

**CUSTER COUNTY
MILES CITY, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

ORGANIZATION

June 30, 2025

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	County Attorney
Carla Jean Begger	County Superintendent
Kristi Celander	Clerk of District Court
Mark Hilderbrand	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CURTIS D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS
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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, 2025, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Qualified Opinions:

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the aggregate remaining fund information of the government, as of June 30, 2025, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the government as of June 30, 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.

Matter Giving Rise to the Qualified Opinions:

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

Emphasis of Matter

As described in Note 1 to the financial statements, in 2025, the government adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026, 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'hess & Associates, PC

Billings, Montana
January 14, 2026

**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, 2025. Please read the information here in conjunction with our financial statements and footnotes.

- Net position at the close of fiscal year 2025 was \$25,813,018. Of this amount, \$7,083,752 is restricted and \$23,127,730 is our net investment in capital assets.
- The County's total net position increased by \$4,206,453 as a result of this year's operations.
- Budgeted general fund revenues exceeded actual revenues by \$175,470, while actual expenditures were less than budgeted appropriations by \$560,029.

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 2025 was \$25,813,018. Of this amount, \$7,083,752 is restricted and \$23,127,730 is 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 \$1,129,131 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 \$4,206,453 as a result of this year's operations. Net position for our governmental activities increased \$3,699,062. Net position for the business-type activities increased \$507,391.

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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 7,276,425	\$ 7,040,381	\$ 2,267,796	\$ 4,250,884	\$ 9,544,221	\$ 11,291,265
Capital assets	28,144,086	24,969,864	3,925,655	867,975	32,069,741	25,837,839
Total assets	35,420,511	32,010,245	6,193,451	5,118,859	41,613,962	37,129,104
Deferred outflows	787,436	949,866	-	-	787,436	949,866
Other liabilities	1,000,365	890,650	-	411,823	1,000,365	1,302,473
Long-term liabilities	13,644,342	14,235,851	1,558,796	579,772	15,203,138	14,815,623
Total liabilities	14,644,707	15,126,501	1,558,796	991,595	16,203,503	16,118,096
Deferred inflows	384,877	404,145	-	-	384,877	404,145
Net position:						
Net Investment in capital assets	20,208,075	16,730,583	2,919,655	867,975	23,127,730	17,598,558
Restricted	5,954,621	5,821,330	1,129,131	1,944,278	7,083,752	7,765,608
Unrestricted	(4,984,333)	(5,122,448)	585,869	1,315,011	(4,398,464)	(3,807,437)
	\$ 21,178,363	\$ 17,429,465	\$ 4,634,655	\$ 4,127,264	\$ 25,813,018	\$ 21,556,729

CUSTER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 3,623,934	\$ 3,457,207	\$ 1,232,646	\$ 850,821	\$ 4,856,580	\$ 4,308,028
Operating grants and contributions	3,137,399	4,065,357	6,639	-	3,144,038	4,065,357
Capital grants and contributions	1,299,545	1,361,385	-	-	1,299,545	1,361,385
General revenues:						
Taxes	6,990,209	6,252,304	-	-	6,990,209	6,252,304
Licenses and permits	5,600	1,267	-	-	5,600	1,267
Intergovernmental	1,558,174	2,080,652	-	-	1,558,174	2,080,652
Interest	173,613	172,493	118,772	143,839	292,385	316,332
Miscellaneous	2,098	927	-	-	2,098	927
Closure/postclosure recovery	-	-	-	991,486	-	991,486
Gain on disposal of capital assets	-	47,585	-	-	-	47,585
Total revenues	16,790,572	17,439,177	1,358,057	1,986,146	18,148,629	19,425,323
Expenses:						
General government	3,330,858	3,121,534	-	-	3,330,858	3,121,534
Public safety	3,692,681	3,598,120	-	-	3,692,681	3,598,120
Public works	2,488,602	2,209,993	-	-	2,488,602	2,209,993
Public health	911,696	1,226,244	-	-	911,696	1,226,244
Social and economic services	1,224,873	1,257,853	-	-	1,224,873	1,257,853
Culture and recreation	1,125,111	994,714	-	-	1,125,111	994,714
Housing and community dev.	74,727	34,715	-	-	74,727	34,715
Solid Waste	-	-	850,666	866,273	850,666	866,273
Interest on long-term debt	242,962	252,546	-	-	242,962	252,546
Total expenses	13,091,510	12,695,719	850,666	866,273	13,942,176	13,561,992
Change in net position	3,699,062	4,743,458	507,391	1,119,873	4,206,453	5,863,331
Net position, beginning	17,429,465	12,686,007	4,127,264	3,007,391	21,556,729	15,693,398
Prior period adjustments	49,836	-	-	-	49,836	-
Net position, ending	\$ 21,178,363	\$ 17,429,465	\$ 4,634,655	\$ 4,127,264	\$ 25,813,018	\$ 21,556,729

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 \$104,777. Fund balance decreased \$39,394. The decrease is mainly due to increased capital spending.

The fair fund accounts for resources accumulated and payments made for providing day to day fair operations and culture and recreation services. Fair fund fund balance decreased \$15,867 mainly due to construction improvements made at the Agri-Sports building.

The senior citizens fund accounts for the resources accumulated to promote, establish, and maintain recreational, educational, and other activities of the elderly. Senior citizens fund fund balance increased \$12,651 mainly due to increased contributions received.

**CUSTER COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS**

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services. The public safety fund balance decreased \$57,716 as expenditures continue to outpace revenue growth.

