

**CUSTER COUNTY
MILES CITY, MONTANA
FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1
BILLINGS, MONTANA 59102
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CUSTER COUNTY

ORGANIZATION

June 30, 2024

BOARD OF COUNTY COMMISSIONERS

Jason Strouf	Presiding Officer
Kevin Krausz	Commissioner
Jeffrey Faycosh	Commissioner

ELECTED OFFICIALS

Linda Corbett	County Clerk and Recorder
Tara Moorehead	County Treasurer
Brandon Kelm	County Sheriff
Shawn Quinlan	Interim County Attorney
Carla Jean Begger	County Superintendent
Kristi Celandor	Clerk of District Court
Mark Hilderbrand	Justice of the Peace

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CURTIS D. WYSS, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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 matters 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, 2024, and the changes in financial position 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, 2024, 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.

Matters 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.

We were unable to obtain sufficient appropriate audit evidence regarding the Total Other Post-Employment Benefits (OPEB) liability and related expense as of and for the year ended June 30, 2024, because the government did not provide the necessary supporting documentation to substantiate the Total OPEB liability and related expense recorded in the governmental activities. Consequently, we were unable to form an opinion regarding the amounts at which the Total OPEB liability and related expense were recorded in the governmental activities.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2024, the government adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.

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 and pension plan information 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.

Due to the scope limitation described in the Matters Giving Rise to the Qualified Opinions section of our report, we were unable to obtain sufficient appropriate audit evidence regarding the Total OPEB liability and related expense. As a result, we were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States and we do not express an opinion or provide any assurance on the required supplementary information related to the Total OPEB liability and related ratios.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2025, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Neal & Associates, PC

Billings, Montana
January 3, 2025

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, 2024. Please read the information here in conjunction with our financial statements and footnotes.

- Net position at the close of fiscal year 2024 was \$21,556,729. Of this amount, \$7,765,608 is restricted and \$17,598,558 was our net investment in capital assets.
- The County's total net position increased by \$5,863,331 as a result of this year's operations.
- Budgeted general fund revenues exceeded actual revenues by \$261,368, while actual expenditures were less than budgeted appropriations by \$449,595.

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 2024 was \$21,556,729. Of this amount, \$7,765,608 is restricted and \$17,598,558 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 \$1,944,278 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 \$5,863,331 as a result of this year's operations. Net position for our governmental activities increased \$4,743,458. Net position for the business-type activities increased \$1,119,873.

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 7,040,381	\$ 5,504,871	\$ 4,250,884	\$ 4,355,253	\$ 11,291,265	\$ 9,860,124
Capital assets	24,969,864	23,673,375	867,975	285,547	25,837,839	23,958,922
Total assets	32,010,245	29,178,246	5,118,859	4,640,800	37,129,104	33,819,046
Deferred outflows	949,866	1,143,460	-	-	949,866	1,143,460
Other liabilities	890,650	2,489,979	411,823	62,151	1,302,473	2,552,130
Long-term liabilities	14,235,851	14,610,762	579,772	1,571,258	14,815,623	16,182,020
Total liabilities	15,126,501	17,100,741	991,595	1,633,409	16,118,096	18,734,150
Deferred inflows	404,145	534,958	-	-	404,145	534,958
Net position:						
Net Investment in capital assets	16,730,583	14,844,190	867,975	285,547	17,598,558	15,129,737
Restricted	5,821,330	2,392,543	1,944,278	884,112	7,765,608	3,276,655
Unrestricted	(5,122,448)	(4,550,726)	1,315,011	1,837,732	(3,807,437)	(2,712,994)
	<u>\$ 17,429,465</u>	<u>\$ 12,686,007</u>	<u>\$ 4,127,264</u>	<u>\$ 3,007,391</u>	<u>\$ 21,556,729</u>	<u>\$ 15,693,398</u>

CUSTER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 3,457,207	\$ 1,071,243	\$ 850,821	\$ 1,061,329	\$ 4,308,028	\$ 2,132,572
Operating grants and contribution	4,065,357	4,263,321	-	-	4,065,357	4,263,321
Capital grants and contributions	1,361,385	2,449,800	-	-	1,361,385	2,449,800
General revenues:						
Taxes	6,252,304	6,183,645	-	-	6,252,304	6,183,645
Licenses and permits	1,267	5,725	-	-	1,267	5,725
Intergovernmental	2,080,652	2,913,564	-	-	2,080,652	2,913,564
Interest	172,493	105,653	143,839	69,122	316,332	174,775
Miscellaneous	927	122,090	-	-	927	122,090
Closure/postclosure recovery	-	-	991,486	-	991,486	-
Gain on disposal of capital asset	47,585	-	-	-	47,585	-
Total revenues	17,439,177	17,115,041	1,986,146	1,130,451	19,425,323	18,245,492
Expenses:						
General government	3,121,534	3,133,001	-	-	3,121,534	3,133,001
Public safety	3,598,120	3,273,370	-	-	3,598,120	3,273,370
Public works	2,209,993	2,922,021	-	-	2,209,993	2,922,021
Public health	1,226,244	1,468,364	-	-	1,226,244	1,468,364
Social and economic services	1,257,853	1,097,275	-	-	1,257,853	1,097,275
Culture and recreation	994,714	959,715	-	-	994,714	959,715
Housing and community dev.	34,715	32,934	-	-	34,715	32,934
Solid Waste	-	-	866,273	1,158,359	866,273	1,158,359
Interest on long-term debt	252,546	253,453	-	-	252,546	253,453
Total expenses	12,695,719	13,140,133	866,273	1,158,359	13,561,992	14,298,492
Change in net position	4,743,458	3,974,908	1,119,873	(27,908)	5,863,331	3,947,000
Net position, beginning	12,686,007	8,711,099	3,007,391	3,035,299	15,693,398	11,746,398
Net position, ending	\$ 17,429,465	\$ 12,686,007	\$ 4,127,264	\$ 3,007,391	\$ 21,556,729	\$ 15,693,398

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 \$144,171. Fund balance increased \$9,694. The increase is mainly due to increased interest earnings.

The bridge fund accounts for the resources accumulated for the purpose of constructing, maintaining, and repairing public bridges. Bridge fund fund balance decreased \$127,532 mainly due to construction in progress on Deadman bridge and the purchase of equipment.

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services. The public safety fund balance decreased \$55,931.

CUSTER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The impact fees fund accounts for the deposit and expenditure of fees collected pursuant to 15-24-3004, MCA and distributed by the county based on an interlocal agreement with other agencies under 15-24-3006. There were no expenditures from the fund during the year.

The Payment in Lieu of Taxes (PILT) fund accounts for resources that are received annually from the federal government in lieu of taxes on federal property located within the county. The majority of appropriations from PILT are transfers out to other funds in order to finance their operations. PILT fund fund balance increased by \$777,072 due to efforts to reduce discretionary spending.

The Local and Tribal Consistency Fund (LATCF) fund is a general revenue enhancement program that was established by the American Rescue Plan to provide payments to eligible revenue sharing counties and eligible Tribal governments for use on any governmental purpose except for lobbying activities. There were no expenditures from the fund during the year.

The RID #1A fund is a special assessment debt service fund established to account for the payment of interest and principal on long-term special improvement debt. RID #1A fund fund balance increased \$341.

Net position for the business-type activities increased \$1,119,873 as a result of this year's operations. The increase was mainly due to closure/postclosure recovery.

Budgetary Highlights:

There were no significant general fund budget amendments. Actual general fund revenues exceeded budgeted revenues by \$286,229, while actual expenditures were less than budgeted appropriations by \$449,595

Expenditures exceeded appropriations in five funds for the year ended June 30, 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Custer County's net investment in capital assets, as of June 30, 2024 was \$17,598,558. 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, 2024 was \$464,686. 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 2024-25:

- 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 2023-24

The Deadman Road/North Sunday Creek Bridge replacement project was under construction at year. The project was completed in September 2024. Additionally, all permitting for the Deadman Bridge project has been completed.

Montana Fish Wildlife and Parks (FWP) has expressed interest in creating a visitors center in Custer County as part of the Lower Yellowstone Improvement Project. This project would initially include a transfer of the old BNSF Passenger Rail Depot property to the County and the County would in turn transfer ownership to FWP for development and improvements. Progress is ongoing.

The PER for storm water drainage at the Fairgrounds was completed and adopted by the Board of Commissioners. Discussion with BLM regarding improvements and a plan for future improvements and maintenance is progressing for Woodruff Park Recreation Area.

