

**CUSTER COUNTY  
MILES CITY, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2023**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

2810 CENTRAL AVENUE, SUITE B

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CUSTER COUNTY

ORGANIZATION

June 30, 2023

BOARD OF COUNTY COMMISSIONERS

Jason Strouf	Presiding Officer
Jeffrey Faycosh	Commissioner
Kevin Krausz	Commissioner

ELECTED OFFICIALS

Linda Corbett	County Clerk and Recorder
Tara Moorehead	County Treasurer
Brandon Kelm	County Sheriff/Coroner
Wyatt Glade	County Attorney
Carla Jean Begger	County Superintendent
Kristi Celandor	Clerk of District Court
Mark Hilderbrand	Justice of the Peace

# OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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## INDEPENDENT AUDITOR'S REPORT

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

### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Custer County, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

#### Qualified Opinions:

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the government, as of June 30, 2023, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the government as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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

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

### Emphasis of Matter

As described in Note 1 to the financial statements, in 2023, the government adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

### Required Supplementary Information

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

### Supplementary 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

*O'Leary & Associates, PC*

Billings, Montana  
March 22, 2024

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, 2023. Please read the information here in conjunction with our financial statements and footnotes.

- Net position at the close of fiscal year 2023 was \$15,693,398. Of this amount, \$3,276,655 is restricted and \$15,129,737 was our net investment in capital assets.
- The County's total net position increased by \$3,947,000 as a result of this year's operations.
- Actual general fund revenues were less than budgeted revenues by \$403,005, while actual expenditures were less than budgeted appropriations by \$382,263.

**USING THIS AUDIT REPORT**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

Governmental funds:

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

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary funds:

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

Fiduciary funds:

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

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position at the close of fiscal year 2023 was \$15,693,398. Of this amount, \$3,276,655 is restricted and \$15,129,737 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 \$884,112 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 \$3,947,000 as a result of this year's operations. Net position for our governmental activities increased \$3,974,908. Net position for the business-type activities decreased \$27,908.

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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,504,871	\$ 6,669,095	\$ 4,355,253	\$ 4,382,202	\$ 9,860,124	\$ 11,051,297
Capital assets	23,673,375	18,899,542	285,547	261,092	23,958,922	19,160,634
Total assets	29,178,246	25,568,637	4,640,800	4,643,294	33,819,046	30,211,931
Deferred outflows	1,143,460	1,065,999	-	-	1,143,460	1,065,999
Other liabilities	2,489,979	2,544,601	62,151	133,967	2,552,130	2,678,568
Long-term liabilities	14,610,762	13,638,041	1,571,258	1,474,028	16,182,020	15,112,069
Total liabilities	17,100,741	16,182,642	1,633,409	1,607,995	18,734,150	17,790,637
Deferred inflows	534,958	1,740,895	-	-	534,958	1,740,895
Net position:						
Net Investment in capital assets	14,844,190	9,493,230	285,547	261,092	15,129,737	9,754,322
Restricted	2,392,543	1,847,048	884,112	854,851	3,276,655	2,701,899
Unrestricted	(4,550,726)	(2,629,179)	1,837,732	1,919,356	(2,712,994)	(709,823)
	<u>\$ 12,686,007</u>	<u>\$ 8,711,099</u>	<u>\$ 3,007,391</u>	<u>\$ 3,035,299</u>	<u>\$ 15,693,398</u>	<u>\$ 11,746,398</u>



CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,071,243	\$ 1,073,139	\$ 1,061,329	\$ 1,082,182	\$ 2,132,572	\$ 2,155,321
Operating grants and contributions	4,263,321	1,432,615	-	-	4,263,321	1,432,615
Capital grants and contributions	2,449,800	407,122	-	-	2,449,800	407,122
General revenues:						
Taxes	6,183,645	5,764,617	-	-	6,183,645	5,764,617
Licenses and permits	5,725	1,875	-	-	5,725	1,875
Intergovernmental	2,913,564	1,531,078	-	-	2,913,564	1,531,078
Interest	105,653	16,666	69,122	12,081	174,775	28,747
Miscellaneous	122,090	61,982	-	-	122,090	61,982
<b>Total revenues</b>	<b>17,115,041</b>	<b>10,289,094</b>	<b>1,130,451</b>	<b>1,094,263</b>	<b>18,245,492</b>	<b>11,383,357</b>
<b>Expenses:</b>						
General government	3,133,001	2,759,015	-	-	3,133,001	2,759,015
Public safety	3,273,370	2,576,725	-	-	3,273,370	2,576,725
Public works	2,922,021	1,895,487	-	-	2,922,021	1,895,487
Public health	1,468,364	988,044	-	-	1,468,364	988,044
Social and economic services	1,097,275	901,055	-	-	1,097,275	901,055
Culture and recreation	959,715	884,356	-	-	959,715	884,356
Housing and community dev.	32,934	32,429	-	-	32,934	32,429
Solid Waste	-	-	1,158,359	1,048,756	1,158,359	1,048,756
Interest on long-term debt	253,453	264,462	-	-	253,453	264,462
<b>Total expenses</b>	<b>13,140,133</b>	<b>10,301,573</b>	<b>1,158,359</b>	<b>1,048,756</b>	<b>14,298,492</b>	<b>11,350,329</b>
Change in net position	3,974,908	(12,479)	(27,908)	45,507	3,947,000	33,028
Net position, beginning	8,711,099	8,731,925	3,035,299	2,966,053	11,746,398	11,697,978
Prior period adjustments	-	(8,347)	-	23,739	-	15,392
<b>Net position, ending</b>	<b>\$ 12,686,007</b>	<b>\$ 8,711,099</b>	<b>\$ 3,007,391</b>	<b>\$ 3,035,299</b>	<b>\$ 15,693,398</b>	<b>\$ 11,746,398</b>

**FUND FINANCIAL STATEMENTS**

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

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

The general fund is the County's primary operating fund. It accounts for all financial resources of the government, except those accounted for in another fund. At the end of the fiscal year, unassigned fund balance was \$134,477. Fund balance decreased \$194,896. The decrease is mainly due to budgeting for an operating deficit.

The Custer County Transit fund accounts for rural transportation operations. A new transit building is being constructed within the transit fund with grant funds and a transfer in from the Cares fund. The building will be completed during fiscal year 2024. Fund balance as of June 30, 2023 was \$614,329.

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services. The public safety fund balance increased \$39,686.

CUSTER COUNTY  
MANAGEMENT'S DISCUSSION & ANALYSIS

The federal 2021 ARPA fund recognized \$823,608 in revenue during the year. The revenue recognized was transferred out to fund three different capital projects. \$1,391,097 of ARPA revenue remains to be recognized. ARPA is required to be obligated by December 31, 2024 and spent by December 31, 2026.

Net position for the business-type activities decreased \$27,908.

General Fund Budgetary Highlights:

There were no significant general fund budget amendments. Actual general fund revenues were less than budgeted revenues by \$403,005, while actual expenditures were less than budgeted appropriations by \$382,263.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Custer County's net investment in capital assets, as of June 30, 2023 as \$15,129,737. 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, 2023 was \$503,076. Other liabilities outstanding consist of the net pension liability, the total other post-employment benefits liability, GO bonds, SID bonds, leases and notes payable. For more information related to long-term debt, see the notes to the basic financial statements.

**THE GOVERNMENT'S FUTURE**

The following factors were considered in preparing the County Budget for FY 2023-24:

- The uncertainty of PILT money is a constant concern.
- Lack of funds and other road and bridge problems continue to plague the road department.
- High energy and fuel costs continue to be a major concern for road, fairgrounds, and maintenance departments as well as the sheriff's office.
- Looking to the future Custer County is planning to start the design phase for the Senior Citizens Center. The Commissioners continue to pursue meetings with City elected officials to collaborate addressing issues facing our community.
- 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.

**ACCOMPLISHMENTS DURING FY 2022-23**

Phase II of the Custer County Rural Fire Hall was substantially completed. This phase included a 3,600 sq. foot addition on the north end for additional meeting and equipment storage for the Rural Fire Department. The other part was a 4,000 sq. foot addition on the South end for office space and vehicle parking for the Custer County Transit department. This project was made possible with 85% grant funding from MDT on the Transit addition, a USDA Grant for \$175,000 and \$200,000 Coal Board Grant on the Fire addition. The remaining funding came from existing revenue.

Progression continued on the Deadman Road/N. Sunday Creek Bridge replacement. The contractor bid was awarded to COP Construction, LLC and continued progress to address the Historical Preservation and permitting requirements.

Custer County completed the County Growth Policy project and adopted the prepared Growth Policy for planning purposes.

The Board of Commissioners engaged BNSF for transference of the old BNSF Passenger Rail Depot property and building to the County. Due to funding allocations from the 2023 Legislature and interest by FWP to create a visitors center as part of the Lower Yellowstone improvement project the County would transfer ownership to the State of Montana FWP for development and improvements.