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, MCA. Impact fees fund fund balance increased by \$927,831 due to the county receiving its second wind impact payment in fiscal year 2025.

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 \$3,306.

Net position for the Solid Waste fund, an enterprise fund, increased \$507,391 as a result of this year's operations. The increase was mainly due to implementing a new rate structure, thus increasing the landfill assessments by approximately 42% over the prior year. The new rate structure will increase assessments by 10% each year for the next two years.

Budgetary Highlights:

There were no general fund budget amendments. Actual general fund revenues were less than budgeted revenues by \$175,470, while actual expenditures were less than budgeted appropriations by \$560,029.

Expenditures exceeded appropriations in two funds for the year ended June 30, 2025.

CAPITAL ASSET AND DEBT ADMINISTRATION

Custer County's net investment in capital assets, as of June 30, 2025 was \$23,127,730. 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, 2025 was \$620,184. Other liabilities outstanding consist of the net pension liability, the total other postemployment benefits liability, GO bonds, SID bonds, revenue 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 2025-26:

- The uncertainty of PILT money is a constant concern.
- Lack of funds and other road and bridge problems continue to plague the road department. Despite these challenges, Custer County has three separate bridges that are going to receive major fixes utilizing MDT Quick Fix funds.
- 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 will be finishing 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 2024-25

The Deadman Road/N. Sunday Creek Bridge replacement project was completed and the final walk through was done in the fall of 2024. The transference of the old BNSF Passenger Rail Depot property and building to the County continued to progress. Fence repairs and the Disc Golf Course was completed for Woodruff Park Recreation Area.

CUSTER COUNTY
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,886,421	\$ 380,865	\$ 5,267,286
Investments	1,339,463	104,403	1,443,866
Receivables:			
Taxes and assessments	315,930	16,720	332,650
Governments	318,834	-	318,834
Solid waste	-	83,881	83,881
Contributions	245,423	-	245,423
Other	13,235	-	13,235
Inventories	157,119	-	157,119
Restricted assets:			
Cash and equivalents	-	358,119	358,119
Investments	-	1,379,808	1,379,808
Capital assets:			
Land and construction in progress	1,954,455	3,539,935	5,494,390
Capital assets, net of accumulated depreciation	26,189,631	329,720	26,519,351
Total assets	<u>35,420,511</u>	<u>6,193,451</u>	<u>41,613,962</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	787,436	-	787,436
LIABILITIES			
Accounts payable-vendors	923,262	-	923,262
Due to other governments	66,403	-	66,403
Unearned revenues	10,700	-	10,700
Long-term liabilities:			
Due within one year:			
Notes, leases and bonds	611,936	113,924	725,860
Compensated absences	521,384	-	521,384
Due in more than one year:			
Notes, leases and bonds	7,324,075	836,076	8,160,151
Compensated absences	98,800	-	98,800
Landfill closure/postclosure care payable	-	608,796	608,796
Net pension liability	4,625,969	-	4,625,969
Total other post-employment benefits liability	<u>462,178</u>	<u>-</u>	<u>462,178</u>
Total liabilities	<u>14,644,707</u>	<u>1,558,796</u>	<u>16,203,503</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	194,343	-	194,343
Unavailable revenue-deferred special assessments	<u>190,534</u>	<u>-</u>	<u>190,534</u>
Total deferred inflows of resources	<u>384,877</u>	<u>-</u>	<u>384,877</u>
NET POSITION			
Net investment in capital assets	20,208,075	2,919,655	23,127,730
Restricted for:			
Landfill closure/postclosure care	-	1,129,131	1,129,131
General government	1,199,843	-	1,199,843
Public safety	240,221	-	240,221
Public works	397,586	-	397,586
Public health	49,693	-	49,693
Social and economic	104,011	-	104,011
Culture and recreation	254,423	-	254,423
Housing and community development	5,608	-	5,608
Capital projects	3,653,901	-	3,653,901
Debt service	82,159	-	82,159
Unrestricted (deficit)	<u>(5,017,157)</u>	<u>585,869</u>	<u>(4,431,288)</u>
Total net position	<u>\$ 21,178,363</u>	<u>\$ 4,634,655</u>	<u>\$ 25,813,018</u>

See notes to basic financial statements.

CUSTER COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues					Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Governmental activities:								
General government	\$ 3,330,858	\$ 427,099	\$ 64,386	\$ -	\$ (2,839,373)	\$ -	\$ -	\$ (2,839,373)
Public safety	3,692,681	596,122	640,035	349,295	(2,107,229)	-	-	(2,107,229)
Public works	2,488,602	69,914	483,500	279,201	(1,655,987)	-	-	(1,655,987)
Public health	911,696	79,773	566,146	-	(265,777)	-	-	(265,777)
Social and economic services	1,224,873	2,098,605	552,273	24,517	1,450,522	-	-	1,450,522
Culture and recreation	1,125,111	352,421	39,996	646,532	(86,162)	-	-	(86,162)
Housing and community development	74,727	-	791,063	-	716,336	-	-	716,336
Interest on long-term debt	242,962	-	-	-	(242,962)	-	-	(242,962)
Total governmental activities	13,091,510	3,623,934	3,137,399	1,299,545	(5,030,632)	-	-	(5,030,632)
Business-type activities:								
Solid waste	850,666	1,232,646	-	-	-	381,980	381,980	381,980
Total business-type activities	850,666	1,232,646	-	-	-	381,980	381,980	381,980
Total	\$ 13,942,176	\$ 4,856,580	\$ 3,137,399	\$ 1,299,545	(5,030,632)	381,980	(4,648,652)	
General revenues:								
Property taxes					6,990,209	-	-	6,990,209
Licenses and permits					5,600	-	-	5,600
Intergovernmental					1,558,174	-	-	1,558,174
Unrestricted investment earnings					173,613	118,772	292,385	
Miscellaneous					2,098	6,639	8,737	
Total general revenues					8,729,694	125,411	8,855,105	
Change in net position					3,699,062	507,391	4,206,453	
Net position - beginning					17,429,465	4,127,264	21,556,729	
Prior period adjustments					49,836	-	49,836	
Net position - ending					\$ 21,178,363	\$ 4,634,655	\$ 25,813,018	