CUSTER COUNTY
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,296,863	\$ 1,239,475	\$ 5,536,338
Investments	1,524,582	439,782	1,964,364
Receivables:			
Taxes and assessments	364,163	11,160	375,323
Governments	666,190	-	666,190
Solid waste	-	36,417	36,417
Cemetery	995	-	995
Leases	16,021	-	16,021
Inventories	171,567	-	171,567
Restricted assets:			
Cash and equivalents	-	10,393	10,393
Investments	-	2,513,657	2,513,657
Capital assets:			
Land and construction in progress	899,556	681,907	1,581,463
Capital assets, net of accumulated depreciation	24,070,308	186,068	24,256,376
Total assets	<u>32,010,245</u>	<u>5,118,859</u>	<u>37,129,104</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	<u>949,866</u>	<u>-</u>	<u>949,866</u>
LIABILITIES			
Accounts payable-vendors	784,795	411,823	1,196,618
Due to other governments	59,360	-	59,360
Unearned revenues	46,495	-	46,495
Long-term liabilities:			
Due within one year:			
Notes, leases and bonds	590,211	-	590,211
Compensated absences	156,754	-	156,754
Due in more than one year:			
Notes, leases and bonds	7,649,070	-	7,649,070
Compensated absences	307,932	-	307,932
Landfill closure/postclosure care payable	-	579,772	579,772
Net pension liability	4,914,418	-	4,914,418
Total other post-employment benefits liability	617,466	-	617,466
Total liabilities	<u>15,126,501</u>	<u>991,595</u>	<u>16,118,096</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	15,383	-	15,383
Pension plans	193,829	-	193,829
Unavailable revenue-deferred special assessments	194,933	-	194,933
Total deferred inflows of resources	<u>404,145</u>	<u>-</u>	<u>404,145</u>
NET POSITION			
Net investment in capital assets	16,730,583	867,975	17,598,558
Restricted for:			
Landfill closure/postclosure care	-	1,944,278	1,944,278
General government	1,159,974	-	1,159,974
Public safety	696,913	-	696,913
Public works	964,125	-	964,125
Public health	38,315	-	38,315
Social and economic	256,943	-	256,943
Culture and recreation	40,319	-	40,319
Housing and community development	4,643	-	4,643
Capital projects	2,625,968	-	2,625,968
Debt service	72,878	-	72,878
Unrestricted (deficit)	<u>(5,161,196)</u>	<u>1,315,011</u>	<u>(3,846,185)</u>
Total net position	<u>\$ 17,429,465</u>	<u>\$ 4,127,264</u>	<u>\$ 21,556,729</u>

See notes to basic financial statements.

CUSTER COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

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
Governmental activities:							
General government	\$ 3,121,534	\$ 422,382	\$ 636,013	\$ -	\$ (2,063,139)	\$ -	\$ (2,063,139)
Public safety	3,598,120	336,575	1,606,259	54,886	(1,600,400)	-	(1,600,400)
Public works	2,209,993	82,082	407,602	1,036,999	(683,310)	-	(683,310)
Public health	1,226,244	81,293	754,468	-	(390,483)	-	(390,483)
Social and economic services	1,257,853	2,199,323	634,403	-	1,575,873	-	1,575,873
Culture and recreation	994,714	335,552	26,612	269,500	(363,050)	-	(363,050)
Housing and community development	34,715	-	-	-	(34,715)	-	(34,715)
Interest on long-term debt	252,546	-	-	-	(252,546)	-	(252,546)
Total governmental activities	12,695,719	3,457,207	4,065,357	1,361,385	(3,811,770)	-	(3,811,770)
Business-type activities:							
Solid waste	866,273	850,821	-	-	-	(15,452)	(15,452)
Total business-type activities	866,273	850,821	-	-	-	(15,452)	(15,452)
Total	\$ 13,561,992	\$ 4,308,028	\$ 4,065,357	\$ 1,361,385	(3,811,770)	(15,452)	(3,827,222)
General revenues:							
Property taxes					6,252,304	-	6,252,304
Licenses and permits					1,267	-	1,267
Intergovernmental					2,080,652	-	2,080,652
Unrestricted investment earnings					172,493	143,839	316,332
Miscellaneous					927	-	927
Closure/postclosure recovery					-	991,486	991,486
Gain on disposal of capital assets					47,585	-	47,585
Total general revenues					8,555,228	1,135,325	9,690,553
Change in net position					4,743,458	1,119,873	5,863,331
Net position - beginning					12,686,007	3,007,391	15,693,398
Net position - ending					\$ 17,429,465	\$ 4,127,264	\$ 21,556,729

CUSTER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Bridge	Public Safety	Impact Fees	PILT	LATCF	RID #1A	Total Nonmajor Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 85,999	\$ 2,340	\$ 54,505	\$ 1,531,577	\$ 721,000	\$ 787,241	\$ 7,935	\$ 1,099,034	\$ 4,289,631
Investments	30,514	830	19,339	543,423	255,820	279,323	2,815	389,952	1,522,016
Receivables:									
Taxes and assessments	35,361	7,557	32,417	-	-	-	195,197	93,631	364,163
Governments	76,303	424,052	21,944	-	-	-	-	143,891	666,190
Cemetery	-	-	-	-	-	-	-	995	995
Leases	16,021	-	-	-	-	-	-	-	16,021
Due from other funds	-	-	-	-	46,942	-	-	-	46,942
Inventories	-	-	-	-	-	-	-	171,567	171,567
Total assets	\$ 244,198	\$ 434,779	\$ 128,205	\$ 2,075,000	\$ 1,023,762	\$ 1,066,564	\$ 205,947	\$ 1,899,070	\$ 7,077,525
LIABILITIES									
Accounts payable-vendors	\$ 49,283	\$ 515,249	\$ 122,786	\$ -	\$ 7,500	\$ -	\$ -	\$ 89,977	\$ 784,795
Due to other funds	-	-	-	-	-	-	-	46,942	46,942
Due to other governments	-	-	-	-	-	-	-	59,360	59,360
Unearned revenue	-	-	-	-	-	-	-	46,495	46,495
Total liabilities	49,283	515,249	122,786	-	7,500	-	-	242,774	937,592
DEFERRED INFLOWS OF RESOURCES									
Leases	15,383	-	-	-	-	-	-	-	15,383
Unavailable revenue-taxes and assessments	35,361	7,557	32,417	-	-	-	195,197	93,631	364,163
Total deferred inflows of resources	50,744	7,557	32,417	-	-	-	195,197	93,631	379,546
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	171,567	171,567
Restricted for:									
General government	-	-	-	-	-	1,066,564	-	33,970	1,100,534
Public safety	-	-	-	-	508,131	-	-	156,361	664,492
Public works	-	-	-	-	508,131	-	-	256,585	764,716
Public health	-	-	-	-	-	-	-	27,296	27,296
Social and economic services	-	-	-	-	-	-	-	247,331	247,331
Culture and recreation	-	-	-	-	-	-	-	27,214	27,214
Housing and community development	-	-	-	-	-	-	-	3,948	3,948
Capital projects	-	-	-	2,075,000	-	-	-	550,968	2,625,968
Debt service	-	-	-	-	-	-	10,750	47,032	57,782
Committed for:									
General government	-	-	-	-	-	-	-	90,048	90,048
Culture and recreation	-	-	-	-	-	-	-	20,987	20,987
Unassigned (deficits)	144,171	(88,027)	(26,998)	-	-	-	-	(70,642)	(41,496)
Total fund balances (deficits)	144,171	(88,027)	(26,998)	2,075,000	1,016,262	1,066,564	10,750	1,562,665	5,760,387
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 244,198	\$ 434,779	\$ 128,205	\$ 2,075,000	\$ 1,023,762	\$ 1,066,564	\$ 205,947	\$ 1,899,070	\$ 7,077,525

CUSTER COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
June 30, 2024

Total fund balances, governmental funds	\$ 5,760,387
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.	24,969,864
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.	169,230
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	949,866
Deferred inflows of resources related to pensions	(193,829)
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.	(14,233,355)
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>7,302</u>
Net position of governmental activities	<u><u>\$ 17,429,465</u></u>

CUSTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

	General	Bridge	Public Safety	Impact Fees	PILT	LATCF	RID #1A	Total Nonmajor Funds	Total Governmental Funds
REVENUES									
Taxes/assessments	\$ 1,752,022	\$ 271,784	\$ 1,135,498	\$ -	\$ -	\$ -	\$ 9,301	\$ 3,083,388	\$ 6,251,993
Fines and forfeitures	66,033	-	-	-	-	-	-	40,037	106,070
Licenses and permits	650	-	1,890	-	-	-	-	-	2,540
Intergovernmental	758,851	604,056	979,079	-	1,104,128	533,282	-	3,058,405	7,037,801
Charges for services	243,330	-	276,186	2,075,000	-	-	-	675,669	3,270,185
Investment earnings	146,147	-	22	-	-	-	-	26,324	172,493
Miscellaneous	51,924	-	4,151	-	-	-	-	195,294	251,369
Total revenues	3,018,957	875,840	2,396,826	2,075,000	1,104,128	533,282	9,301	7,079,117	17,092,451
EXPENDITURES									
Current:									
General government	2,161,943	-	-	-	-	-	-	795,485	2,957,428
Public safety	117,399	-	2,397,373	-	-	-	-	673,256	3,188,028
Public works	33,085	363,429	-	-	-	-	-	1,540,481	1,936,995
Public health	400,413	-	1,770	-	-	-	-	819,621	1,221,804
Social and economic services	35,034	-	-	-	8,500	-	-	1,150,462	1,193,996
Culture and recreation	5,016	-	-	-	-	-	-	804,673	809,689
Housing and community development	9,446	-	-	-	-	-	-	25,269	34,715
Debt service:									
Principal	148,588	-	-	-	-	-	4,163	424,095	576,846
Interest and other charges	62,159	-	-	-	-	-	4,797	198,648	265,604
Capital outlay	101,433	634,974	111,059	-	-	-	-	958,141	1,805,607
Total expenditures	3,074,516	998,403	2,510,202	-	8,500	-	8,960	7,390,131	13,990,712
Excess (deficiency) of revenues over expenditures	(55,559)	(122,563)	(113,376)	2,075,000	1,095,628	533,282	341	(311,014)	3,101,739
OTHER FINANCING SOURCES (USES)									
Sale of capital assets	-	-	-	-	-	-	-	5,000	5,000
Insurance recoveries	-	-	24,340	-	-	-	-	-	24,340
Transfers in	65,253	20,031	58,105	-	163,820	-	-	797,953	1,105,162
Transfers out	-	(25,000)	(25,000)	-	(482,376)	-	-	(572,786)	(1,105,162)
Total other financing sources (uses)	65,253	(4,969)	57,445	-	(318,556)	-	-	230,167	29,340
Net change in fund balances	9,694	(127,532)	(55,931)	2,075,000	777,072	533,282	341	(80,847)	3,131,079
Fund balances - beginning	134,477	39,505	28,933	-	239,190	533,282	10,409	1,643,512	2,629,308
Fund balances (deficits) - ending	\$ 144,171	\$ (88,027)	\$ (26,998)	\$ 2,075,000	\$ 1,016,262	\$ 1,066,564	\$ 10,750	\$ 1,562,665	\$ 5,760,387

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, 2024

Net change in fund balances - total governmental funds \$ 3,131,079

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 (\$1,805,607) exceeded depreciation/amortization (\$814,703) in the current period. 990,904

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. 42,585

Contributed capital assets. 263,000

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. 36,141

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. (278,115)

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. 576,846

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	31,952
Other post-employment benefits	(36,907)
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. (27,085)

Change in net position of governmental activities \$ 4,743,458

CUSTER COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,239,475	\$ 7,232
Investments	439,782	2,566
Receivables:		
Taxes and assessments	11,160	-
Solid waste	36,417	-
Total current assets	1,726,834	9,798
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	10,393	-
Investments	2,513,657	-
Total restricted assets	2,524,050	-
Capital assets:		
Land and construction in progress	681,907	-
Buildings and improvements	2,106,360	-
Less accumulated depreciation	(1,920,292)	-
	867,975	-
Total non-current assets	3,392,025	-
Total assets	5,118,859	9,798
LIABILITIES		
Current liabilities:		
Accounts payable-vendors	411,823	-
Compensated absences	-	749
Total current liabilities	411,823	749
Non-current liabilities:		
Compensated absences	-	1,747
Landfill closure/postclosure care payable	579,772	-
Total non-current liabilities	579,772	1,747
Total liabilities	991,595	2,496
NET POSITION		
Net investment in capital assets	867,975	-
Restricted for landfill closure/postclosure care	1,944,278	-
Unrestricted	1,315,011	7,302
Total net position	\$ 4,127,264	\$ 7,302

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, 2024

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
REVENUES		
Charges for services	\$ 359,296	\$ 114,649
Taxes and assessments	491,525	-
	<u>850,821</u>	<u>114,649</u>
OPERATING EXPENSES		
Personal services	-	94,917
Supplies	1,405	827
Purchased services	843,796	45,990
Fixed charges	11,429	-
Depreciation	9,643	-
	<u>866,273</u>	<u>141,734</u>
Total operating expenses	<u>866,273</u>	<u>141,734</u>
Operating loss	<u>(15,452)</u>	<u>(27,085)</u>
NON-OPERATING REVENUES		
Investment earnings	143,839	-
Closure/postclosure recovery	991,486	-
	<u>1,135,325</u>	<u>-</u>
Total non-operating revenues	<u>1,135,325</u>	<u>-</u>
Change in net position	1,119,873	(27,085)
Net position - beginning	<u>3,007,391</u>	<u>34,387</u>
Net position - ending	<u>\$ 4,127,264</u>	<u>\$ 7,302</u>

CUSTER COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2024

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 836,460	\$ -
Cash received from interfund services	-	114,649
Cash paid to employees	-	(101,355)
Cash paid to suppliers for goods and services	<u>(506,958)</u>	<u>(46,817)</u>
Net cash provided (used) by operating activities	<u>329,502</u>	<u>(33,523)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of capital assets	<u>(592,071)</u>	<u>-</u>
Net cash used by capital financing activities	<u>(592,071)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	89,800	11,597
Interest received	<u>143,839</u>	<u>-</u>
Net cash provided by investing activities	<u>233,639</u>	<u>11,597</u>
Change in cash and cash equivalents	(28,930)	(21,926)
Cash and cash equivalents - beginning	<u>1,278,798</u>	<u>29,158</u>
Cash and cash equivalents - ending	<u>\$ 1,249,868</u>	<u>\$ 7,232</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (15,452)	\$ (27,085)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	9,643	-
Increase in taxes/assessments receivable	(124)	-
Increase in solid waste receivable	(14,237)	-
Increase in accounts payable	349,672	-
Decrease in compensated absences	<u>-</u>	<u>(6,438)</u>
Net cash provided (used) by operating activities	<u>\$ 329,502</u>	<u>\$ (33,523)</u>

CUSTER COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2024

	<u>Custodial Funds</u>		Total Custodial Funds
	External Investment Pool	Other Funds	
ASSETS			
Cash and cash equivalents	\$ 11,464,413	\$ 262,786	\$ 11,727,199
Investments	3,945,204	90,432	4,035,636
Taxes and assessments receivable	-	471,345	471,345
Equity position in external investment pool	-	15,409,617	15,409,617
	<u>15,409,617</u>	<u>16,234,180</u>	<u>31,643,797</u>
LIABILITIES			
Accounts payable	-	305,771	305,771
	<u>-</u>	<u>305,771</u>	<u>305,771</u>
NET POSITION			
Restricted for:			
Pool participants	15,409,617	-	15,409,617
Individuals, organizations and other governments	-	15,928,409	15,928,409
	<u>-</u>	<u>15,928,409</u>	<u>15,928,409</u>
Total net position	<u>\$ 15,409,617</u>	<u>\$ 15,928,409</u>	<u>\$ 31,338,026</u>

CUSTER COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2024

	<u>Custodial Funds</u>		Total Custodial Funds
	<u>External Investment Pool</u>	<u>Other</u>	
ADDITIONS:			
Contributions from pool participants	\$ 15,924,617	\$ -	\$ 15,924,617
Property taxes billed for other governments	-	14,106,283	14,106,283
Collections on behalf of state	-	1,792,653	1,792,653
Federal, state and local sources	-	29,215,709	29,215,709
	<u>15,924,617</u>	<u>45,114,645</u>	<u>61,039,262</u>
Total additions			
DEDUCTIONS:			
Distributions to pool participants	14,111,737	-	14,111,737
Distributions to other governments	-	8,526,760	8,526,760
Distributions to others	-	80,701	80,701
Payments made on behalf of school districts	-	33,825,735	33,825,735
Payments made on behalf of special districts	-	734,427	734,427
	<u>14,111,737</u>	<u>43,167,623</u>	<u>57,279,360</u>
Total deductions			
Net increase in fiduciary net position	1,812,880	1,947,022	3,759,902
Net position - beginning	<u>13,596,737</u>	<u>13,981,387</u>	<u>27,578,124</u>
Net position - ending	<u>\$ 15,409,617</u>	<u>\$ 15,928,409</u>	<u>\$ 31,338,026</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, 2024, the government implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

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 bridge fund accounts for the resources accumulated for the purpose of constructing, maintaining, and repairing public bridges.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services.