The County was awarded a FEMA grant to develop a PER for storm water drainage at the Fairgrounds.

CUSTER COUNTY  
STATEMENT OF NET POSITION  
June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 2,253,054	\$ 1,256,382	\$ 3,509,436
Investments	1,094,418	610,285	1,704,703
Receivables:			
Taxes and assessments	332,312	11,036	343,348
Governments	1,473,186	-	1,473,186
Solid waste	-	22,180	22,180
Cemetery	2,140	-	2,140
Other	136,057	-	136,057
Leases	10,447	-	10,447
Inventories	189,670	-	189,670
Prepays	13,587	-	13,587
Restricted assets:			
Cash and equivalents	-	22,416	22,416
Investments	-	2,432,954	2,432,954
Capital assets:			
Land and construction in progress	2,010,671	89,836	2,100,507
Capital assets, net of accumulated depreciation	21,662,704	195,711	21,858,415
Total assets	<u>29,178,246</u>	<u>4,640,800</u>	<u>33,819,046</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	<u>1,143,460</u>	<u>-</u>	<u>1,143,460</u>
<b>LIABILITIES</b>			
Accounts payable-vendors	930,945	62,151	993,096
Due to other governments	59,360	-	59,360
Unearned revenues	1,499,674	-	1,499,674
Long-term liabilities:			
Due within one year:			
Notes, leases and bonds	577,022	-	577,022
Compensated absences	172,202	-	172,202
Due in more than one year:			
Notes, leases and bonds	8,252,163	-	8,252,163
Compensated absences	330,874	-	330,874
Landfill closure/postclosure care payable	-	1,571,258	1,571,258
Net pension liability	4,697,942	-	4,697,942
Total other post-employment benefits liability	580,559	-	580,559
Total liabilities	<u>17,100,741</u>	<u>1,633,409</u>	<u>18,734,150</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	9,951	-	9,951
Pension plans	325,784	-	325,784
Unavailable revenue-deferred special assessments	199,223	-	199,223
Total deferred inflows of resources	<u>534,958</u>	<u>-</u>	<u>534,958</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,844,190	285,547	15,129,737
Restricted for:			
Landfill closure/postclosure care	-	884,112	884,112
General government	130,217	-	130,217
Public safety	113,545	-	113,545
Public works	805,648	-	805,648
Public health	57,095	-	57,095
Social and economic	630,862	-	630,862
Culture and recreation	12,170	-	12,170
Housing and community development	4,721	-	4,721
Capital projects	554,120	-	554,120
Debt service	84,165	-	84,165
Unrestricted (deficit)	<u>(4,550,726)</u>	<u>1,837,732</u>	<u>(2,712,994)</u>
Total net position	<u>\$ 12,686,007</u>	<u>\$ 3,007,391</u>	<u>\$ 15,693,398</u>

See notes to basic financial statements.

CUSTER COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

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	\$ 3,133,001	\$ 289,090	\$ 100,537	\$ -	\$ (2,743,374)	\$ -	\$ (2,743,374)
Public safety	3,273,370	305,901	945,357	-	(2,022,112)	-	(2,022,112)
Public works	2,922,021	92,547	912,064	-	(1,917,410)	-	(1,917,410)
Public health	1,468,364	57,746	1,012,696	-	(397,922)	-	(397,922)
Social and economic services	1,097,275	74,735	1,282,219	-	259,679	-	259,679
Culture and recreation	959,715	251,224	10,448	2,449,800	1,751,757	-	1,751,757
Housing and community development	32,934	-	-	-	(32,934)	-	(32,934)
Interest on long-term debt	253,453	-	-	-	(253,453)	-	(253,453)
<b>Total governmental activities</b>	<b>13,140,133</b>	<b>1,071,243</b>	<b>4,263,321</b>	<b>2,449,800</b>	<b>(5,355,769)</b>	<b>-</b>	<b>(5,355,769)</b>
<b>Business-type activities:</b>							
Solid waste	1,158,359	1,061,329	-	-	-	(97,030)	(97,030)
<b>Total business-type activities</b>	<b>1,158,359</b>	<b>1,061,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(97,030)</b>	<b>(97,030)</b>
<b>Total</b>	<b>\$ 14,298,492</b>	<b>\$ 2,132,572</b>	<b>\$ 4,263,321</b>	<b>\$ 2,449,800</b>	<b>(5,355,769)</b>	<b>(97,030)</b>	<b>(5,452,799)</b>
<b>General revenues:</b>							
Property taxes					6,183,645	-	6,183,645
Licenses and permits					5,725	-	5,725
Intergovernmental					2,913,564	-	2,913,564
Unrestricted investment earnings					105,653	69,122	174,775
Miscellaneous					58,391	-	58,391
Gain on disposal of capital assets					63,699	-	63,699
<b>Total general revenues</b>					<b>9,330,677</b>	<b>69,122</b>	<b>9,399,799</b>
<b>Change in net position</b>					<b>3,974,908</b>	<b>(27,908)</b>	<b>3,947,000</b>
<b>Net position - beginning</b>					<b>8,711,099</b>	<b>3,035,299</b>	<b>11,746,398</b>
<b>Net position - ending</b>					<b>\$ 12,686,007</b>	<b>\$ 3,007,391</b>	<b>\$ 15,693,398</b>

CUSTER COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	General	Custer County Transit	Public Safety	Federal 2021 ARPA	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 101,249	\$ 1,104	\$ 42,270	\$ 936,293	\$ 1,142,980	\$ 2,223,896
Investments	49,181	537	20,533	454,804	555,200	1,080,255
Receivables:						
Taxes and assessments	34,156	-	30,558	-	267,598	332,312
Governments	10,766	958,712	35,326	-	468,382	1,473,186
Cemetery	-	-	-	-	136,057	136,057
Other	-	-	-	-	2,140	2,140
Leases	10,447	-	-	-	-	10,447
Due from other funds	-	-	-	-	46,942	46,942
Inventories	-	-	-	-	189,670	189,670
Prepaid items	-	-	-	-	13,587	13,587
<b>Total assets</b>	<b>\$ 205,799</b>	<b>\$ 960,353</b>	<b>\$ 128,687</b>	<b>\$ 1,391,097</b>	<b>\$ 2,822,556</b>	<b>\$ 5,508,492</b>
<b>LIABILITIES</b>						
Accounts payable-vendors	\$ 27,215	\$ 346,024	\$ 69,196	\$ -	\$ 488,510	\$ 930,945
Due to other funds	-	-	-	-	46,942	46,942
Due to other governments	-	-	-	-	59,360	59,360
Unearned revenue	-	-	-	1,391,097	108,577	1,499,674
<b>Total liabilities</b>	<b>27,215</b>	<b>346,024</b>	<b>69,196</b>	<b>1,391,097</b>	<b>703,389</b>	<b>2,536,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Leases	9,951	-	-	-	-	9,951
Unavailable revenue-taxes and assessments	34,156	-	30,558	-	267,598	332,312
<b>Total deferred inflows of resources</b>	<b>44,107</b>	<b>-</b>	<b>30,558</b>	<b>-</b>	<b>267,598</b>	<b>342,263</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable:						
Inventory	-	-	-	-	189,670	189,670
Prepaid items	-	-	-	-	13,587	13,587
Restricted for:						
General government	-	-	-	-	113,096	113,096
Public safety	-	-	28,933	-	54,050	82,983
Public works	-	-	-	-	603,218	603,218
Public health	-	-	-	-	27,905	27,905
Social and economic services	-	614,329	-	-	10,540	624,869
Culture and recreation	-	-	-	-	9,603	9,603
Housing and community development	-	-	-	-	4,194	4,194
Capital projects	-	-	-	-	554,120	554,120
Debt service	-	-	-	-	70,741	70,741
Committed for:						
General government	-	-	-	-	315,018	315,018
Public health	-	-	-	-	45,811	45,811
Unassigned (deficits)	134,477	-	-	-	(159,984)	(25,507)
<b>Total fund balances (deficits)</b>	<b>134,477</b>	<b>614,329</b>	<b>28,933</b>	<b>-</b>	<b>1,851,569</b>	<b>2,629,308</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 205,799</b>	<b>\$ 960,353</b>	<b>\$ 128,687</b>	<b>\$ 1,391,097</b>	<b>\$ 2,822,556</b>	<b>\$ 5,508,492</b>

See notes to basic financial statements.