CUSTER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Fair	Senior Citizens	Public Safety	Impact Fees	LATCF	RID #1A	Total Nonmajor Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 97,631	\$ 7,849	\$ 493,844	\$ 30,003	\$ 2,331,027	\$ 837,099	\$ 11,032	\$ 1,071,475	\$ 4,879,960
Investments	26,763	2,151	135,372	8,225	638,980	229,465	3,024	293,713	1,337,693
Receivables:									
Taxes and assessments	27,119	6,523	4,934	23,613	-	-	190,949	62,792	315,930
Governments	17,703	-	24,266	45,823	-	-	-	231,042	318,834
Contributions	-	245,423	-	-	-	-	-	13,235	258,658
Due from other funds	-	-	-	-	32,824	-	-	-	32,824
Inventories	-	-	-	-	-	-	-	157,119	157,119
Total assets	\$ 169,216	\$ 261,946	\$ 658,416	\$ 107,664	\$ 3,002,831	\$ 1,066,564	\$ 205,005	\$ 1,829,376	\$ 7,301,018
LIABILITIES									
Accounts payable-vendors	\$ 30,047	\$ 13,849	\$ 631,059	\$ 168,765	\$ -	\$ -	\$ 79,542	\$ 923,262	
Due to other funds	-	-	-	-	-	-	-	32,824	32,824
Due to other governments	7,273	-	-	-	-	-	-	59,130	66,403
Unearned revenue	-	-	-	-	-	-	-	10,700	10,700
Total liabilities	37,320	13,849	631,059	168,765	-	-	-	182,196	1,033,189
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-taxes and assessments	27,119	6,523	4,934	23,613	-	-	190,949	62,792	315,930
Unavailable revenue-contributions	-	245,423	-	-	-	-	-	-	245,423
Total deferred inflows of resources	27,119	251,946	4,934	23,613	-	-	190,949	62,792	561,353
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	157,119	157,119
Restricted for:									
General government	-	-	-	-	-	1,066,564	-	111,396	1,177,960
Public safety	-	-	-	-	-	-	-	216,604	216,604
Public works	-	-	-	-	-	-	-	220,389	220,389
Public health	-	-	-	-	-	-	-	44,827	44,827
Social and economic services	-	-	22,423	-	-	-	-	73,727	96,150
Culture and recreation	-	-	-	-	-	-	-	565	565
Housing and community development	-	-	-	-	-	-	-	5,105	5,105
Capital projects	-	-	-	-	3,002,831	-	-	651,070	3,653,901
Debt service	-	-	-	-	-	-	14,056	57,069	71,125
Committed for:									
General government	-	-	-	-	-	-	-	79,341	79,341
Unassigned (deficits)	104,777	(3,849)	-	(84,714)	-	-	-	(32,824)	(16,610)
Total fund balances (deficits)	104,777	(3,849)	22,423	(84,714)	3,002,831	1,066,564	14,056	1,584,388	5,706,476
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 169,216	\$ 261,946	\$ 658,416	\$ 107,664	\$ 3,002,831	\$ 1,066,564	\$ 205,005	\$ 1,829,376	\$ 7,301,018

CUSTER COUNTY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF NET POSITION
 June 30, 2025

Total fund balances, governmental funds \$ 5,706,476

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. 28,144,086

Deferred inflows of resources that are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds:

Taxes and assessments	125,396
Contributions	245,423

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	787,436
Deferred inflows of resources related to pensions	(194,343)

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. (13,638,963)