The impact fees fund accounts for the deposit and expenditure of fees collected pursuant to 15-24-3004, MCA and distributed by the county based on an interlocal agreement with other agencies under 15-24-3006.

The Payment in Lieu of Taxes (PILT) fund accounts for resources that are received annually from the federal government in lieu of taxes on federal property located within the county.

The Local and Tribal Consistency Fund (LATCF) fund is a general revenue enhancement program that was established by the American Rescue Plan to provide payments to eligible revenue sharing counties and eligible Tribal governments for use on any governmental purpose except for lobbying activities.

The RID #1A fund is a special assessment debt service fund established to account for the accumulation of resources for and payment of principal, interest, and related costs of the government's long-term special assessment debt.

The government reports the following major enterprise funds:

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

(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 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. 60% 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 \$43,046.

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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Inventories

All inventories are valued at cost and consist of mainly consumable supplies, gravel and road and bridge supplies. Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and post-closure 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statement of net position 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 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 commission chair 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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The bridge (\$88,027), district court (\$68), county planning (\$5,158), public safety (\$26,998), fire (\$33,521) and mitigation grant (\$31,895) funds had deficit fund balances as of June 30, 2024. The deficits occurred because current year expenditures exceeded current year revenues in the current and/or prior years. The deficits are expected to be eliminated through general or PILT fund contributions.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 5,821,445
Business-type activities	4,203,307
Fiduciary funds	<u>15,762,835</u>
	<u><u>\$ 25,787,587</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2024, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,500	\$ -	\$ 1,500
Cash in banks:			
Demand deposits	4,258,280	-	4,258,280
Savings deposits	3,757	-	3,757
Brokerage:			
Money markets	10,393	-	10,393
U.S. Government securities	-	8,513,657	8,513,657
Short-term investment pool (STIP)	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>
	<u><u>\$ 17,273,930</u></u>	<u><u>\$ 8,513,657</u></u>	<u><u>\$ 25,787,587</u></u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2024, \$4,562,066 of the government's bank balance of \$4,816,823 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u><u>\$ 4,562,066</u></u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2024, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2024:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. government securities	\$ 8,502,523	<u><u>\$ 8,502,523</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
State Short-Term Investment Program (STIP)	<u>12,995,242</u>			
	<u><u>\$ 21,497,765</u></u>			

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and redeemed with one business days' notice. The government's STIP ownership is represented by shares. Share prices are fixed at \$1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

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

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

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

	Custodial Credit Risk Category			Carrying Amount	Fair Value (1)
	1	2	3		
Brokers:					
Money market	\$ 10,393	\$ -	\$ -	\$ 10,393	\$ 10,393
U.S. Government securities:	1,000,000	-	7,513,657	8,513,657	8,502,523
	<u>\$ 1,010,393</u>	<u>\$ -</u>	<u>\$ 7,513,657</u>	8,524,050	8,512,916
Uncategorized:					
STIP				13,000,000	12,995,242
				<u>\$ 21,524,050</u>	<u>\$ 21,508,158</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, 2024:

	Internal	External	Total
Net position - beginning of the year	\$ 8,062,092	\$ 13,596,737	\$ 21,658,829
Contributions from participants	8,048,177	15,295,338	23,343,515
Investment earnings	321,551	629,279	950,830
Distributions to participants	(6,039,293)	(14,083,248)	(20,122,541)
Administrative fee	(14,557)	(28,489)	(43,046)
Net position - end of year	<u>\$ 10,377,970</u>	<u>\$ 15,409,617</u>	<u>\$ 25,787,587</u>

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,111	\$ -	\$ -	\$ 114,111
Construction-in-progress	1,896,560	666,508	(1,777,623)	785,445
Total capital assets, not being depreciated	<u>2,010,671</u>	<u>666,508</u>	<u>(1,777,623)</u>	<u>899,556</u>
Capital assets, being depreciated				
Buildings/improvements	16,804,724	1,866,247	-	18,670,971
Improvements other than buildings	998,456	544,133	-	1,542,589
Machinery and equipment	6,526,141	847,342	(160,703)	7,212,780
Right-to-use leased equipment	45,292	-	-	45,292
Infrastructure	4,915,546	-	-	4,915,546
Total capital assets, being depreciated	<u>29,290,159</u>	<u>3,257,722</u>	<u>(160,703)</u>	<u>32,387,178</u>
Less accumulated depreciation for:				
Buildings/improvements	(3,040,874)	(314,612)	-	(3,355,486)
Improvements other than buildings	(454,673)	(61,479)	-	(516,152)
Machinery and equipment	(3,849,615)	(357,555)	125,288	(4,081,882)
Right-to-use leased equipment	(21,577)	(11,643)	-	(33,220)
Infrastructure	(260,716)	(69,414)	-	(330,130)
Total accumulated depreciation	<u>(7,627,455)</u>	<u>(814,703)</u>	<u>125,288</u>	<u>(8,316,870)</u>
Total capital assets, being depreciated, net	<u>21,662,704</u>	<u>2,443,019</u>	<u>(35,415)</u>	<u>24,070,308</u>
Governmental activities capital assets, net	<u>\$ 23,673,375</u>	<u>\$ 3,109,527</u>	<u>\$ (1,813,038)</u>	<u>\$ 24,969,864</u>

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction-in-progress	89,835	592,071	-	681,906
Total capital assets, not being depreciated	<u>89,836</u>	<u>592,071</u>	<u>-</u>	<u>681,907</u>
Capital assets, being depreciated				
Buildings and systems	87,946	-	-	87,946
Improvements other than buildings	2,018,414	-	-	2,018,414
Total capital assets, being depreciated	<u>2,106,360</u>	<u>-</u>	<u>-</u>	<u>2,106,360</u>
Less accumulated depreciation for:				
Buildings and systems	(38,275)	(2,419)	-	(40,694)
Improvements other than buildings	(1,872,374)	(7,224)	-	(1,879,598)
Total accumulated depreciation	<u>(1,910,649)</u>	<u>(9,643)</u>	<u>-</u>	<u>(1,920,292)</u>
Total capital assets, being depreciated, net	<u>195,711</u>	<u>(9,643)</u>	<u>-</u>	<u>186,068</u>
Business-type activities capital assets, net	<u>\$ 285,547</u>	<u>\$ 582,428</u>	<u>\$ -</u>	<u>\$ 867,975</u>

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation/amortization expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 69,404
Public safety	257,761
Public works	259,781
Public health	2,071
Social and economic	40,250
Culture and recreation	185,436
Total depreciation-governmental activities	\$ 814,703
Business-type activities:	
Solid Waste	\$ 9,643

Interfund Receivables, Payables and Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
Governmental activities:			
General	\$ 65,253	\$ -	\$ 65,253
Bridge	20,031	(25,000)	(4,969)
Public Safety	58,105	(25,000)	33,105
PILT	163,820	(482,376)	(318,556)
Nonmajor governmental funds	797,953	(572,786)	225,167
	\$ 1,105,162	\$ (1,105,162)	\$ -

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

Interfund balances as of June 30, 2024, 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 2025.

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 \$33,220. The future lease payments under lease agreements are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 11,468	\$ 702	\$ 12,170
2026	1,806	127	1,933
2027	1,415	36	1,451
	\$ 14,689	\$ 865	\$ 15,554

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 \$1,372. The government recognized \$14,993 in lease revenue and \$1,465 in interest revenue during the year related to these leases. As of June 30, 2024, the government's receivable for lease payments was \$16,021. 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, 2024, the balance of the deferred inflow of resources was \$15,383.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2024
Motor grader-2019 (1), (2)	\$ 200,000	6.5 yrs	5.75%	\$ 49,674
Motor grader-2021 (1), (2)	200,000	7 yr	5.75%	131,209
Mid-Rivers through Rural Development (2)	1,000,000	10 yr	0.00%	700,000
				<u>\$ 880,883</u>

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

(2) Governmental activities.