CUSTER COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET  
POSITION  
June 30, 2023

Total fund balances, governmental funds	\$ 2,629,308
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,673,375
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.	133,089
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,143,460
Deferred inflows of resources related to pensions	(325,784)
Some liabilities, (such as compensated absences, the total other post-employment benefits liability, notes payable, bonds payable, leases and the net pension liability), are not due and payable in the current period and, therefore, are not included in the funds.	(14,601,828)
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.	<u>34,387</u>
Net position of governmental activities	<u><u>\$ 12,686,007</u></u>

CUSTER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2023

	General	Custer County Transit	Public Safety	Federal 2021 ARPA	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes/assessments	\$ 2,027,209	\$ -	\$ 1,366,787	\$ -	\$ 2,794,758	\$ 6,188,754
Fines and forfeitures	61,704	-	-	-	6,173	67,877
Licenses and permits	650	-	5,075	-	-	5,725
Intergovernmental	680,819	1,202,622	259,802	823,608	4,054,462	7,021,313
Charges for services	171,722	72,262	140,269	-	581,412	965,665
Investment earnings	89,877	-	18	-	15,758	105,653
Miscellaneous	37,873	9,102	2,797	-	165,561	215,333
<b>Total revenues</b>	<b>3,069,854</b>	<b>1,283,986</b>	<b>1,774,748</b>	<b>823,608</b>	<b>7,618,124</b>	<b>14,570,320</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,122,052	-	-	-	803,769	2,925,821
Public safety	129,759	-	2,198,949	-	681,543	3,010,251
Public works	753,909	-	-	-	1,846,994	2,600,903
Public health	380,047	-	366	-	1,086,820	1,467,233
Social and economic services	32,742	479,613	-	-	551,320	1,063,675
Culture and recreation	6,218	-	-	-	754,371	760,589
Housing and community development	9,399	-	-	-	23,535	32,934
Debt service:						
Principal	147,817	-	-	-	416,252	564,069
Interest and other charges	62,930	-	-	-	203,581	266,511
Capital outlay	18,081	874,832	268,134	-	1,893,376	3,054,423
<b>Total expenditures</b>	<b>3,662,954</b>	<b>1,354,445</b>	<b>2,467,449</b>	<b>-</b>	<b>8,261,561</b>	<b>15,746,409</b>
Excess (deficiency) of revenues over expenditures	(593,100)	(70,459)	(692,701)	823,608	(643,437)	(1,176,089)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	-	-	29,091	-	16,164	45,255
Transfers in	446,405	676,138	723,723	-	2,353,405	4,199,671
Transfers out	(48,201)	(5,000)	(20,427)	(823,608)	(3,302,435)	(4,199,671)
<b>Total other financing sources (uses)</b>	<b>398,204</b>	<b>671,138</b>	<b>732,387</b>	<b>(823,608)</b>	<b>(932,866)</b>	<b>45,255</b>
<b>Net change in fund balances</b>	<b>(194,896)</b>	<b>600,679</b>	<b>39,686</b>	<b>-</b>	<b>(1,576,303)</b>	<b>(1,130,834)</b>
Fund balances - beginning	329,373	13,650	(10,753)	-	3,427,872	3,760,142
<b>Fund balances - ending</b>	<b>\$ 134,477</b>	<b>\$ 614,329</b>	<b>\$ 28,933</b>	<b>\$ -</b>	<b>\$ 1,851,569</b>	<b>\$ 2,629,308</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, 2023

Net change in fund balances - total governmental funds \$ (1,130,834)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlay for capital assets as expenditures. In contrast, the statement of activities reports only a portion of the outlay as expense. This outlay is allocated over the assets estimated useful lives as depreciation/amortization expense for the period.

This is the amount by which capital outlay (\$3,054,423) exceeded depreciation/amortization (\$748,834) in the current period. 2,305,589

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. 18,444

Contributed capital assets. 2,449,800

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. 31,222

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. (268,051)

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 principal repaid. 564,069

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:

Compensated absences	15,319
Other post-employment benefits	(33,921)
Amortization of general obligation bond premium	13,058

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. 10,213

Change in net position of governmental activities \$ 3,974,908



CUSTER COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2023

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,256,382	\$ 29,158
Investments	610,285	14,163
Receivables:		
Taxes and assessments	11,036	-
Solid waste	22,180	-
Total current assets	1,899,883	43,321
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	22,416	-
Investments	2,432,954	-
Total restricted assets	2,455,370	-
Capital assets:		
Land and construction in progress	89,836	-
Buildings and improvements	2,106,360	-
Less accumulated depreciation	(1,910,649)	-
	285,547	-
Total non-current assets	2,740,917	-
Total assets	4,640,800	43,321
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable-vendors	62,151	-
Compensated absences	-	2,680
Total current liabilities	62,151	2,680
Non-current liabilities:		
Compensated absences	-	6,254
Landfill closure/postclosure care payable	1,571,258	-
Total non-current liabilities	1,571,258	6,254
Total liabilities	1,633,409	8,934
<b>NET POSITION</b>		
Net investment in capital assets	285,547	-
Restricted for landfill closure/postclosure care	884,112	-
Unrestricted	1,837,732	34,387
Total net position	\$ 3,007,391	\$ 34,387

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, 2023

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
<b>REVENUES</b>		
Charges for services	\$ 569,926	\$ 150,551
Taxes and assessments	491,403	-
	<u>1,061,329</u>	<u>150,551</u>
<b>OPERATING EXPENSES</b>		
Personal services	-	96,964
Supplies	977	763
Purchased services	1,039,763	42,611
Fixed charges	11,489	-
Closure/postclosure costs	97,230	-
Depreciation	8,900	-
	<u>1,158,359</u>	<u>140,338</u>
Total operating expenses		
	<u>(97,030)</u>	<u>10,213</u>
Operating income (loss)		
<b>NON-OPERATING REVENUES</b>		
Investment earnings	69,122	-
	<u>69,122</u>	<u>-</u>
Change in net position	(27,908)	10,213
Net position - beginning	<u>3,035,299</u>	<u>24,174</u>
Net position - ending	<u>\$ 3,007,391</u>	<u>\$ 34,387</u>

CUSTER COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2023

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 1,298,701	\$ -
Cash received from interfund services	-	150,551
Cash paid to employees	-	(97,650)
Cash paid to suppliers for goods and services	(1,124,045)	(43,374)
Net cash provided by operating activities	174,656	9,527
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchase of capital assets	(33,355)	-
Net cash used by capital financing activities	(33,355)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in investments	(366,124)	(7,343)
Interest received	69,122	-
Net cash used by investing activities	(297,002)	(7,343)
Change in cash and cash equivalents	(155,701)	2,184
Cash and cash equivalents - beginning	1,434,499	26,974
Cash and cash equivalents - ending	\$ 1,278,798	\$ 29,158
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (97,030)	\$ 10,213
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	8,900	-
Closure/post closure costs	97,230	-
Decrease in taxes/assessments receivable	372	-
Decrease in solid waste receivable	237,000	-
Decrease in accounts payable	(71,816)	-
Decrease in compensated absences	-	(686)
Net cash provided by operating activities	\$ 174,656	\$ 9,527

CUSTER COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2023

	<u>Custodial Funds</u>		Total Custodial Funds
	External Investment Pool	Other Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,276,353	\$ 267,670	\$ 9,544,023
Investments	4,320,384	124,913	4,445,297
Taxes and assessments receivable	-	343,552	343,552
Equity position in external investment pool	-	13,596,737	13,596,737
	<u>13,596,737</u>	<u>14,332,872</u>	<u>27,929,609</u>
<b>LIABILITIES</b>			
Accounts payable	-	351,485	351,485
	<u>-</u>	<u>351,485</u>	<u>351,485</u>
<b>NET POSITION</b>			
Restricted for:			
Pool participants	13,596,737	-	13,596,737
Individuals, organizations and other governments	-	13,981,387	13,981,387
	<u>-</u>	<u>13,981,387</u>	<u>13,981,387</u>
Total net position	<u>\$ 13,596,737</u>	<u>\$ 13,981,387</u>	<u>\$ 27,578,124</u>

CUSTER COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>		<u>Total Custodial Funds</u>
	<u>External Investment Pool</u>	<u>Other</u>	
<b>ADDITIONS:</b>			
Contributions from pool participants	\$ 8,554,175	\$ -	\$ 8,554,175
Property taxes billed for other governments	-	13,630,829	13,630,829
Collections on behalf of state	-	1,690,084	1,690,084
Federal, state and local sources	-	28,554,668	28,554,668
	<u>8,554,175</u>	<u>43,875,581</u>	<u>52,429,756</u>
<b>DEDUCTIONS:</b>			
Distributions to pool participants	7,969,149	-	7,969,149
Distributions to other governments	-	8,251,028	8,251,028
Distributions to others	-	49,674	49,674
Payments made on behalf of school districts	-	34,438,579	34,438,579
Payments made on behalf of special districts	-	524,678	524,678
	<u>7,969,149</u>	<u>43,263,959</u>	<u>51,233,108</u>
Net increase in fiduciary net position	585,026	611,622	1,196,648
Net position - beginning	<u>13,011,711</u>	<u>13,369,765</u>	<u>26,381,476</u>
Net position - ending	<u>\$ 13,596,737</u>	<u>\$ 13,981,387</u>	<u>\$ 27,578,124</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2023, the government implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

The government's significant accounting policies are described below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

The government reports the following major governmental funds:

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

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

The Custer County transit fund accounts for the county's rural transportation services.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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 federal 2021 ARPA fund accounts for resources accumulated from the American Rescue Plan Act. The funds have to be obligated by December 2024 and spent by December 2026.