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. 2,852

Net position of governmental activities \$ 21,178,363

CUSTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General	Bridge	Fair	Senior Citizens	Public Safety	Impact Fees	PILT	LATCF	RID #1A	Total Nonmajor Funds	Total Governments I Funds
REVENUES											
Taxes/assessments	\$ 1,916,397	\$ -	\$ 371,286	\$ 278,744	\$ 1,216,583	\$ -	\$ -	\$ -	\$ 9,153	\$ 3,277,697	\$ 7,069,860
Miscellaneous taxes	-	-	-	-	-	-	-	-	-	39,988	39,988
Fines and forfeitures	98,217	-	-	-	-	-	-	-	-	26,106	124,323
Licenses and permits	1,600	-	-	-	1,855	-	-	-	-	-	3,455
Intergovernmental	698,791	-	-	806,761	408,607	-	-	-	-	3,150,778	5,064,937
Charges for services	234,014	-	3,265	46,839	219,851	2,075,000	-	-	-	820,053	3,399,022
Investment earnings	150,237	-	227	-	20	-	-	-	-	23,129	173,613
Miscellaneous	52,000	-	116,857	5,162	4,427	-	-	-	-	125,077	303,523
Total revenues	3,151,256	-	491,635	1,137,506	1,851,343	2,075,000	-	-	9,153	7,462,828	16,178,721
EXPENDITURES											
Current:											
General government	2,196,569	-	-	-	-	217,879	-	-	-	854,785	3,269,233
Public safety	98,942	-	-	-	2,537,423	-	-	-	-	859,320	3,495,685
Public works	162,395	-	-	1,500	-	-	-	-	-	2,017,986	2,181,881
Public health	331,160	-	-	-	2,815	-	-	-	-	577,207	911,182
Social and economic services	17,276	-	-	370,305	-	-	-	-	-	803,673	1,191,254
Culture and recreation	41,304	-	427,511	-	-	-	-	-	-	453,598	922,413
Housing and community development	9,434	-	-	-	-	-	-	-	-	65,293	74,727
Debt service:											
Principal	149,897	-	4,874	-	-	-	-	-	-	4,280	431,160
Interest and other charges	60,850	-	244	-	-	-	-	-	-	4,680	190,247
Capital outlay	317,823	-	658,218	1,572,730	118,448	75,000	-	-	-	960,151	3,702,370
Total expenditures	3,385,650	-	1,090,847	1,944,535	2,658,686	292,879	-	-	8,960	7,213,420	16,594,977
Excess (deficiency) of revenues over expenditures	(234,394)	-	(599,212)	(807,029)	(807,343)	1,782,121	-	-	193	249,408	(416,256)
OTHER FINANCING SOURCES (USES)											
Long-term debt issued	-	-	-	-	-	-	-	-	-	300,000	300,000
Insurance recoveries	-	-	17,934	33,347	4,916	-	-	-	-	6,148	62,345
Transfers in	195,000	-	571,411	786,333	769,711	-	-	-	3,113	1,185,844	3,511,412
Transfers out	-	-	(6,000)	-	(25,000)	(854,290)	-	-	-	(2,626,122)	(3,511,412)
Total other financing sources (uses)	195,000	-	583,345	819,680	749,627	(854,290)	-	-	3,113	(1,134,130)	362,345
Net change in fund balances	(39,394)	-	(15,867)	12,651	(57,716)	927,831	-	-	3,306	(884,722)	(53,911)
Fund balances (deficits) - beginning	144,171	(88,027)	-	-	(26,998)	2,075,000	1,016,262	1,066,564	10,750	1,562,665	5,760,387
Prior period adjustments	-	88,027	12,018	9,772	-	-	(1,016,262)	-	-	906,445	-
Fund balances (deficits) - ending	\$ 104,777	\$ -	\$ (3,849)	\$ 22,423	\$ (84,714)	\$ 3,002,831	\$ -	\$ 1,066,564	\$ 14,056	\$ 1,584,388	\$ 5,706,476

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, 2025

Net change in fund balances - total governmental funds	\$ (53,911)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlay for capital assets as expenditures. In contrast, the statement of activities reports only a portion of the outlay as expense. This outlay is allocated over the assets estimated useful lives as depreciation/amortization expense for the period.	
This is the amount by which capital outlay (\$3,702,370) exceeded depreciation/amortization (\$931,784) in the current period.	2,770,586
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.	
	(7,117)
Contributed capital assets	410,753
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:	
Property taxes	(43,834)
Pledged contributions	245,423
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	125,505
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 borrowed and repaid.	290,211
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	(17,600)
Other post-employment benefits	(29,563)
Amortization of general obligation bond premium	13,059
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.	<u>(4,450)</u>
Change in net position of governmental activities	<u><u>\$ 3,699,062</u></u>

CUSTER COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 380,865	\$ 6,460
Investments	104,403	1,771
Receivables:		
Taxes and assessments	16,720	-
Solid waste	83,881	-
	<hr/>	<hr/>
Total current assets	<hr/>	<hr/>
	585,869	8,231
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	358,119	-
Investments	1,379,808	-
	<hr/>	<hr/>
Total restricted assets	<hr/>	<hr/>
	1,737,927	-
Capital assets:		
Land and construction in progress	3,539,935	-
Buildings and improvements	2,261,910	-
Less accumulated depreciation	(1,932,190)	-
	<hr/>	<hr/>
	3,869,655	-
	<hr/>	<hr/>
Total non-current assets	<hr/>	<hr/>
	5,607,582	-
	<hr/>	<hr/>
Total assets	<hr/>	<hr/>
	6,193,451	8,231
LIABILITIES		
Current liabilities:		
Compensated absences	-	4,927
Bonds payable	113,924	-
	<hr/>	<hr/>
Total current liabilities	<hr/>	<hr/>
	113,924	4,927
Non-current liabilities:		
Compensated absences	-	452
Landfill closure/postclosure care payable	608,796	-
Bonds payable	836,076	-
	<hr/>	<hr/>
Total non-current liabilities	<hr/>	<hr/>
	1,444,872	452
	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>
	1,558,796	5,379
NET POSITION		
Net investment in capital assets	2,919,655	-
Restricted for landfill closure/postclosure care	1,129,131	-
Unrestricted	585,869	2,852
	<hr/>	<hr/>
Total net position	<hr/>	<hr/>
	\$ 4,634,655	\$ 2,852

CUSTER COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	Business-type Activities	Governmental Activities
	Solid Waste	Internal Service Fund
REVENUES		
Charges for services	\$ 533,937	\$ 159,957
Taxes and assessments	698,709	-
 Total operating revenues	 1,232,646	 159,957
OPERATING EXPENSES		
Personal services	-	111,424
Supplies	543	1,420
Purchased services	782,729	51,563
Fixed charges	13,786	-
Closure/postclosure costs	29,024	-
Depreciation	11,898	-
 Total operating expenses	 837,980	 164,407
 Operating income (loss)	 394,666	 (4,450)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	118,772	-
Miscellaneous revenue	6,639	-
Interest expense	(12,686)	-
 Total non-operating revenues (expenses)	 112,725	 -
 Change in net position	 507,391	 (4,450)
 Net position - beginning	 4,127,264	 7,302
 Net position - ending	 \$ 4,634,655	 \$ 2,852

