

Billings, Montana  
April 18, 2022

CUSTER COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified?   x   yes        no
- Significant deficiencies identified?   x   yes        none reported
- Noncompliance material to the financial statements noted?   x   yes        no

*FEDERAL AWARDS*

Internal control over major programs:

- Material weaknesses identified?   x   yes        no
- Significant deficiencies identified?        yes   x   none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)?   x   yes        no

Major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee?        yes   x   no

FINDINGS - FINANCIAL STATEMENT AUDIT

2021-001. 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.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

CUSTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

2021-002. 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.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2021-003. IMPROVE DISTRICT COURT ACCOUNTING PROCEDURES

Condition: The cash balance in Fund 7160-District Court Trust does not reconcile to the cash balance in FullCourt. As of June 30, 2021 the cash balance in FullCourt was \$7,091. The cash balance in Fund 7160-District Court Trust, was \$26,578.

Effect: The cash balance in the District Court Trust fund is overstated. Further, because disbursements that should have been made from Fund 7160, District Court Trust were made from Fund 2180, District Court, the cash balance in Fund 2180, District Court is understated and expenditures are overstated.

Cause: Processes and procedures are not in place to ensure the accounting for transactions related to Fund 7160-District Court Trust are correct.

Criteria: The cash balance in Fund 7160-District Court Trust should be reconciled monthly to the cash balance in FullCourt. Differences, if any, should be identified and corrected in the month they occur. Further, the duties of the Clerk of District Court are outlined in Sections 3-5-501 through 3-5-513, MCA.

Recommendation 1: Processes and procedures should be developed that will allow for transactions related to the Fund 7160-District Court Trust to be recorded correctly. Further, the cash balance in FullCourt should be reconciled to Fund 7160-District Court Trust monthly.

Recommendation 2: Procedures should be developed and implemented to ensure the District Court Clerk's duties are performed in accordance with Montana State law.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2021-004. EXPENDITURE BUDGETS OVERSPENT

Condition: Twelve funds were overspent for the year ended June 30, 2021. Additionally, one of the overspent funds did not have a budget entered into the County's accounting system.

Effect: Non-compliance with state law.

Cause: Procedures are not in place to monitor budget expenditures.

Criteria: Section 7-6-4005, MCA, requires that expenditures be limited to appropriations for each budgeted fund.

CUSTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

Recommendation: Procedures should be developed to ensure that budgets are entered into the County's accounting software and that expenditure budgets are not overspent.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF AGRICULTURE:

2021-005. COMMUNITY FACILITIES LOANS AND GRANTS, CFDA 10.766, GRANT PERIOD - YEAR ENDED JUNE 30, 2021

Finding 2021-002 applies to this federal award program.

CUSTER COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2021

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2020-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2021-001 for the year ended June 30, 2021.

2020-002. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2021-002 for the year ended June 30, 2021.

2020-003. LANDFILL CASH COLLECTIONS

Status: This finding is resolved.

2020-004. CASH AND INVESTMENTS NOT COMPLETELY RECONCILED

Status: This finding is resolved.

2020-005. COUNTY FAIR

Status: This finding is resolved.

2020-006. CAPITAL ASSETS

Status: This finding is resolved.

2020-007. SHERIFF OFFICE WAGES

Status: This finding is resolved.

2020-008. RESERVES

Status: This finding is resolved.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL AWARD PROGRAMS AUDIT

2020-009. CORONAVIRUS RELIEF FUND, CFDA 21.019, GRANT PERIOD – YEAR ENDED JUNE 30, 2020

Status: This finding is resolved.

2020-010. ALL MAJOR FEDERAL AWARD PROGRAMS

Status: See 2020-002 above.



CUSTER COUNTY  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2021

FINDINGS - FINANCIAL STATEMENT AUDIT

2021-001. SEGREGATION OF DUTIES

Name of Contact Person: Jason Strouf, Commissioner Chair

Corrective Action: 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.

Proposed Completion Date: On going

2021-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: Jason Strouf, Commissioner Chair

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

Proposed Completion Date: On going

2021-003. IMPROVE DISTRICT COURT ACCOUNTING PROCEDURES

Name of Contact Person: Kristi Celandier, Clerk of District Court

Corrective Action: Since January 2021 all accounts are being tracked electronically through the full court program and through a bank ledger. Electronic monthly reconciliations will begin once all electronic monthly reconciliations since 2008 are complete. The excess funds in 7160 (District Court Trust Fund) will be transferred to 2180 (District Court Fund) once the electronic monthly reconciliations are complete and the proper amount can be established.

Proposed Completion Date: June 30, 2022

2021-004. EXPENDITURE BUDGETS OVERSPENT

Name of Contact Person: Jason Strouf, Commission Chair

Corrective Action: The Board of Commissioners is working with the County Budget Administrator to implement a procedure to review actual expenditures on a monthly basis and identify budgets that are exceeding the percentage of committed allocation based on the month of the fiscal year. Budgets that are identified will be reviewed to determine if a budget amendment is necessary and execute the budget amendment prior to the authorization of expenditure being executed.

Proposed Completion Date: Immediately

FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL AWARD PROGRAMS AUDIT

U.S DEPARTMENT OF AGRICULTURE:

2021-005. COMMUNITY FACILITIES LOANS AND GRANTS, CFDA 10.766, GRANT PERIOD - YEAR ENDED JUNE 30, 2021

Finding 2021-002 applies to this federal award program.