The Montana Board of Investment loans include a provision that interest is adjusted each February 1st, 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
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	115,071	432	115,503
2030-2031	200,000	-	200,000
	<u>\$ 880,883</u>	<u>\$ 21,940</u>	<u>\$ 902,823</u>

The government issued \$7,500,000 of general obligation bonds in 2014 to provide funds for the acquisition and construction of a detention center. The bonds bear interest rates of 2 to 4.25 percent and are payable in installments of principal and interest over 20 years. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding as of June 30, 2024 are \$4,330,000.

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, 2024 are \$2,694,882.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 413,178	\$ 236,123	\$ 649,301
2026	424,262	224,089	648,351
2027	440,371	207,980	648,351
2028	456,347	191,404	647,751
2029	472,659	173,892	646,551
2030-2034	2,656,460	573,918	3,230,378
2035-2039	314,594	229,471	544,065
2040-2044	351,532	192,533	544,065
2045-2049	393,041	151,024	544,065
2050-2054	439,313	104,752	544,065
2055-2059	491,033	53,032	544,065
2060-2061	172,092	5,395	177,487
	<u>\$ 7,024,882</u>	<u>\$ 2,343,613</u>	<u>\$ 9,368,495</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, 2024 are \$188,242.

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 4,280	\$ 4,680	\$ 8,960
2026	4,388	4,572	8,960
2027	4,498	4,462	8,960
2028	4,600	4,360	8,960
2029	4,727	4,233	8,960
2030-2034	25,470	19,330	44,800
2035-2039	28,841	15,959	44,800
2040-2044	32,652	12,148	44,800
2045-2049	36,981	7,819	44,800
2050-2054	41,805	2,927	44,732
	<u>\$ 188,242</u>	<u>\$ 80,490</u>	<u>\$ 268,732</u>

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 7,426,834	\$ -	\$ (401,952)	\$ 7,024,882	\$ 413,178
Bond premium	143,643	-	(13,058)	130,585	-
Special assessment bonds	192,405	-	(4,163)	188,242	4,280
Total bonds payable	<u>7,762,882</u>	<u>-</u>	<u>(419,173)</u>	<u>7,343,709</u>	<u>417,458</u>
Leases	25,610	-	(10,921)	14,689	11,468
Notes from direct borrowings	1,040,693	-	(159,810)	880,883	161,285
Compensated absences	503,076	-	(38,390)	464,686	156,754
Governmental activities long-term liabilities	<u>\$ 9,332,261</u>	<u>\$ -</u>	<u>\$ (628,294)</u>	<u>\$ 8,703,967</u>	<u>\$ 746,965</u>

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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, \$2,496 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 and road 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, 2024, 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 they stop 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 sites stop 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 \$579,772 reported as a landfill closure and postclosure care liability as of the year ended June 30, 2024, represents the cumulative amount reported to date based on the use of 72 percent of the estimated capacity of the site. The government will recognize the remaining estimated cost of closure and postclosure care of \$511,920 as the remaining estimated capacity of the new site is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2024. The government expects to close the new site in the year 2042. 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, 2024, \$2,524,050 had been set aside for this purpose. The amount set aside is restricted and reported as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2024:

Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
\$ 1,571,258	\$ -	\$ (991,486)	\$ 579,772

Expense Recovery Due to Revision of Landfill Closure and Postclosure Liability Estimate

During the year, the government revised its estimate for the landfill closure and postclosure liability. This revision was based on updated information regarding the expected costs and timing of the closure and postclosure activities. This reassessment resulted in a downward revision of the liability, and, as a result of this revision, the government recognized an expense recovery in the financial statements. The impact of this revision on the financial statements was a reduction in the landfill closure and postclosure liability in the Statements of Net Position of \$991,486 and recognition of an expense recovery of \$991,486 in the Statement of Activities and in the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interlocal Agreements

The City of Miles City maintains the accounting records for agreements related to the operation of the library, central dispatch, animal control, Oasis pool, SRO officer, airport and ambulance. The County levies or makes contributions to the City for these shared services. For the year ended June 30, 2024, the County contributed approximately \$339,218 to the City for these services.

Subsequent Events

Subsequent to year-end, the government issued \$950,000 in solid waste revenue bonds through the Montana Board of Investments. The bonds carry an interest rate of 5.75% and are payable over seven years.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$2,693,600, 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 10th 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, 2024, 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 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

Sheriffs' 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 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 9.07% 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.

Sheriffs' 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, 2024, the government recorded a liability of \$3,683,668 (PERS) and \$1,230,750 (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, 2024	
	PERS	SRS
Employer proportionate share	\$ 3,683,668	\$ 1,230,750
State of Montana proportionate share associated with employer	1,016,393	-
Total	\$ 4,700,061	\$ 1,230,750

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 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, 2022, through June 30, 2023, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2024, the government's proportion was .1509 and .8373 percent for PERS and SRS, respectively.

For the year ended June 30, 2024, the government recognized \$415,119 (PERS) and \$247,115 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$95,353 (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 \$510,472 and \$247,115 for PERS and SRS, respectively.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2024, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 146,714	\$ -	\$ 194,526	\$ -
Changes in actuarial assumptions	-	131,388	99,168	18,408
Difference between projected and actual investment earnings	9,346	-	8,744	-
Changes in the proportion and differences between actual and expected contributions	109,730	-	-	44,033
Employer contributions subsequent to measurement date	263,452	-	118,186	-
	<u>\$ 529,242</u>	<u>\$ 131,388</u>	<u>\$ 420,624</u>	<u>\$ 62,441</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, 2025. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2025	\$ (10,571)	\$ 123,955
2026	(50,489)	42,448
2027	217,821	82,617
2028	(22,359)	(9,023)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2023 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%	3.50%
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, 2023, 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.

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	\$ 5,321,044	\$ 3,683,668	\$ 2,310,055
Net pension liability-SRS	1,999,333	1,230,750	605,307

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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023, 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 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

Postemployment Benefits Other Than Pensions

The government was unable to provide the necessary actuarial valuation report or other supporting documentation to substantiate the OPEB liability recorded in the financial statements. As a result, the auditor issued a qualified opinion on the financial statements due to this scope limitation. The inability to obtain sufficient appropriate audit evidence regarding the OPEB liability may affect the reported amounts of liabilities and related expenses. The financial statements and related notes do not include any adjustments that might have been necessary had the required information been available. Management has indicated that the actuarial valuation report was not available due to the timing of the 2024 elections.

For further details, refer to the Matters Giving Rise to the Qualified Opinions section in the Independent Auditor's Report.

General Information about the OPEB Plan

Plan description: 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, 2024, 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
	66
	68

Total OPEB Liability

The total OPEB liability of \$617,466 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:

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

The actuarial assumptions used in the June 20, 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	\$ 50,850
Interest on the total OPEB liability	25,951
Benefits payments	<u>(39,894)</u>
Net change in total OPEB liability	36,907
Total OPEB liability - beginning of year	<u>580,559</u>
Total OPEB liability - end of year	<u><u>\$ 617,466</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 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.58%) or 1.00% higher (4.58%) than the current rate.

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
Total OPEB liability	\$ 642,769	\$ 617,466	\$ 592,163

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 563,647	\$ 617,466	\$ 671,285

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

For the year ended June 30, 2024, the government recognized OPEB expense of \$76,801.

Future Implementation of GASB Pronouncements

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.