CUSTER COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	<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	\$ 1,179,622	\$ -
Cash received from interfund services	-	159,957
Cash paid to employees	-	(108,541)
Cash paid to suppliers for goods and services	<u>(806,076)</u>	<u>(52,983)</u>
Net cash provided (used) by operating activities	<u>373,546</u>	<u>(1,567)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from miscellaneous sources	<u>6,639</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>6,639</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of capital assets	(3,416,383)	-
Proceeds from bond issuance	950,000	-
Interest paid	<u>(12,686)</u>	<u>-</u>
Net cash used by capital financing activities	<u>(2,479,069)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	1,469,228	795
Interest received	<u>118,772</u>	<u>-</u>
Net cash provided by investing activities	<u>1,588,000</u>	<u>795</u>
Change in cash and cash equivalents	(510,884)	(772)
Cash and cash equivalents - beginning (enterprise fund includes restricted cash of \$10,393)	<u>1,249,868</u>	<u>7,232</u>
Cash and cash equivalents - ending (enterprise fund includes restricted cash of \$358,119)	<u>\$ 738,984</u>	<u>\$ 6,460</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 394,666	\$ (4,450)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	11,898	-
Closure/post closure costs	29,024	-
Increase in taxes/assessments receivable	(5,560)	-
Increase in solid waste receivable	(47,464)	-
Increase in accounts payable	(9,018)	-
Increase in compensated absences	<u>-</u>	<u>2,883</u>
Net cash provided (used) by operating activities	<u>\$ 373,546</u>	<u>\$ (1,567)</u>

CUSTER COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

	<u>Custodial Funds</u>		
	External Investment Pool	Other	Total Custodial Funds
ASSETS			
Cash and cash equivalents	\$ 13,115,172	\$ 442,979	\$ 13,558,151
Investments	3,413,889	142,245	3,556,134
Taxes and assessments receivable	-	316,785	316,785
Equity position in external investment pool	-	<u>16,529,061</u>	<u>16,529,061</u>
 Total assets	 <u>16,529,061</u>	 <u>17,431,070</u>	 <u>33,960,131</u>
LIABILITIES			
Accounts payable	-	<u>477,574</u>	<u>477,574</u>
NET POSITION			
Restricted for:			
Pool participants	16,529,061	-	16,529,061
Individuals, organizations and other governments	-	<u>16,953,496</u>	<u>16,953,496</u>
 Total net position	 <u>\$ 16,529,061</u>	 <u>\$ 16,953,496</u>	 <u>\$ 33,482,557</u>

CUSTER COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025

	Custodial Funds		Total Custodial Funds
	External Investment Pool	Other	
ADDITIONS:			
Contributions from pool participants	\$ 17,829,919	\$ -	\$ 17,829,919
Property taxes billed for other governments	- -	14,259,033	14,259,033
Interest	729,276	- -	729,276
Collections on behalf of state	- -	1,738,580	1,738,580
Federal, state and local sources	<u>- -</u>	<u>31,951,353</u>	<u>31,951,353</u>
 Total additions	 <u>18,559,195</u>	 <u>47,948,966</u>	 <u>66,508,161</u>
DEDUCTIONS:			
Distributions to pool participants	17,439,751	- -	17,439,751
Distributions to other governments	- -	9,403,093	9,403,093
Distributions to others	- -	164,738	164,738
Payments made on behalf of school districts	- -	36,061,921	36,061,921
Payments made on behalf of special districts	<u>- -</u>	<u>1,294,127</u>	<u>1,294,127</u>
 Total deductions	 <u>17,439,751</u>	 <u>46,923,879</u>	 <u>64,363,630</u>
 Net increase in fiduciary net position	 <u>1,119,444</u>	 <u>1,025,087</u>	 <u>2,144,531</u>
 Net position - beginning	 <u>15,409,617</u>	 <u>15,928,409</u>	 <u>31,338,026</u>
 Net position - ending	 <u>\$ 16,529,061</u>	 <u>\$ 16,953,496</u>	 <u>\$ 33,482,557</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.

Effective for the fiscal year ended June 30, 2025, the government adopted the provisions of the following GASB statements:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating how governments recognize and measure liabilities for unused employee leave.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities arising from concentrations and constraints that could significantly impact financial position or operations.

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 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 fund are reported as major:

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The fair fund accounts for resources accumulated and payments made for providing day to day fair operations and culture and recreation services.

The senior citizens fund accounts for the resources accumulated to promote, establish, and maintain recreational, educational, and other activities of the elderly.

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 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 fund.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and 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. 64% 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 \$47,782.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

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

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and post-closure care costs of its landfill. The balance of the restricted asset accounts in the enterprise fund is \$1,737,927.

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

At fiscal year-end, the government recognized a liability for compensated absences totaling \$620,184, representing leave earned but not yet used that is more likely than not to be paid or settled. This includes vacation, sick leave, and other paid time off that meets the recognition criteria under GASB Statement No. 101. The liability is measured using employees' pay rates as of the financial statement date and is reported 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. The government excludes leave types such as parental, military, and jury duty leave until the leave commences, in accordance with GASB 101 guidance. The government continues to monitor and evaluate its leave policies to ensure compliance with GASB 101 and to reflect any changes in employee behavior or policy that may affect future liabilities.