The government reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Investments

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

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 63% 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 \$23,824.

Receivables

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

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.



CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

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

Capital Assets

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

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

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

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

Lease and subscription-based information technology arrangements assets are amortized over the life of the associated contracts.

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

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

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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Deferred Outflows/Inflows of Resources

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

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

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

Net Position

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

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

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

Fund Balance

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

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

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

Leases

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

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

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

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

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

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

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

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

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The fair (\$3,243), district court (\$168), fire (\$123,524) and mitigation grant (\$33,049) funds had deficit fund balances as of June 30, 2023. The deficits occurred because current year expenditures exceeded current year revenues in the current and prior years. The deficits are expected to be eliminated through general or PILT fund contributions.

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	\$ 3,347,472
Business-type activities	4,322,037
Fiduciary funds	<u>13,989,320</u>
	<u>\$ 21,658,829</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2023, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,500	\$ -	\$ 1,500
Cash in banks:			
Demand deposits	5,048,224	-	5,048,224
Savings deposits	3,735	-	3,735
Time deposits	-	400,000	400,000
Brokerage:			
Money markets	22,416	-	22,416
U.S. Government securities	-	8,182,954	8,182,954
Short-term investment pool (STIP)	<u>8,000,000</u>	<u>-</u>	<u>8,000,000</u>
	<u>\$ 13,075,875</u>	<u>\$ 8,582,954</u>	<u>\$ 21,658,829</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, 2023, \$5,213,201 of the government's bank balance of \$5,867,936 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>\$ 5,213,201</u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2023, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2023:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. government securities	\$ 7,994,478	<u>\$ 7,994,478</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	<u>7,995,736</u>			
	<u>\$ 15,990,214</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.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

	<u>Custodial Credit Risk Category</u>			Carrying Amount	Fair Value (1)
	<u>1</u>	<u>2</u>	<u>3</u>		
Brokers:					
Money market	\$ 22,416	\$ -	\$ -	\$ 22,416	\$ 22,416
U.S. Government securities:	1,000,000	-	7,182,954	8,182,954	7,994,478
	<u>\$ 1,022,416</u>	<u>\$ -</u>	<u>\$ 7,182,954</u>	8,205,370	8,016,894
Uncategorized:					
STIP				8,000,000	7,995,736
				<u>\$ 16,205,370</u>	<u>\$ 16,012,630</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, 2023:

	<u>Internal</u>	<u>External</u>	<u>Total</u>
Net position - beginning of year	\$ 10,298,432	\$ 13,011,711	\$ 23,310,143
Contributions from participants	5,127,274	8,225,011	13,352,285
Investment earnings	173,831	329,164	502,995
Fees	(8,234)	(15,590)	(23,824)
Distributions to participants	(7,529,211)	(7,953,559)	(15,482,770)
Net position - end of year	<u>\$ 8,062,092</u>	<u>\$ 13,596,737</u>	<u>\$ 21,658,829</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,111	\$ -	\$ -	\$ 114,111
Construction-in-progress	218,229	1,863,417	(185,086)	1,896,560
Total capital assets, not being depreciated	<u>332,340</u>	<u>1,863,417</u>	<u>(185,086)</u>	<u>2,010,671</u>
Capital assets, being depreciated				
Buildings/improvements	16,804,724	-	-	16,804,724
Improvements other than buildings	984,941	13,515	-	998,456
Machinery and equipment	6,049,624	679,091	(202,574)	6,526,141
Right-to-use leased equipment	45,292	-	-	45,292
Infrastructure	1,714,244	3,201,302	-	4,915,546
Total capital assets, being depreciated	<u>25,598,825</u>	<u>3,893,908</u>	<u>(202,574)</u>	<u>29,290,159</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,748,105)	(292,769)	-	(3,040,874)
Improvements other than buildings	(397,551)	(57,122)	-	(454,673)
Machinery and equipment	(3,670,430)	(332,187)	153,002	(3,849,615)
Right-to-use leased equipment	(9,932)	(11,645)	-	(21,577)
Infrastructure	(205,605)	(55,111)	-	(260,716)
Total accumulated depreciation	<u>(7,031,623)</u>	<u>(748,834)</u>	<u>153,002</u>	<u>(7,627,455)</u>
Total capital assets, being depreciated, net	<u>18,567,202</u>	<u>3,145,074</u>	<u>(49,572)</u>	<u>21,662,704</u>
Governmental activities capital assets, net	<u>\$ 18,899,542</u>	<u>\$ 5,008,491</u>	<u>\$ (234,658)</u>	<u>\$ 23,673,375</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 68,186
Public safety	231,809
Public works	242,462
Social and economic	2,071
Culture and recreation	26,201
Housing and community development	178,105
Total depreciation-governmental activities	<u>\$ 748,834</u>

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction-in-progress	89,835	-	-	89,835
Total capital assets, not being depreciated	89,836	-	-	89,836
Capital assets, being depreciated				
Buildings and systems	87,946	-	-	87,946
Improvements other than buildings	1,985,059	33,355	-	2,018,414
Total capital assets, being depreciated	2,073,005	33,355	-	2,106,360
Less accumulated depreciation for:				
Buildings and systems	(35,857)	(2,418)	-	(38,275)
Improvements other than buildings	(1,865,892)	(6,482)	-	(1,872,374)
Total accumulated depreciation	(1,901,749)	(8,900)	-	(1,910,649)
Total capital assets, being depreciated, net	171,256	24,455	-	195,711
Business-type activities capital assets, net	\$ 261,092	\$ 24,455	\$ -	\$ 285,547

Depreciation expense was charged as follows:

Business-type activities:	
Solid Waste	\$ 8,900

Interfund Receivables, Payables and Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 446,405	\$ (48,201)	\$ 398,204
Custer County Transit	676,138	(5,000)	671,138
Public Safety	723,723	(20,427)	703,296
Federal 2021 ARPA	-	(823,608)	(823,608)
Nonmajor governmental funds	2,353,405	(3,302,435)	(949,030)
	\$ 4,199,671	\$ (4,199,671)	\$ -

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

Interfund balances as of June 30, 2023, consisted of the mitigation fund (\$46,942) owing the PILT fund \$46,942. The loan was made to cover a cash deficit from prior years and is expected to be repaid in fiscal year 2024.

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Leases

*Government as Lessee*

The government, as a lessee, has entered into lease agreements involving a postage meter and a tractor. The total costs of the government's lease assets are recorded as \$45,292, less accumulated amortization of \$21,577. The future lease payments under lease agreements are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 10,921	\$ 1,250	\$ 12,171
2025	11,468	702	12,170
2026	1,806	127	1,933
2027	1,415	36	1,451
	<u>\$ 25,610</u>	<u>\$ 2,115</u>	<u>\$ 27,725</u>

*Government as Lessor*

The government, as a lessor, leases two separate office spaces. The leases range from two to four years and the government will receive monthly payments of \$1,367. The government recognized \$15,330 in lease revenue and \$944 in interest revenue during the year related to these leases. As of June 30, 2023, the government's receivable for lease payments was \$10,447. Also, the government has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$9,951.

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2023
Motor grader-2019 (1), (2)	\$ 200,000	6.5 yrs	5.75%	\$ 81,622
Motor grader-2021 (1), (2)	200,000	7 yr	5.75%	159,071
Mid-Rivers through Rural Development (2)	1,000,000	10 yr	0.00%	800,000
				<u>\$ 1,040,693</u>

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

(2) Governmental activities.

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

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 159,810	\$ 12,978	\$ 172,788
2025	161,285	9,546	170,831
2026	145,504	5,976	151,480
2027	129,269	3,838	133,107
2028	129,754	2,148	131,902
2029-2031	315,071	432	315,503
	<u>\$ 1,040,693</u>	<u>\$ 34,918</u>	<u>\$ 1,075,611</u>

The government issued \$7,500,000 of general obligation bonds in 2014 to provide funds for the acquisition and construction of a detention



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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, 2023 are \$4,685,000.

The government issued \$2,850,000 of general obligation bonds in September 2021 to provide funds for the acquisition and construction of a community building at the fairgrounds. The bonds bear an interest rate of 2.5 percent and are payable in installments of principal and interest over 40 years. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding as of June 30, 2023 are \$2,741,834.

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 402,118	\$ 246,413	\$ 648,531
2025	413,178	236,123	649,301
2026	424,262	224,089	648,351
2027	440,370	207,981	648,351
2028	456,504	191,247	647,751
2029-2033	2,555,430	675,799	3,231,229
2034-2038	822,843	258,110	1,080,953
2039-2043	344,069	199,996	544,065
2044-2048	384,559	159,506	544,065
2049-2053	429,812	114,253	544,065
2054-2058	480,212	63,673	543,885
2058-2061	273,477	11,481	284,958
	<u>\$ 7,426,834</u>	<u>\$ 2,588,671</u>	<u>\$ 10,015,505</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, 2023 are \$192,405.