GASB Statement No. 102, Certain Risk Disclosures. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement 102 is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 is effective for fiscal years beginning after June 15, 2025, 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, 2024

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES					
Taxes/assessments	\$ 1,682,700	\$ 1,682,700	\$ 1,752,022	\$ -	\$ 1,752,022
Fees and fines	57,025	57,025	66,033	-	66,033
Licenses and permits	300	300	650	-	650
Intergovernmental	498,870	498,870	663,498	95,353	758,851
Charges for services	189,880	189,880	243,330	-	243,330
Investment earnings	30,000	30,000	146,147	-	146,147
Miscellaneous	178,600	178,600	51,924	-	51,924
Total revenues	<u>2,637,375</u>	<u>2,637,375</u>	<u>2,923,604</u>	<u>95,353</u>	<u>3,018,957</u>
EXPENDITURES					
Current:					
General government	2,314,177	2,314,177	2,115,792	46,151	2,161,943
Public safety	97,906	97,906	110,248	7,151	117,399
Public works	161,000	161,000	10,000	23,085	33,085
Public health	413,875	413,875	399,221	1,192	400,413
Social and economic services	26,500	26,500	22,276	12,758	35,034
Culture and recreation	-	-	-	5,016	5,016
Housing and community development	9,500	9,500	9,446	-	9,446
Debt service:					
Principal	162,000	162,000	148,588	-	148,588
Interest and other charges	47,000	47,000	62,159	-	62,159
Capital outlay	192,800	192,800	101,433	-	101,433
Total expenditures	<u>3,424,758</u>	<u>3,424,758</u>	<u>2,979,163</u>	<u>95,353</u>	<u>3,074,516</u>
Excess (deficiency) of revenues over expenditures	<u>(787,383)</u>	<u>(787,383)</u>	<u>(55,559)</u>	<u>-</u>	<u>(55,559)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	612,850	612,850	65,253	-	65,253
Transfers out	(4,000)	(4,000)	-	-	-
Total other financing sources (uses)	<u>608,850</u>	<u>608,850</u>	<u>65,253</u>	<u>-</u>	<u>65,253</u>
Net change in fund balance	<u>\$ (178,533)</u>	<u>\$ (178,533)</u>	9,694	-	9,694
Fund balance - beginning			134,477	-	134,477
Fund balance - ending			<u>\$ 144,171</u>	<u>\$ -</u>	<u>\$ 144,171</u>

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Bridge Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 275,177	\$ 275,177	\$ 271,784
Intergovernmental	684,630	684,630	604,056
Total revenues	<u>959,807</u>	<u>959,807</u>	<u>875,840</u>
EXPENDITURES			
Current:			
Public works	343,106	343,106	363,429
Capital outlay	925,000	925,000	634,974
Total expenditures	<u>1,268,106</u>	<u>1,268,106</u>	<u>998,403</u>
Excess (deficiency) of revenues over expenditures	<u>(308,299)</u>	<u>(308,299)</u>	<u>(122,563)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	201,292	201,292	20,031
Transfers out	<u>(105,613)</u>	<u>(105,613)</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>95,679</u>	<u>95,679</u>	<u>(4,969)</u>
Net change in fund balance	<u>\$ (212,620)</u>	<u>\$ (212,620)</u>	(127,532)
Fund balance - beginning			<u>39,505</u>
Fund balance (deficit) - ending			<u>\$ (88,027)</u>

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 1,142,649	\$ 1,142,649	\$ 1,135,498
Licenses and permits	1,000	1,000	1,890
Intergovernmental	398,047	398,047	979,079
Charges for services	190,100	190,100	276,186
Investment earnings	-	-	22
Miscellaneous	-	-	4,151
Total revenues	<u>1,731,796</u>	<u>1,731,796</u>	<u>2,396,826</u>
EXPENDITURES			
Current:			
Public safety	2,387,524	2,387,524	2,397,373
Public health	1,500	1,500	1,770
Capital outlay	100,000	100,000	111,059
Total expenditures	<u>2,489,024</u>	<u>2,489,024</u>	<u>2,510,202</u>
Excess (deficiency) of revenues over expenditures	<u>(757,228)</u>	<u>(757,228)</u>	<u>(113,376)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	-	24,340
Transfers in	442,927	442,927	58,105
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>417,927</u>	<u>417,927</u>	<u>57,445</u>
Net change in fund balance	<u>\$ (339,301)</u>	<u>\$ (339,301)</u>	(55,931)
Fund balance - beginning			<u>28,933</u>
Fund balance (deficit) - ending			<u>\$ (26,998)</u>

CUSTER COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Impact Fees Fund
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Charges for services	\$ -	\$ -	\$ 2,075,000
Total revenues	<u>-</u>	<u>-</u>	<u>2,075,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,075,000
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ 2,075,000</u>

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 1,104,128
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,104,128</u>
EXPENDITURES:			
Current:			
Social and economic services	1,000	1,000	8,500
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>8,500</u>
Excess (deficiency) of revenues over expenditures	<u>999,000</u>	<u>999,000</u>	<u>1,095,628</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	244,433	244,433	163,820
Transfers out	<u>(1,435,629)</u>	<u>(1,435,629)</u>	<u>(482,376)</u>
Total other financing sources (uses)	<u>(1,191,196)</u>	<u>(1,191,196)</u>	<u>(318,556)</u>
Net change in fund balance	<u>\$ (192,196)</u>	<u>\$ (192,196)</u>	777,072
Fund balance - beginning			<u>239,190</u>
Fund balance - ending			<u>\$ 1,016,262</u>

CUSTER COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 LATCF Fund
 For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 533,280	\$ 533,280	\$ 533,282
Total revenues	533,280	533,280	533,282
Net change in fund balance	\$ 533,280	\$ 533,280	533,282
Fund balance - beginning			533,282
Fund balance - ending			\$ 1,066,564

CUSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2024

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 Bridge (\$88,027), District Court (\$68), County Planning (\$5,158), Public Safety (\$26,998), Fire (\$33,521) and Mitigation Grant (\$31,895) funds were overspent for the year ended June 30, 2024.

CUSTER COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA

Public Employees' Retirement System								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2024	0.1509%	\$ 3,683,668	\$ 1,016,393	\$ 4,700,061	\$ 2,805,807	131.29%	73.93%	
2023	0.1484%	3,528,873	105,244	3,634,117	2,605,789	135.42%	73.66%	
2022	0.1392%	2,524,384	742,907	3,267,291	2,455,149	102.82%	79.91%	
2021	0.1419%	3,743,408	1,177,431	4,920,839	2,380,678	157.24%	68.90%	
2020	0.1373%	2,870,006	932,935	3,802,941	2,265,440	126.69%	73.85%	
2019	0.1326%	2,768,335	925,693	3,694,028	2,181,297	126.91%	73.47%	
2018	0.1696%	3,302,906	41,189	3,344,095	2,100,755	157.22%	73.75%	
2017	0.1608%	2,739,637	33,475	2,773,112	1,926,564	142.20%	74.71%	
2016	0.1518%	2,121,284	26,056	2,147,340	1,770,964	119.78%	78.40%	
2015	0.1874%	2,335,475	28,520	2,363,995	2,129,645	109.66%	79.90%	

Sheriffs' Retirement System								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2024	0.8373%	\$ 1,230,750	\$ -	\$ 1,230,750	\$ 857,812	143.48%	77.09%	
2023	0.8538%	1,169,069	-	1,169,069	822,904	142.07%	77.07%	
2022	0.8090%	641,626	-	641,626	800,555	80.15%	86.94%	
2021	0.9753%	1,188,740	-	1,188,740	828,096	143.55%	75.92%	
2020	0.9018%	752,107	-	752,107	723,987	103.88%	81.89%	
2019	0.8240%	663,352	-	663,352	684,668	96.89%	82.68%	
2018	0.9066%	689,906	-	689,906	678,329	101.71%	81.30%	
2017	0.8456%	1,485,499	-	1,485,499	596,924	248.86%	63.00%	
2016	0.7582%	730,937	-	730,937	515,949	141.67%	75.40%	
2015	0.7297%	303,684	-	303,684	471,924	64.35%	87.24%	

CUSTER COUNTY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES' AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA

Public Employees' Retirement System						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2024	\$ 263,452	\$ 263,452	\$ -	\$ 2,888,678	9.12%	
2023	251,735	251,735	-	2,805,807	8.97%	
2022	231,948	231,948	-	2,605,788	8.90%	
2021	217,930	217,930	-	2,455,149	8.88%	
2020	208,582	208,582	-	2,380,678	8.76%	
2019	194,843	194,843	-	2,265,440	8.60%	
2018	184,756	184,756	-	2,181,297	8.47%	
2017	176,085	176,085	-	2,100,755	8.38%	
2016	162,238	162,238	-	1,926,564	8.42%	
2015	148,291	148,291	-	1,770,964	8.37%	

Sheriffs' Retirement System						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2024	\$ 118,186	\$ 118,186	\$ -	\$ 906,749	13.03%	
2023	112,502	112,502	-	857,812	13.11%	
2022	108,463	108,463	-	822,904	13.18%	
2021	104,797	104,797	-	800,555	13.09%	
2020	108,990	108,990	-	828,096	13.16%	
2019	95,347	95,347	-	723,987	13.17%	
2018	91,476	91,476	-	684,668	13.36%	
2017	68,613	68,613	-	678,329	10.12%	
2016	61,868	61,868	-	596,924	10.36%	
2015	52,337	52,337	-	515,949	10.14%	

CUSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2024

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.