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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statement of net position 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 two items that qualify for reporting in this category: pension plans and long-term special assessments.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

- 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 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 noncancelable 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 noncancelable 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.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The fair (\$3,849), public safety (\$84,714), and fire (\$32,824) funds had deficit fund balances as of June 30, 2025. The deficits occurred because expenditures exceeded revenues in the current and/or prior years. The deficits are expected to be eliminated through PILT fund contributions and increasing out of county firefighting activities.

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	\$ 6,225,884
Business-type activities	2,223,195
Fiduciary funds	<u>17,114,285</u>
	<u><u>\$ 25,563,364</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2025, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,500	\$ -	\$ 1,500
Cash in banks:			
Demand deposits	6,820,160	-	6,820,160
Savings deposits	3,777	-	3,777
Brokerage:			
Money markets	358,119	-	358,119
U.S. Government securities	-	6,379,808	6,379,808
Short-term investment pool (STIP)	<u>12,000,000</u>	<u>-</u>	<u>12,000,000</u>
	<u><u>\$ 19,183,556</u></u>	<u><u>\$ 6,379,808</u></u>	<u><u>\$ 25,563,364</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, 2025, \$6,885,763 of the government's bank balance of \$7,140,540 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>\$ 6,885,763</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, 2025, exceeded the amount required by state statute.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Fair value measurements are as follows at June 30, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. government securities	\$ 6,377,081	<u>\$ 6,377,081</u>	\$ -	\$ -
State Short-Term Investment Program (STIP)	<u>11,995,512</u>			
	<u><u>\$ 18,372,593</u></u>			

U.S. Government 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.

Concentration of Credit Risk. The government places no limit on the amount it may invest in any one issuer.

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 markets	\$ 358,119	\$ -	\$ -	\$ 358,119	\$ 358,119
U.S. Government securities:	<u>1,000,000</u>	<u>-</u>	<u>5,379,808</u>	<u>6,379,808</u>	<u>6,377,081</u>
	<u><u>\$ 1,358,119</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,379,808</u></u>	<u><u>6,737,927</u></u>	<u><u>6,735,200</u></u>
Uncategorized:					
STIP				<u>12,000,000</u>	<u>11,995,512</u>
				<u><u>\$ 18,737,927</u></u>	<u><u>\$ 18,730,712</u></u>

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

CUSTER COUNTY
NOTES TO BASIC 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, 2025:

	External	Internal	Total
Net position - beginning of year	\$ 15,409,617	\$ 10,377,970	\$ 25,787,587
Contributions from participants	17,829,919	9,509,356	27,339,275
Investment earnings	764,068	285,285	1,049,353
Administrative fee	(34,792)	(12,990)	(47,782)
Distributions to participants	<u>(17,439,751)</u>	<u>(11,125,318)</u>	<u>(28,565,069)</u>
Net position - end of year	<u><u>\$ 16,529,061</u></u>	<u><u>\$ 9,034,303</u></u>	<u><u>\$ 25,563,364</u></u>

Pledge Receivables

At fiscal year-end, the government had two outstanding unconditional pledges from private parties to assist with funding improvements to the fairgrounds. The pledges are summarized as follows:

Pledge One: The donor has pledged \$250,000, payable in annual installments over five years. As of year-end, the outstanding balance on this pledge is \$210,606.

Pledge Two: The donor has pledged \$50,000, payable in annual installments over five years. As of year-end, the outstanding balance on this pledge is \$34,817.

Both pledges are unconditional and are recognized as receivables in the financial statements. The receivables are reported at their net realizable value. Amounts not expected to be collected within the current period are reported as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting.

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 114,111	\$ -	\$ -	\$ 114,111
Construction-in-progress	785,445	1,743,029	(688,130)	1,840,344
Total capital assets, not being depreciated	<u>899,556</u>	<u>1,743,029</u>	<u>(688,130)</u>	<u>1,954,455</u>
Capital assets, being depreciated				
Buildings/improvements	18,670,971	644,369	-	19,315,340
Improvements other than buildings	1,542,589	207,501	-	1,750,090
Machinery and equipment	7,212,780	995,497	(342,536)	7,865,741
Right-to-use leased equipment	45,292	-	(36,298)	8,994
Infrastructure	4,915,546	1,348,257	-	6,263,803
Total capital assets, being depreciated	<u>32,387,178</u>	<u>3,195,624</u>	<u>(378,834)</u>	<u>35,203,968</u>
Less accumulated depreciation for:				
Buildings/improvements	(3,355,486)	(347,971)	-	(3,703,457)
Improvements other than buildings	(516,152)	(75,722)	-	(591,874)
Machinery and equipment	(4,081,882)	(403,260)	198,019	(4,287,123)
Right-to-use leased equipment	(33,220)	(11,644)	36,298	(8,566)
Infrastructure	(330,130)	(93,187)	-	(423,317)
Total accumulated depreciation	<u>(8,316,870)</u>	<u>(931,784)</u>	<u>234,317</u>	<u>(9,014,337)</u>
Total capital assets, being depreciated, net	<u>24,070,308</u>	<u>2,263,840</u>	<u>(144,517)</u>	<u>26,189,631</u>
Governmental activities capital assets, net	<u><u>\$ 24,969,864</u></u>	<u><u>\$ 4,006,869</u></u>	<u><u>\$ (832,647)</u></u>	<u><u>\$ 28,144,086</u></u>