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 4,173	\$ 4,787	\$ 8,960
2025	4,252	4,708	8,960
2026	4,359	4,601	8,960
2027	4,469	4,491	8,960
2028	4,570	4,390	8,960
2029-2033	24,699	20,101	44,800
2034-2038	27,989	16,811	44,800
2039-2043	31,717	13,083	44,800
2044-2048	35,939	8,861	44,800
2049-2053	40,730	4,070	44,800
2054-2055	9,508	194	9,702
	<u>\$ 192,405</u>	<u>\$ 86,097</u>	<u>\$ 278,502</u>

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Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 7,818,095	\$ -	\$ (391,261)	\$ 7,426,834	\$ 402,118
Bond premium	156,701	-	(13,058)	143,643	-
Special assessment bonds	196,442	-	(4,037)	192,405	4,173
Total bonds payable	<u>8,171,238</u>	-	<u>(408,356)</u>	<u>7,762,882</u>	<u>406,291</u>
Leases	36,009	-	(10,399)	25,610	10,921
Notes from direct borrowings	1,199,065	-	(158,372)	1,040,693	159,810
Compensated absences	<u>519,081</u>	-	<u>(16,005)</u>	<u>503,076</u>	<u>172,202</u>
Governmental activities long-term liabilities	<u>\$ 9,925,393</u>	<u>\$ -</u>	<u>\$ (593,132)</u>	<u>\$ 9,332,261</u>	<u>\$ 749,224</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, \$8,934 of the internal service fund compensated absences is included in the above amounts. Also, for the governmental activities, notes and leases payable are liquidated by the general, road and bridge funds. Compensated absences are generally liquidated by the general fund.

Conduit Debt

To provide for the refinancing of existing debt and construction of improvements to the Eastern Montana Community Mental Health Center (EMCMHC), a Montana nonprofit corporation, the County issued Industrial Development Revenue Bonds/Notes amounting to \$850,000. These bonds/notes are special limited obligations of the County payable solely from and secured by payments to be made by EMCMHC under the loan agreement. The bonds/notes do not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2023, 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 \$1,571,258 reported as a landfill closure and postclosure care liability as of June 30, 2023, represents the cumulative amount reported to date based on the use of 65 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of \$839,399 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, 2023. 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, 2023, \$2,455,370 had been set aside for this purpose. The amount set aside is restricted and reported as "restricted net position." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Adjustment	Balance June 30, 2023
	<u>\$ 1,474,028</u>	<u>\$ 97,230</u>	<u>\$ -</u>	<u>\$ 1,571,258</u>

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability

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(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 the Montana State Fund for workers' compensation coverage. The government participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

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, 2023, the County contributed approximately \$252,582 to the City for these services.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$503,000, primarily for construction projects.

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

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

Tax Abatements

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

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

For the fiscal year ended June 30, 2023, there were no abated property taxes because construction under 15-24-1402, MCA, had not begun.

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

Retirement Plans

Plan Descriptions

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

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defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at [mpera.mt.gov](http://mpera.mt.gov).

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

Pension Benefits

Public Employees Retirement System

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

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

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

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

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

Sheriff's Retirement System

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

For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on 110% annual cap on compensation.

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

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

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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 8.97% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

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

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

At June 30, 2023, the government recorded a liability of \$3,528,873 (PERS) and \$1,169,069 (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, 2023	
	PERS	SRS
Employer proportionate share	\$ 3,528,873	\$ 1,169,069
State of Montana proportionate share associated with employer	1,052,444	-
Total	\$ 4,581,317	\$ 1,169,069

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 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, 2021, through June 30, 2022, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2023, the government's proportion was .1484 and .8538 percent for PERS and SRS, respectively.

For the year ended June 30, 2023, the government recognized \$444,649 (PERS) and \$187,639 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$109,087 (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 \$553,736 and \$187,639 for PERS and SRS, respectively.

At June 30, 2023, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

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	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	\$ 44,986	\$ -	\$ 162,015	\$ -
Changes in actuarial assumptions	131,508	258,346	168,343	28,158
Difference between projected and actual investment earnings	103,712	-	49,623	-
Changes in the proportion and differences between actual and expected contributions	119,036	-	-	39,280
Employer contributions subsequent to measurement date	251,735	-	112,502	-
	<u>\$ 650,977</u>	<u>\$ 258,346</u>	<u>\$ 492,483</u>	<u>\$ 67,438</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, 2024. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2024	\$ 88,065	\$ 114,480
2025	(71,441)	93,726
2026	(111,859)	10,888
2027	236,131	93,449

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2022 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	7.30%	7.30%
Salary increases	3.50%	3.25%
Inflation	2.75%	2.75%

Mortality rates for the PERS and SRS retirement plans are based on the PUB-2010 general amount weighted employer mortality projected to 2021 for males and females and projected generationally using MP-2021.

The long-term expected rate of return on pension plan investments for both PERS and SRS is reviewed as part of regular experience studies prepared for the plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop 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 (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

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

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sheriff's Retirement System (SRS)

The discount rate used to measure the total pension liability was 7.30%. 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 2127. 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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability-PERS	\$ 5,087,035	\$ 3,528,873	\$ 2,221,594
Net pension liability-SRS	1,901,499	1,169,069	572,874

PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

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

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

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

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

Total OPEB Liability

The total OPEB liability of \$580,559 was measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and a measurement date as of June 30, 2023.

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

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal funding
Salary increases	3.50%
Discount rate	4.02% (based on the 20 year municipal bond index)
Healthcare costs trend rates	7% for 2023, decreasing each year to an ultimate rate of 3.8% for 2079 and years later
Participation	40% of future retirees are assumed to elect medical coverage
Mortality	For PERS and SRS: RP 2000 Healthy Combined Mortality Table projected to 2020 using Scale BB.



CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$	66,585
Interest on the total OPEB liability		24,652
Changes of assumptions/difference in experience		(18,592)
Benefits payments		<u>(38,724)</u>
Net change in total OPEB liability		33,921
Total OPEB liability - beginning of year		<u>546,638</u>
Total OPEB liability - end of year	\$	<u><u>580,559</u></u>

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

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the employer's total OPEB liability calculated using the discount rate of 2.27%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.02%) or 1.00% higher (5.02%) than the current rate.

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
Total OPEB liability	\$ 604,350	\$ 580,559	\$ 555,241

*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	\$ 529,957	\$ 580,559	\$ 638,874

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

For the year ended June 30, 2023, the government recognized OPEB expense of \$96,599.

Future Implementation of GASB Pronouncements

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

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective

CUSTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

REQUIRED SUPPLEMENTARY INFORMATION

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Taxes/assessments	\$ 1,994,417	\$ 1,994,417	\$ 2,027,209	\$ -	\$ 2,027,209
Fees and fines	66,140	66,140	61,704	-	61,704
Licenses and permits	-	-	650	-	650
Intergovernmental	335,381	335,381	571,732	109,087	680,819
Charges for services	183,200	183,200	171,722	-	171,722
Investment earnings	6,500	6,500	89,877	-	89,877
Miscellaneous	778,134	778,134	37,873	-	37,873
Total revenues	3,363,772	3,363,772	2,960,767	109,087	3,069,854
<b>EXPENDITURES</b>					
Current:					
General government	2,316,346	2,316,346	2,070,257	51,795	2,122,052
Public safety	94,434	94,434	120,334	9,425	129,759
Public works	372,100	372,100	727,772	26,137	753,909
Public health	392,617	392,617	375,662	4,385	380,047
Social and economic services	29,000	29,000	21,615	11,127	32,742
Culture and recreation	-	-	-	6,218	6,218
Housing and community development	9,100	9,100	9,399	-	9,399
Debt service:					
Principal	-	-	147,817	-	147,817
Interest and other charges	-	-	62,930	-	62,930
Capital outlay	722,533	722,533	18,081	-	18,081
Total expenditures	3,936,130	3,936,130	3,553,867	109,087	3,662,954
Excess (deficiency) of revenues over expenditures	(572,358)	(572,358)	(593,100)	-	(593,100)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	947,086	947,086	446,405	-	446,405
Transfers out	(31,725)	(31,725)	(48,201)	-	(48,201)
Total other financing sources (uses)	915,361	915,361	398,204	-	398,204
Net change in fund balance	\$ 343,003	\$ 343,003	(194,896)	-	(194,896)
Fund balance - beginning			329,373	-	329,373
Fund balance - ending			\$ 134,477	\$ -	\$ 134,477