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, 2024

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.

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.

2023:

Retirement eligibility:

- Effective July 1, 2023, the retirement eligibility criteria in SRS for new hires first entering the system changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

CUSTER COUNTY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2024

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 22 years (SRS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.30%, 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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 580,559	\$ 546,638	\$ 482,555	\$ 441,261	\$ 555,340	\$ 510,324	\$ 427,785
Prior period adjustment	-	-	-	-	(46,529)	-	-
Total OPEB liability restated - beginning of year	580,559	546,638	482,555	441,261	508,811	510,324	427,785
Service cost	50,850	66,585	54,063	66,230	70,636	68,355	65,829
Interest cost	25,951	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	(39,894)	(38,724)	(32,516)	(27,440)	(29,729)	(34,677)	(29,657)
Total OPEB liability - end of year	<u>\$ 617,466</u>	<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	\$ 3,441,839	\$ 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%	17.94%	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%	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, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2023	Receipts	Expenditures	Balance June 30, 2024	Amount Provided to Subrecipients
<u>U.S. Department of Transportation:</u>								
Passed through the Montana Department of Transportation:								
Cash Assistance:								
Formula Grants for Rural Areas and Tribal Transit Program (1)	20.509	119302	\$ 144,910	\$ (119,999)	\$ 144,910	\$ 24,911	\$ -	\$ -
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	113097	141,802	-	16,698	21,596	(4,898)	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	113065	381,172	-	221,002	290,442	(69,440)	-
Total U.S. Department of Transportation				(958,712)	1,221,323	336,949	(74,338)	-
<u>U.S. Department of Justice:</u>								
Passed through the Montana Board of Crime Control:								
Crime Victim Assistance	16.575	24-01-1700	69,676	-	23,414	31,270	(7,856)	-
Subtotal				-	23,414	31,270	(7,856)	-
Passed through the Eastern Montana Drug Task Force:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23-G01-1344	110,930	-	54,578	59,854	(5,276)	-
Subtotal				-	54,578	59,854	(5,276)	-
Total U.S. Department of Justice				-	77,992	91,124	(13,132)	-
<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-4608-02R	27,000	-	27,000	27,000	-	-
Hazard Mitigation Grant Program (1)	97.039	DR-4508-2R	324,975	(22,900)	33,775	10,875	-	-
Subtotal				(22,900)	60,775	37,875	-	-
Emergency Management Performance Grants	97.042	EMD-2022-EP-00005	59,725	(10,228)	21,437	11,209	-	-
Emergency Management Performance Grants	97.042	EMD-2023-EP-00005	48,950	-	41,136	48,950	(7,814)	-
Subtotal				(10,228)	62,573	60,159	(7,814)	-
Total U.S. Department of Homeland Security				(33,128)	123,348	98,034	(7,814)	-
<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	23-25-5-01-009-0	10,255	-	6,153	6,153	-	6,153
Maternal and Child Health Services								
Block Grant to the States	93.994	24-25-5-01-009-0	10,076	-	4,030	4,030	-	4,030
Subtotal				-	10,183	10,183	-	10,183
Immunization Cooperative Agreements (1)	93.268	22-07-4-31-109-0	111,576	3,881	-	3,881	-	3,881
Immunization Cooperative Agreements (1)	93.268	23-07-4-31-109-0	99,446	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
Immunization Cooperative Agreements (1)	93.268	24-07-4-31-109-0	53,577	-	53,577	53,577	-	53,577
Immunization Cooperative Agreements	93.268	24-07-4-31-109-0	5,791	-	2,909	2,909	-	2,909
Subtotal				103,327	59,241	162,568	-	162,568
Block Grants for Community Mental Health Services	93.958	23-101-74105-0	100,000	(7,764)	26,115	18,351	-	-
Subtotal				(7,764)	26,115	18,351	-	-
Block Grants for Prevention and Treatment of Substance Abuse								
Subtotal	93.959	23-101-74105-0	85,000	(6,598)	22,197	15,599	-	-
				(6,598)	22,197	15,599	-	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response								
Subtotal	93.354	24-07-1-01-109-0	95,000	-	85,494	85,494	-	85,494
				-	85,494	85,494	-	85,494
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations								
Subtotal	93.898	24-07-3-01-004-0	16,659	-	16,659	16,659	-	16,659
				-	16,659	16,659	-	16,659
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (1)								
Subtotal	93.323	23-07-7-11-111-0	80,948	-	19,598	19,598	-	19,598
				-	19,598	19,598	-	19,598

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2023	Receipts	Expenditures	Balance June 30, 2024	Amount Provided to Subrecipients
Public Health Emergency Preparedness	93.069	24-07-6-11-014-0	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	(537)	5,333	6,448	(1,652)	-
Subtotal				(537)	5,333	6,448	(1,652)	-
CDC's Collaboration with Academia to Strengthen Public Health	93.967	24-07-1-01-161-0	10,000	-	7,500	7,500	-	7,500
Subtotal				-	7,500	7,500	-	7,500
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	(319)	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	(319)	319	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2023-001-02	3,824	(319)	319	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers (1)	93.044	2024-001-02	2,214	-	-	-	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2024-001-02	2,122	-	1,238	1,238	-	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2024-001-02	1,238	-	1,238	1,238	-	-
Subtotal				(1,444)	3,920	2,476	-	-
Title III, Part C-Nutrition Services	93.045	2023-001-02	26,903	(4,484)	4,484	-	-	-
Title III, Part C-Nutrition Services (1)	93.045	2023-001-02	13,893	(2,316)	2,316	-	-	-
Title III, Part C-Nutrition Services	93.045	2024-001-02	35,671	-	20,877	26,096	(5,219)	-
Title III, Part C-Nutrition Services	93.045	2024-001-02	52,428	-	33,138	41,422	(8,284)	-
Subtotal				(6,800)	60,815	67,518	(13,503)	-
Aging Cluster Subtotal				(8,244)	64,735	69,994	(13,503)	-
Total U.S. Department of Health and Human Services				80,184	352,860	448,199	(15,155)	337,807
<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	-	188,976	194,201	(5,225)	-
Subtotal				-	188,976	194,201	(5,225)	-
Invasive and Noxious Plant Management	15.230	L21AC10326000	45,350	-	14,244	14,244	-	-
Subtotal				-	14,244	14,244	-	-
Total U.S. Department of the Interior				-	203,220	208,445	(5,225)	-
<u>U.S. Department of Agriculture:</u>								
Direct Programs:								
Community Facilities Loans and Grants	10.766	N/A	175,000	(120,114)	175,000	54,886	-	-
Subtotal				(120,114)	175,000	54,886	-	-
Schools and Roads - Grants to Counties	10.666	N/A	5,896	-	5,896	5,896	-	-
Subtotal				-	5,896	5,896	-	-
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFC-24-090	15,556	-	13,809	13,809	-	-
Subtotal				-	13,809	13,809	-	-
Total U.S. Department of Agriculture				(120,114)	194,705	74,591	-	-
<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-PL-20-16A	30,000	-	30,000	30,000	-	-
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				-	30,000	30,000	-	-

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2023	Receipts	Expenditures	Balance June 30, 2024	Amount Provided to Subrecipients
<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	-	7,518	61,552	(54,034)	-
Total U.S. Environmental Protection Agency				-	7,518	61,552	(54,034)	-
<u>U.S. Department of Commerce:</u>								
Direct Program:								
Economic Adjustment Assistance								
	11.307	05-79-06107	380,000	-	-	100,799	(100,799)	-
Total U.S. Department of Commerce				-	-	100,799	(100,799)	-
<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	-	1,066,564	-
				533,282	533,282	-	1,066,564	-
Direct Program:								
Coronavirus State and Local Fiscal Recovery Funds (1)								
	21.027	N/A	2,214,706	1,391,097	-	1,356,502	34,595	-
Passed through the Montana Department of Natural Resources and Conservation:								
Coronavirus State and Local Fiscal Recovery Funds (1)								
	21.027	AM-23-0321	10,000	-	10,000	10,000	-	10,000
Total U.S. Department of the Treasury				1,391,097	10,000	1,366,502	34,595	10,000
Total Federal Awards				\$ 892,609	\$ 2,754,248	\$ 2,816,195	\$ 830,662	\$ 347,807

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, 2024. 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, 2024 was \$0 (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, 2024, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated January 3, 2025. The report included an explanatory paragraph to describe a change in accounting principles. Also, 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. Further, the report on governmental activities was qualified because we were unable to obtain sufficient appropriate audit evidence regarding the Total Other Post-Employment Benefits (OPEB) liability as of June 30, 2024, because the government did not provide the necessary supporting documentation to substantiate the Total OPEB liability recorded in the governmental activities.