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction-in-progress	681,906	2,858,028	-	3,539,934
Total capital assets, not being depreciated	<u>681,907</u>	<u>2,858,028</u>	<u>-</u>	<u>3,539,935</u>
Capital assets, being depreciated				
Buildings and systems	87,946	155,550	-	243,496
Improvements other than buildings	2,018,414	-	-	2,018,414
Total capital assets, being depreciated	<u>2,106,360</u>	<u>155,550</u>	<u>-</u>	<u>2,261,910</u>
Less accumulated depreciation for:				
Buildings and systems	(40,694)	(4,674)	-	(45,368)
Improvements other than buildings	(1,879,598)	(7,224)	-	(1,886,822)
Total accumulated depreciation	<u>(1,920,292)</u>	<u>(11,898)</u>	<u>-</u>	<u>(1,932,190)</u>
Total capital assets, being depreciated, net	<u>186,068</u>	<u>143,652</u>	<u>-</u>	<u>329,720</u>
Business-type activities capital assets, net	<u><u>\$ 867,975</u></u>	<u><u>\$ 3,001,680</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,869,655</u></u>

Depreciation/amortization expense was charged to functions of the governmental and business-type activities as follows:

Governmental activities:	
General government	\$ 69,107
Public safety	276,822
Public works	306,998
Social and economic	49,889
Culture and recreation	<u>228,968</u>
Total depreciation-governmental activities	<u><u>\$ 931,784</u></u>
Business-type activities:	
Solid Waste	<u><u>\$ 11,898</u></u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2025, consisted of the fire fund (\$32,824) owing the wind impact fund \$32,824. The loan was made to cover a cash deficit from current year operations and is expected to be repaid in fiscal year 2026.

Interfund transfers consisted of the following:

	Transfers	Transfers
	In	Out
General	\$ 195,000	\$ -
Fair	571,411	(6,000)
Senior Citizens	786,333	-
Public Safety	769,711	(25,000)
Impact Fees	-	(854,290)
RID 1A	3,113	-
Nonmajor governmental funds	<u>1,185,844</u>	<u>(2,626,122)</u>
	<u><u>\$ 3,511,412</u></u>	<u><u>\$ (3,511,412)</u></u>

Transfers are normal recurring transactions used to fund operations of various governmental activities and future capital improvements in accordance with budgetary authorizations. For the year ended June 30, 2025, the PILT (\$238,873) and Impact fees funds (\$580,807) transferred resources to the Senior Citizens fund to assist in funding the construction of a new senior center.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Leases

Government as Lessee

The government, as a lessee, has entered into a lease agreement involving a postage meter. The total cost of the government's lease assets are recorded as \$8,994, less accumulated amortization of \$8,566. The future lease payments under lease agreements are as follows:

Year ending June 30,	Governmental Activities			Total
	Principal	Interest		
2026	\$ 1,806	\$ 127		\$ 1,933
2027	1,415	36		1,451
	\$ 3,221	\$ 163		\$ 3,384

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2025
Motor grader-2019 (1), (2)	\$ 200,000	6.5 yrs	5.00%	\$ 16,712
Motor grader-2021 (1), (2)	200,000	7 yr	5.00%	102,886
Motor grader-2025 (1), (2)	300,000	7 yr	5.00%	300,000
Mid-Rivers through Rural Development (2)	1,000,000	10 yr	0.00%	600,000
				\$ 1,019,598

(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			Total
	Principal	Interest		
2026	\$ 181,480	\$ 19,748		201,228
2027	167,337	16,065		183,402
2028	170,037	12,664		182,701
2029	157,667	9,155		166,822
2030	145,103	6,593		151,696
2031-2032	197,974	6,190		204,164
	\$ 1,019,598	\$ 70,415		\$ 1,090,013

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, 2025 are \$3,965,000.

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, 2025 are \$2,646,704.

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			Total
	Principal	Interest		
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	488,844	155,907	644,751	
2031-2035	2,227,794	466,646	2,694,440	
2036-2040	321,557	222,508	544,065	
2041-2045	359,556	184,509	544,065	
2046-2050	401,884	142,181	544,065	
2051-2055	449,198	94,867	544,065	
2056-2060	502,070	41,995	544,065	
2061	<u>67,162</u>	<u>1,512</u>	<u>68,674</u>	
	<u><u>\$ 6,611,704</u></u>	<u><u>\$ 2,107,490</u></u>	<u><u>\$ 8,719,194</u></u>	

During the fiscal year 2025, the government issued a \$950,000 solid waste system revenue bond through the Montana Board of Investments with a term of seven years. The interest rate is 5.0%. Revenue bonds currently outstanding as of June 30, 2025 are \$950,000.

The revenue bond includes a provision that interest is adjusted each February 1st, up to a maximum of 15 percent.

Violation of Finance-related Legal or Contractual Provisions

As of June 30, 2025, the government was not in compliance with the provisions of the 2025 Solid Waste revenue bond covenants that require assets to be accumulated in restricted accounts for the payment of future debt service.

The significant provisions of the covenants are as follows:

Debt Service Account Each month the county shall set aside and credit to the debt service account an amount not less than one-sixth of the principal and interest due within the next six months.

Reserve Account The county shall establish a reserve account equal to 10% of the principal amount advanced or one year's debt service, whichever is less.

As of January 14, 2026, the government has not corrected this deficiency.