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Custer County Transit Fund  
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 35,712	\$ 35,712	\$ 1,202,622
Charges for services	1,035,192	1,035,192	72,262
Miscellaneous	26,000	26,000	9,102
Total revenues	<u>1,096,904</u>	<u>1,096,904</u>	<u>1,283,986</u>
<b>EXPENDITURES</b>			
Current:			
Social and economic services	404,977	404,977	479,613
Capital outlay	1,181,960	1,181,960	874,832
Total expenditures	<u>1,586,937</u>	<u>1,586,937</u>	<u>1,354,445</u>
Excess (deficiency) of revenues over expenditures	<u>(490,033)</u>	<u>(490,033)</u>	<u>(70,459)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	495,035	495,035	676,138
Transfers out	(5,000)	(5,000)	(5,000)
Total other financing sources (uses)	<u>490,035</u>	<u>490,035</u>	<u>671,138</u>
Net change in fund balance	<u>\$ 2</u>	<u>\$ 2</u>	600,679
Fund balance - beginning			<u>13,650</u>
Fund balance - ending			<u>\$ 614,329</u>

CUSTER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Public Safety Fund  
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,366,238	\$ 1,366,238	\$ 1,366,787
Licenses and permits	1,000	1,000	5,075
Intergovernmental	163,500	413,500	259,802
Charges for services	155,000	155,000	140,269
Investment earnings	-	-	18
Miscellaneous	-	-	2,797
Total revenues	<u>1,685,738</u>	<u>1,935,738</u>	<u>1,774,748</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	1,990,366	2,240,366	2,198,949
Public health	1,500	1,500	366
Capital outlay	189,000	202,311	268,134
Total expenditures	<u>2,180,866</u>	<u>2,444,177</u>	<u>2,467,449</u>
Excess (deficiency) of revenues over expenditures	<u>(495,128)</u>	<u>(508,439)</u>	<u>(692,701)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	29,091
Transfers in	508,000	581,399	723,723
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(20,427)</u>
Total other financing sources (uses)	<u>493,000</u>	<u>566,399</u>	<u>732,387</u>
Net change in fund balance	<u>\$ (2,128)</u>	<u>\$ 57,960</u>	39,686
Fund balance (deficit) - beginning			<u>(10,753)</u>
Fund balance - ending			<u>\$ 28,933</u>

CUSTER COUNTY  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 Federal 2021 ARPA Fund  
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 823,608
Total revenues	-	-	823,608
OTHER FINANCING USES			
Transfers out	(1,212,491)	(1,212,491)	(823,608)
Total other financing uses	(1,212,491)	(1,212,491)	(823,608)
Net change in fund balance	\$ (1,212,491)	\$ (1,212,491)	-
Fund balance - beginning			-
Fund balance - ending			\$ -

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2023

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 Road (\$46,548), Senior Citizens (\$11,464), Public Safety (\$28,699), Cancer Control Grant (\$1,689) and Mental Health (\$38,817) funds were overspent for the year ended June 30, 2023.



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:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.1484%	0.1392%	0.1419%	0.1373%	0.1326%	0.1696%	0.1608%	0.1518%	0.1874%
Employer's proportionate share of the net pension liability associated with the employer	\$ 3,528,873	\$ 2,524,384	\$ 3,743,408	\$ 2,870,006	\$ 2,768,335	\$ 3,302,906	\$ 2,739,637	\$ 2,121,284	\$ 2,335,475
State of Montana's proportionate share of the net pension liability associated with the employer	1,052,444	742,907	1,177,431	932,935	925,693	41,189	33,475	26,056	28,520
<b>Total</b>	<b>\$ 4,581,317</b>	<b>\$ 3,267,291</b>	<b>\$ 4,920,839</b>	<b>\$ 3,802,941</b>	<b>\$ 3,694,028</b>	<b>\$ 3,344,095</b>	<b>\$ 2,773,112</b>	<b>\$ 2,147,340</b>	<b>\$ 2,363,995</b>
Employer's covered payroll	\$ 2,605,789	\$ 2,455,149	\$ 2,380,678	\$ 2,265,440	\$ 2,181,297	\$ 2,100,755	\$ 1,926,564	\$ 1,770,964	\$ 2,129,645
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.42%	102.82%	157.24%	126.69%	126.91%	157.22%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.74%	73.75%	74.71%	78.40%	79.87%
Sheriffs' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.8538%	0.8809%	0.9753%	0.9018%	0.8824%	0.9066%	0.8456%	0.7582%	0.7297%
Employer's proportionate share of the net pension liability associated with the employer	\$ 1,169,069	\$ 641,626	\$ 1,188,740	\$ 752,107	\$ 663,352	\$ 689,906	\$ 1,485,499	\$ 730,937	\$ 303,684
State of Montana's proportionate share of the net pension liability associated with the employer	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,169,069</b>	<b>\$ 641,626</b>	<b>\$ 1,188,740</b>	<b>\$ 752,107</b>	<b>\$ 663,352</b>	<b>\$ 689,906</b>	<b>\$ 1,485,499</b>	<b>\$ 730,937</b>	<b>\$ 303,684</b>
Employer's covered payroll	\$ 822,904	\$ 800,555	\$ 828,096	\$ 723,987	\$ 684,668	\$ 678,329	\$ 596,924	\$ 515,949	\$ 471,924
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.07%	80.15%	143.55%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	77.07%	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

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

Public Employees Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 251,735	\$ 231,948	\$ 217,930	\$ 208,582	\$ 194,843	\$ 184,756	\$ 176,085	\$ 162,238	\$ 148,291
Contributions in relation to the contractually required contributions	251,735	231,948	217,930	208,582	194,843	184,756	176,085	162,238	148,291
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,805,807	\$ 2,605,788	\$ 2,455,149	\$ 2,380,678	\$ 2,265,440	\$ 2,181,297	\$ 2,100,755	\$ 1,926,564	\$ 1,770,964
Contributions as a percentage of covered payroll	8.97%	8.90%	8.88%	8.76%	8.60%	8.47%	8.38%	8.42%	8.37%
Sheriffs' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 112,502	\$ 108,463	\$ 104,797	\$ 108,990	\$ 95,347	\$ 91,476	\$ 68,613	\$ 61,868	\$ 52,337
Contributions in relation to the contractually required contributions	112,502	108,463	104,797	108,990	95,347	91,476	68,613	61,868	52,337
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 857,812	\$ 822,904	\$ 800,555	\$ 828,096	\$ 723,987	\$ 684,668	\$ 678,329	\$ 596,924	\$ 515,949
Contributions as a percentage of covered payroll	13.11%	13.18%	13.09%	13.16%	13.17%	13.36%	10.12%	10.36%	10.14%

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

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2023

**Public Employees Retirement System**

**Changes of Benefit Terms:**

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

2017:

Working Retiree Limitations - for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

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

Lump-sum Payouts:

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

Disabled PERS Defined Contribution (DC) Members:

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

**Sheriffs' Retirement System**

**Changes of Benefit Terms:**

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

2017:

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

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

CUSTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2023

Second Retirement Benefit - for SRS:

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

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

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

CUSTER COUNTY  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
 For the Year Ended June 30, 2023

**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

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 546,638	\$ 482,555	\$ 441,261	\$ 555,340	\$ 510,324	\$ 427,785
Prior period adjustment	-	-	-	(46,529)	-	-
Total OPEB liability restated - beginning of year	546,638	482,555	441,261	508,811	510,324	427,785
Service cost	66,585	54,063	66,230	70,636	68,355	65,829
Interest cost	24,652	12,181	12,840	20,281	22,396	19,498
Differences in experience	-	32,369	-	-	-	26,869
Change in assumptions	(18,592)	(2,014)	(10,336)	(128,738)	(11,058)	-
Benefit payments	(38,724)	(32,516)	(27,440)	(29,729)	(34,677)	(29,657)
Total OPEB liability - end of year	<u>\$ 580,559</u>	<u>\$ 546,638</u>	<u>\$ 482,555</u>	<u>\$ 441,261</u>	<u>\$ 555,340</u>	<u>\$ 510,324</u>
Covered-employee payroll	\$ 3,236,257	\$ 3,126,818	\$ 3,281,859	\$ 3,178,556	\$ 2,707,102	\$ 2,677,994
Total OPEB liability as a percentage of covered payroll	17.94%	17.48%	14.70%	13.88%	20.51%	19.06%

Notes to Schedule

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

4.02%	2.27%	2.53%	3.50%	3.87%	3.87%
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Differences in experience measure the expected versus actual claims experience.