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 2024-001 through 2024-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2024-004 through 2024-008 to be significant deficiencies.

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 2024-006 through 2024-009.

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'Hess & Associates, PC

Billings, Montana
January 3, 2025

OLNESS & ASSOCIATES, P. C.

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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

Opinion on Each Major Federal Program

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 the government's major federal program for the year ended June 30, 2024. The government's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 opinion 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.

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.

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

- 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-009. Our opinion the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the government's response to the noncompliance 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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

O'Leary & Associates, PC

Billings, Montana
January 3, 2025

CUSTER COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2024

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: unmodified

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

Major program:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
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

2024-001. 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, 2024

2024-002. 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.

2024-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY

Criteria: Governmental Accounting Standards Board (GASB) Statement 75 requires the Total Other Post-Employment Benefit (OPEB) liability and related expense be recorded in the financial statements. GASB 75 also requires the Total OPEB liability to be calculated and updated at least every two years, with more frequent valuations, such as annual updates being encouraged to ensure accuracy and up-to-date financial reporting.

Condition: The government was unable to provide supporting documentation to substantiate the Total OPEB liability recorded in the financial statements

Cause: The government did not engage an actuarial firm to assist in determining the updated Total OPEB liability and related expense as of and for the year ended June 30, 2024.

Effect: The audit opinion is qualified.

Recommendation: The government should engage an actuarial firm to determine the updated Total OPEB liability and related expense.

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

2024-004. RECONCILE THE PAYROLL WAGE BASES

Criteria: Reconciling the various wages bases (i.e., gross wage, social security wage, Medicare wage, federal and state wage, unemployment wage and worker's compensation wage) identifies errors, if any, in individual employee setups.

Condition: The government does not perform reconciliations of the different payroll wage bases. As a result, there is no process in place to verify that payroll data is accurate and consistent across the system.

Cause: Insufficient internal controls and oversight within the payroll department. Additionally, there may be a lack of awareness as to the importance of these reconciliations.

Effect: Without regular reconciliations, there is an increased risk of payroll setup errors and other deficiencies going undetected. This can lead to inaccurate payroll processing, potential overpayments or underpayments to employees and taxing authorities, and unreliable financial reporting.

Recommendation: The various wage bases should be reconciled at the end of each month and the payroll reports should be reconciled at the end of each quarter. Once completed, the reconciliations should be submitted for review and approval.

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, 2024

2024-005. SOLID WASTE ACCOUNTS RECEIVABLE

Criteria: In order to make the financial information related to the solid waste activity as accurate, complete, meaningful and useful as possible, the general ledger accounts receivable and revenue accounts should be reconciled to the detail supporting documentation.

Condition: Solid waste accounts receivable, as recorded in the general ledger, did not agree to the aged accounts receivable subsidiary records and the solid waste receivable subsidiary records were not reconciled to the general ledger control account on a regular basis.

Cause: Inadequate internal control and oversight over solid waste accounting.

Effect: The general ledger solid waste accounts receivable was understated.

Recommendation: The government should implement a regular reconciliation process for the solid waste accounts receivable subsidiary records to the general ledger control account. Once completed, the reconciliations should be reviewed by a supervisor or an independent party to ensure accuracy and completeness.

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

2024-006. DETENTION COMMISSARY ACCOUNT

Criteria: Strong internal controls over the detention commissary account require a list to support the balance being held in the account and a formal bank reconciliation to be prepared on a monthly basis. These items will help to determine that all cash transactions have been recorded properly and to discover bank and departmental errors. Additionally, Section 7-4-2511, MCA requires fees to be remitted to the county treasurer by the 10th day of each month.

Condition 1: The detention center commissary checking account was not reconciled on a monthly basis and a list is not maintained to support the ending reconciled cash balance in the account.

Condition 2: Rather than being remitted to the county treasurer by the 10th of the following month the profit/fees generated by the detention center commissary were accumulating in the checking account and were being used to purchase sheriff department operating supplies.

Cause: There are no documented procedures surrounding the detention center commissary.

Effect: Not formally reconciling the detention center commissary account and not maintaining a list to support the reconciled balance in the account means that errors or other discrepancies might not be recognized and resolved in a timely manner. Additionally, not remitting the collections to the county treasurer by the 10th of the following month is a violation of Section 7-4-2511, MCA.

Recommendation: The sheriff office should develop written policies and procedures that will provide for strengthened internal control over the detention commissary account. The guidelines should include daily operating and monthly closeout procedures and review/oversight requirements. Once the account is formally reconciled, a list should be developed to support the ending balance. All fees should be remitted to the county treasurer by the 10th of the following month in accordance with Section 7-4-2511, MCA.

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, 2024

2024-007. 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.

2024-008. 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. Total resources should agree to the total requirements on the tax levy requirements schedule.
3. A formal budget appropriation should be adopted in accordance with the provisions of Title 7, Chapter 6, Part 40, MCA
4. 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. Total resources did not agree to the total requirements on the tax levy requirements schedule for 18 funds.
3. A formal budget appropriation was not adopted for 12 funds.
4. 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.

2024-009. SINGLE AUDIT REPORTING PACKAGE

Criteria: 2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditor or nine months after the end of the audit period.

Condition: As of November 2024, the fiscal year 2023 reporting package and data collection form had not been submitted to the Federal Audit Clearinghouse.

Cause: Control procedures are not in place to ensure timely submission of the reporting package and data collection form.

Effect: Noncompliance with 2 CFR section 200.512(a).

CUSTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Recommendation: Procedures should be developed to ensure the single audit reporting package and data collection form are filed by the due date.

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

None

CUSTER COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2024

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2024-001 for the year ended June 30, 2024.

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2024-002 for the year ended June 30, 2024.

2023-003. DISTRICT COURT TRUST

Status: This finding has been resolved.

2023-004. EXCESS VACATION LEAVE

Status: This finding is unresolved and is repeated as finding 2024-007 for the year ended June 30, 2024.

2023-005. COUNTY ATTORNEY WAGES

Status: This finding has been resolved.

2023-006. BUDGETS

Status: This finding is unresolved and is repeated as finding 2024-008 for the year ended June 30, 2024.

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

Status: This finding has been resolved.

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

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

Status: See 2023-007 above.

CUSTER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001. 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

2024-002. 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

2024-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY

Name of contact person: Linda Corbett, Clerk and Recorder

Corrective Action: We have engaged an actuary to calculate the OPEB liability.

Proposed Completion Date: Fiscal year 2025

2024-004. RECONCILE PAYROLL WAGE BASES

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

2024-005. SOLID WASTE ACCOUNTS RECEIVABLE

Name of contact person: County Commissioners

Corrective Action: The Board of County Commissioners will work with the Solid Waste Department and Budget Manager to develop a procedure to reconcile accounts receivable to the appropriate time frame with in the Solid Waste department accounting system and Black Mountain Software.

Proposed Completion Date: Immediately

2024-006. DETENTION CENTER COMMISSARY ACCOUNT

Name of contact person: Brandon Kelm, County Sheriff

Corrective Action: The Board of County Commissioners will work with the Sheriff's Office to develop policies and procedures to strengthen internal controls over the detention commissary account.

Proposed Completion Date: Fiscal year 2025

CUSTER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2024

2024-007. 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

2024-008. BUDGETS

Name of contact person: County Commissioners

Corrective Action: The Board of County Commissioners will work with the Budget Manager and Custer County Treasurer to ensure that any changes to cash accounts are verified and noted to match the requirement schedule. The Budget Manager will review the budget documents to account for all funds having a budget appropriation and to make sure expenditures do not exceed appropriations.

Proposed Completion Date: Immediately

2024-009. SINGLE AUDIT REPORTING PACKAGE

Name of contact person: Linda Corbett, Clerk and Recorder

Corrective Action: The reporting package has been finalized.

Proposed Completion Date: Immediately