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

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

SUPPLEMENTARY INFORMATION

CUSTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

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, 2022	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2023	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	20.509	111816	\$ 183,493	\$ (78,504)	\$ 78,504	\$ -	\$ -	\$ -	\$ -
Formula Grants for Rural Areas and Tribal Transit Program (1)	20.509	119302	119,999	-	-	119,999	-	(119,999)	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	753,950	-	-	753,950	-	(753,950)	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	113004	86,138	-	-	84,763	-	(84,763)	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	112605	208,242	-	208,198	208,198	-	-	-
Total U.S. Department of Transportation				(78,504)	286,702	1,166,910	-	(958,712)	-
<u>U.S. Department of Justice:</u>									
Passed through the Montana Board of Crime Control:									
Crime Victim Assistance	16.575	18-V01-92414	87,218	(11,077)	11,077	-	-	-	-
Crime Victim Assistance	16.575	V01-768	87,218	-	43,281	43,281	-	-	-
Subtotal				(11,077)	54,358	43,281	-	-	-
Passed through the Eastern Montana Drug Task Force:									
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23-G01-1344	110,930	-	30,164	30,164	-	-	-
Subtotal				-	30,164	30,164	-	-	-
Total U.S. Department of Justice				(11,077)	84,522	73,445	-	-	-
<u>U.S. Department of Homeland Security:</u>									
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:									
Hazard Mitigation Grant Program	97.039	DR-4508-2R-MGT	16,000	-	-	-	-	-	-
Hazard Mitigation Grant Program	97.039	DR-4508-2R	324,975	-	101,424	124,324	-	(22,900)	-
Subtotal				-	101,424	124,324	-	(22,900)	-
Emergency Management Performance Grants	97.042	EMD-2021-EP-00003	44,500	(14,473)	28,213	13,740	-	-	-
Emergency Management Performance Grants	97.042	EMD-2022-EP-00005	46,725	-	38,005	46,725	(1,508)	(10,228)	-
Subtotal				(14,473)	66,218	60,465	(1,508)	(10,228)	-
Total U.S. Department of Homeland Security				(14,473)	167,642	184,789	(1,508)	(33,128)	-
<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	22-25-5-01-009-0	10,122	-	6,073	6,073	-	-	6,073
Maternal and Child Health Services									
Block Grant to the States	93.994	23-25-5-01-009-0	10,255	-	4,102	4,102	-	-	4,102
Subtotal				-	10,175	10,175	-	-	10,175
Immunization Cooperative Agreements (1)	93.268	22-07-4-31-109-0	111,576	82,951	-	79,070	-	3,881	79,070
Immunization Cooperative Agreements (1)	93.268	23-07-4-31-109-0	99,446	-	99,446	-	-	99,446	-
Immunization Cooperative Agreements	93.268	23-07-4-31-109-0	4,850	-	2,755	2,755	-	-	2,755
Subtotal				82,951	102,201	81,825	-	103,327	81,825
Block Grants for Community Mental Health Services	93.958	22-101-74105-0	100,000	-	72,680	80,444	-	(7,764)	-
Subtotal				-	72,680	80,444	-	(7,764)	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	22-101-74105-0	85,000	-	61,779	68,377	-	(6,598)	-
Subtotal				-	61,779	68,377	-	(6,598)	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	23-07-1-01-109-0	78,000	-	38,985	38,985	-	-	38,985
Subtotal				-	38,985	38,985	-	-	38,985
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	22-07-3-01-004-0	39,159	-	39,159	39,159	-	-	39,159
Subtotal				-	39,159	39,159	-	-	39,159
Epidemiology and Laboratory Capacity for Infections Diseases (ELC) (1)	93.323	23-07-7-11-111-0	91,812	-	10,118	10,118	-	-	10,118
Epidemiology and Laboratory Capacity for Infections Diseases (ELC) (1)	93.323	20-07-6-11-014-0	91,812	-	25,343	25,343	-	-	25,343
Epidemiology and Laboratory Capacity for Infections Diseases (ELC) (1)	93.323	23-07-7-11-111-0	80,948	-	4,200	4,200	-	-	4,200
Subtotal				-	39,661	39,661	-	-	39,661
Public Health Emergency Preparedness	93.069	23-07-6-11-014-0	35,805	-	35,805	35,805	-	-	35,805
Subtotal				-	35,805	35,805	-	-	35,805
Foster Care Title IV-E	93.658	21-03-8-09-000-3	11,517	-	10,980	11,517	-	(537)	-
Subtotal				-	10,980	11,517	-	(537)	-
Grants to States to Support Oral Health Workforce Activities	93.236	20-25-5-01-110-0	35,000	(15,000)	15,000	-	-	-	-
Subtotal				(15,000)	15,000	-	-	-	-



CUSTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

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, 2022	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2023	Amount Provided to Subrecipients
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	2023-001-02	3,824	-	1,593	1,912	-	(319)	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2023-001-02	3,824	-	-	23	-	(23)	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2023-001-02	3,824	-	1,799	2,118	-	(319)	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2023-001-02	3,824	-	2,493	2,812	-	(319)	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2023-001-02	5,564	-	2,928	3,392	-	(464)	-
Title III, Part B-Grants for Supportive Services and Senior Centers (1)	93.044	2022-001-02	28,786	(10,203)	10,203	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2022-001-02	6,223	(1,037)	1,037	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2022-001-02	5,244	(611)	611	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2022-001-02	1,538	(130)	130	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2022-001-02	6,222	(519)	519	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2022-001-02	6,222	(519)	519	-	-	-	-
Subtotal				(13,019)	21,832	10,257	-	(1,444)	-
Title III, Part C-Nutrition Services	93.045	2023-001-02	26,903	-	20,177	24,661	-	(4,484)	-
Title III, Part C-Nutrition Services (1)	93.045	2023-001-02	13,893	-	10,419	12,735	-	(2,316)	-
Title III, Part C-Nutrition Services	93.045	2022-001-02	27,013	(2,676)	2,676	-	-	-	-
Subtotal				(2,676)	33,272	37,396	-	(6,800)	-
Aging Cluster Subtotal				(15,695)	55,104	47,653	-	(8,244)	-
National Family Caregiver Support, Title III, Part E (1)	93.052	2022-001-02	5,487	(820)	820	-	-	-	-
Subtotal				(820)	820	-	-	-	-
Total U.S. Department of Health and Human Services				51,436	482,349	453,601	-	80,184	245,610
<u>U.S. Department of the Interior:</u>									
Direct Programs:									
BLM CA Fuels Management and Community Fire Assistance Activities									
	15.228	L19AC00181-03	316,269	-	168,143	168,143	-	-	-
Subtotal				-	168,143	168,143	-	-	-
Invasive and Noxious Plant Management									
	15.230	L21AC10326000	45,350	-	15,742	15,742	-	-	-
Subtotal				-	15,742	15,742	-	-	-
Total U.S. Department of the Interior				-	183,885	183,885	-	-	-
<u>U.S. Department of Agriculture:</u>									
Direct Programs:									
Community Facilities Loans and Grants									
	10.766	N/A	175,000	-	-	120,114	-	(120,114)	-
Subtotal				-	-	120,114	-	(120,114)	-
Schools and Roads - Grants to Counties									
	10.666	N/A	4,914	-	4,914	4,914	-	-	-
Subtotal				-	4,914	4,914	-	-	-
Passed through the Montana Department of Natural Resources and Conservation:									
Cooperative Forestry Assistance									
	10.664	RFC-23-090	9,000	-	8,918	8,918	-	-	-
Subtotal				-	8,918	8,918	-	-	-
Total U.S. Department of Agriculture				-	13,832	133,946	-	(120,114)	-
<u>U.S. Department of Housing and Urban Development:</u>									
Passed through the Montana Department of Commerce:									
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii									
	14.228	MT-CDBG-CF-22-04	750,000	-	-	-	-	-	-
Total U.S. Department of Housing and Urban Development				-	-	-	-	-	-
<u>U.S. Environmental Protection Agency:</u>									
Passed through the Montana Department of Natural Resources and Conservation:									
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program									
	66.442	RD-CU-694	236,000	-	17,252	17,252	-	-	-
Total U.S. Environmental Protection Agency				-	17,252	17,252	-	-	-

CUSTER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

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, 2022	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2023	Amount Provided to Subrecipients
<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>									
Direct Program:									
Local Assistance and Tribal Consistency Fund	21.032	N/A	1,066,564	-	533,282	-	-	533,282	-
Subtotal				-	533,282	-	-	533,282	-
Direct Program:									
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	N/A	2,214,706	2,214,706	-	823,609	-	1,391,097	-
Passed through the Montana Department of Natural Resources and Conservation:									
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	AM-22-0014	343,091	-	343,091	343,091	-	-	-
Total U.S. Department of the Treasury				2,214,706	343,091	1,166,700	-	1,391,097	-
Total Federal Awards				<u>\$ 2,162,088</u>	<u>\$ 2,112,557</u>	<u>\$ 3,380,528</u>	<u>\$ (1,508)</u>	<u>\$ 892,609</u>	<u>\$ 245,610</u>

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, 2023. 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, 2023 was \$1,500 (unaudited).

(1) - COVID 19

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

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

### Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Custer County, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 22, 2024. The report included an explanatory paragraph to describe a change in accounting principles. The report on governmental activities and aggregate remaining fund information was qualified because we did not observe year-end inventory counts and because the government's accounting records related to inventory do not permit retroactive tests of inventory quantities.

### Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 2023-001 and 2023-002 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 2023-003 to be a significant deficiency.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-004 through 2023-007.

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

The Government's Response to Findings

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

Purpose of this Report

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

*O'ness & Associates, PC*

Billings, Montana  
March 22, 2024

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## 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

#### Qualified and Unmodified Opinions

We have audited Custer County, Montana's (the government) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2023. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Qualified Opinion on Assistance Listing No. 20.509 Formula Grants for Rural Areas and Tribal Transit Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 20.509 Formula Grants for Rural Areas and Tribal Transit Program for the year ended June 30, 2023.

#### Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

#### Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the government's compliance with the compliance requirements referred to above.

#### Matter Giving Rise to Qualified Opinion on Assistance Listing No. 20.509 Formula Grants for Rural Areas and Tribal Transit Program

As described in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding Assistance Listing No. 20.509 Formula Grants for Rural Areas and Tribal Transit Program as described in finding number 2023-008 for Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the government's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the government's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the government's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-008 and 2023-009 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the government's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the other 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'Neal & Associates, PC*

Billings, Montana  
March 22, 2024

CUSTER COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issued: qualified

Internal control over financial reporting:

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

*FEDERAL AWARDS*

Internal control over major programs:

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

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

Qualified - Assistance Listing No. 20.509, Formula Grants for Rural Areas and Tribal Transit Program  
 Unmodified - Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds

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

Major programs:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
20.509	Formula Grants for Rural Areas and Tribal Transit Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee?        yes   √   no

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. 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.

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

Effect: Transactions could be mishandled.

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 action: 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, 2023

2023-002. 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 action: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-003. DISTRICT COURT TRUST

Criteria: Preparation of complete, accurate and timely bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. The district court trust (Fund 7160) is used to account for bonds and restitution as outlined in Section 40-4-206, MCA.

Condition: The cash balance in Fund 7160 is approximately \$2,600 less than the bonds and restitution being held in trust. Further, fines and fees that should have been deposited to the district court fund (Fund 2180) were deposited to Fund 7160.

Cause: Procedures are not in place that will provide for an accurate and timely reconciliation.

Effect: Reconciliations are inaccurate and cash is insufficient to honor the bond and restitution liability.

Recommendation: The district court clerk should use Full Court software to reconcile the district court trust. Any differences should be investigated and resolved prior to finalizing the month end. Once completed, the district court reconciliation, the list of bonds and restitution supporting the reconciled balance, the end of period disbursement report and corresponding A101 should be forwarded to the commissioners for their review and approval. Additionally, once the A101 is received from the treasurer, the district court clerk should review it to ensure that monies collected by the court are deposited to the correct fund.

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

2023-004. EXCESS VACATION LEAVE

Criteria: Section 2-18-617(1)(a), MCA, limits accumulated vacation leave to two times the maximum number of days earned annually as of the calendar year end, and requires excess vacation time be forfeited if not used within 90 days of the last day of the calendar year in which the excess was accrued.

Condition: During review of leave balances, we noted an employee had accumulated vacation leave over the statutory limit that was not used or forfeited within 90 days of the last day of the calendar year.

Cause: Procedures are not in place to monitor timely usage of excess leave.

Effect: The compensated absence liability is overstated, employees through termination or taking leave may be paid for leave that they are not entitled to, and noncompliance with state law.

Recommendation: A procedure should be developed to monitor excess leave usage. Unused excess leave should be managed in accordance with state law.

Views of responsible officials and planned corrective action: 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, 2023

2023-005. COUNTY ATTORNEY WAGES

Criteria: The county compensation committee prepares a recommended compensation schedule for the elected officials in accordance with Section 7-4-2304, MCA.

Condition: During our review of elected official wages, we noted the County Attorney was not paid in accordance with the salary resolution adopted by the commissioners.

Cause: No one independent of the process verifies that elected officials are being paid in accordance with the salary resolution.

Effect: The county attorney was overpaid by \$1,000 and noncompliance with state law.

Recommendation: A process should be developed to verify that elected officials are paid in accordance with the elected official salary resolution.

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

2023-006. BUDGETS

Criteria: Accurate preparation of the budget is necessary to ensure that the government is appropriately funded, fiscally responsible, and is in compliance with state budget laws.

1. The levy requirement schedule should agree with the detail contained within the budget document and the county's accounting records.
2. Section 7-6-4005, MCA mandates that local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriation for a fund.

Condition:

1. Instances were noted where the levy requirement schedule did not agree with the detail contained within the budget document or the accounting records.
2. Expenditures exceeded appropriations in five funds.

Cause: An independent review of the budget document is not performed.

Effect: Noncompliance with state budget laws.

Recommendation: The final budget document should be independently reviewed for accuracy and compliance with state budgeting laws. Further, year end expenditure cutoff processes should be established as should budget versus actual expenditure monitoring.

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

2023-07. NONCOMPLIANCE WITH ALLOWABLE COSTS/COST PRINCIPLES; FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 AND 112605, YEAR ENDED JUNE 30, 2023

Criteria: The cost principles in 2 CFR part 200, subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of federal awards. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Condition: Program expenditures were not separately identified in the general ledger. Further, costs submitted for reimbursement on the quarterly grant reports were higher than the general ledger by \$20,159.

Questioned Costs: \$16,127.

Cause: Unknown.

Effect: Non-compliance Allowable Costs/Cost Principles and incorrect reimbursement amounts may have been received.

Recommendation: The county should develop a process to separately identify program expenditures by cost category in the general ledger. Further, program administration should prepare the grant reimbursement reports from the general ledger and designate an individual to verify that amounts reported to the granting agency actually agree to the general ledger accounting

CUSTER COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

records prior to filing.

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 TRANSPORTATION:

2023-008. FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 and 112605, YEAR ENDED JUNE 30, 2023

Finding 2023-007 applies to this federal award program.

2023-009. FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 and 1121605, YEAR ENDED JUNE 30, 2023

Finding 2023-001 applies to this federal award program.

CUSTER COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2023

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2023-001 for the year ended June 30, 2023.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2023-002 for the year ended June 30, 2023.

2022-003. SOLID WASTE ACCOUNTS RECEIVABLE

Status: This finding has been resolved.

2022-004. EXCESS VACATION LEAVE

Status: This finding is unresolved and is repeated as finding 2023-004 for the year ended June 30, 2023.

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

None

CUSTER COUNTY  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Name of contact person: County Commissioners

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: Immediately

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: County Commissioners

Corrective Action: It is the opinion of our County that the cost of hiring staff to prepare complicated government financial statements would out-weight the benefit to us. We officials will continue to read the financial statements and maintain adequately trained staff.

Proposed Completion Date: Immediately

2023-003. DISTRICT COURT TRUST

Name of contact person: Kristi Celander

Corrective Action: Since January of 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. In 2021 excess funds in 7160 (District Court Trust Fund) were transferred to the 2180 (District Court Fund) account. The excess funds that are now in 2180 (District Court Fund) will be transferred to 7160 (District Court Trust Fund) once the electronic monthly reconciliations are complete and the proper amount can be established.

Each deposit receipt (A101) from the Treasurer's office will be checked for accuracy at the time of the deposit.

Monthly reconciliations are being completed on paper at this time. Monthly reconciliations will be done at the time that the Detail Ledger Queries are provided by the Treasurer for the month.

Additionally, each monthly reconciliation will be sent to the commissioner's office for review.

Proposed Completion Date: June 30, 2024

2023-004. EXCESS VACATION LEAVE

Name of contact person: Linda Corbett, Clerk and Recorder

Corrective Action: The payroll clerk will submit notice of vacation leave totals to elected officials, department heads and the employees when the accumulation total exceeds the policy.

Proposed Completion Date: Immediately

2023-005. COUNTY ATTORNEY WAGES

Name of contact person: Linda Corbett, Clerk and Recorder

Corrective Action: The payroll clerk will submit to the Clerk and Recorder for review and approval the monthly payroll report prior to issuing payroll each month.

Proposed Completion Date: Immediately

CUSTER COUNTY  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2023

2023-006. BUDGETS

Name of contact person: County Commissioners

Corrective Action: The Board of Commissioners will work with the Budget Manager regarding coordinating necessary budget amendments with any auditor recommended end of year adjustments ensuring coordination of data so all reporting is accurate.

Proposed Completion Date: Immediately

2023-007. NONCOMPLIANCE WITH ALLOWABLE COSTS/COST PRINCIPLES; FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 AND 112605, YEAR ENDED JUNE 30, 2023

Name of contact person: County Commissioners

Corrective Action: The Board of Commissioners along with the Department Head will work with the Budget Manager to adjust the structure of the budget to separate expenditures by cost category. Furthermore a procedure will be developed to review the grant reimbursement report prior to submittal.

Proposed Completion Date: Immediately

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
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U.S. DEPARTMENT OF TRANSPORTATION:

2023-008. FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 and 112605, YEAR ENDED JUNE 30, 2023

Finding 2023-007 applies to this federal award program.

2023-009. FORMULA GRANTS FOR RURAL AREAS AND TRIBAL TRANSIT PROGRAM; AL No. 20.509, GRANT No's 113004 and 112605, YEAR ENDED JUNE 30, 2023

Finding 2023-001 applies to this federal award program.