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

Year ending June 30,	Business-type Activities			Total
	Principal	Interest		
2026	\$ 113,924	\$ 46,079	\$ 160,003	
2027	120,550	40,301	160,851	
2028	127,562	34,187	161,749	
2029	134,887	27,801	162,688	
2030	142,827	20,877	163,704	
2031-2032	<u>310,250</u>	<u>19,601</u>	<u>329,851</u>	
	<u><u>\$ 950,000</u></u>	<u><u>\$ 188,846</u></u>	<u><u>\$ 1,138,846</u></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, 2025 are \$183,962.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Year ending June 30,	Governmental Activities			Total
	Principal	Interest		
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	4,846	4,114	8,960	
2031-2035	26,111	18,689	44,800	
2036-2040	29,559	15,241	44,800	
2041-2045	33,481	11,319	44,800	
2046-2050	37,911	6,889	44,800	
2051-2054	33,841	1,931	35,772	
	\$ 183,962	\$ 75,810	\$ 259,772	

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Restatement	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Governmental activities:						
General obligation bonds	\$ 7,024,882	\$ -	\$ -	\$ (413,178)	\$ 6,611,704	\$ 424,262
Bond premium	130,585	-	-	(13,059)	117,526	-
Special assessment bonds	188,242	-	-	(4,280)	183,962	4,388
Total bonds payable	7,343,709	-	-	(430,517)	6,913,192	428,650
Leases	14,689	-	-	(11,468)	3,221	1,806
Notes from direct borrowings	880,883	-	300,000	(161,285)	1,019,598	181,480
Compensated absences	464,686	135,015	20,483	-	620,184	521,384
Governmental activity long-term liabilities	\$ 8,703,967	\$ 135,015	\$ 320,483	\$ (603,270)	\$ 8,556,195	\$ 1,133,320
Business-type activities:						
Revenue bonds	\$ -	\$ -	\$ 950,000	\$ -	\$ 950,000	\$ 113,924

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, \$5,379 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 paid from the fund where the employees' wages are charged.

In accordance with GASB Statement No. 101, the change in the compensated absences liability presented above is a net increase.

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, 2025, 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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

\$608,796 reported as a landfill closure and postclosure care liability as of the year ended June 30, 2025, represents the cumulative amount reported to date based on the use of 72.4 percent of the estimated capacity of the site. The government will recognize the remaining estimated cost of closure and postclosure care of \$1,100,867 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, 2025. 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, 2025, \$1,737,927 had been set aside for this purpose. The amount set aside is restricted and reported in the financial statements 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, 2025:

<u>Balance</u>			<u>Balance</u>
<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>
<u>\$ 579,772</u>	<u>\$ 29,024</u>	<u>\$ -</u>	<u>\$ 608,796</u>

Restatement of Beginning Net Position and Fund Balance

In fiscal year 2025, the government adopted the provisions of GASB Statement No. 101, Compensated Absences, which is effective for fiscal years beginning after December 15, 2023. The adoption of Statement No. 101 represents a change in accounting principle under GASB Statement No. 100, Accounting Changes and Error Corrections, and was applied retrospectively to all periods presented in the financial statements, resulting in a restatement of beginning net position. The effect of adopting the provisions of GASB Statement No. 101 are shown in column A of the table below.

Effective for the fiscal year ended June 30, 2025, the government's Fair and Senior Citizens funds are reported as a major governmental fund. In the prior year, these funds were reported as a nonmajor governmental funds. The change in presentation is the result of the Fair and Senior Citizens funds meeting the quantitative criteria for major fund reporting as established by GASB Statement No. 34, as amended. The beginning fund balance for the Fair and Senior Citizens funds have been restated as if the funds had been reported as major funds at the beginning of the reporting period. The effects of those changes to or within the financial reporting entity are shown in column B of the table below.

Effective for the year ended June 30, 2025, the government's Bridge and PILT funds no longer met the criteria for major fund reporting and are now included in the aggregate nonmajor funds column. The beginning fund balance of the Bridge and PILT funds have been reclassified to nonmajor funds as of July 1, 2024. This change was due to the Bridge and PILT funds not meeting the quantitative thresholds for major funds under GASB Statement No. 34, as amended. The beginning fund balance for the Bridge and PILT funds have been restated as if the funds had been reported as nonmajor funds at the beginning of the reporting period. The effects of those changes to or within the financial reporting entity are shown in column B of the table below.

In fiscal year 2025, the government identified an error in the recognition of the Total Other Postemployment Benefit (OPEB) liability in the prior fiscal year. The error resulted in an overstatement of the Total OPEB liability. The correction of this error has been applied retroactively, resulting in a restatement of beginning net position. The effect of correcting that error is shown in column C of the table below.

	<u>June 30, 2024</u>	<u>Implementation</u>	<u>Change to or</u>				
	<u>As Previously</u>	<u>of GASBs</u>	<u>Within the Financial</u>	<u>Error</u>			
	<u>Reported</u>	<u>No. 101 (A)</u>	<u>Reporting Entity (B)</u>	<u>Correction (C)</u>			
Government-wide:							
Governmental activities	<u>\$ 17,429,465</u>	<u>\$ (135,015)</u>	<u>\$ -</u>	<u>\$ 184,851</u>	<u>\$ 17,479,301</u>		
Governmental funds:							
Major funds:							
Fair	\$ -	\$ -	\$ 12,018	\$ -	\$ 12,018		
Bridge	(88,027)	-	88,027	-	-		
Senior Citizens	-	-	9,772	-	9,772		
PILT	1,016,262	-	(1,016,262)	-	-		
Nonmajor funds	<u>1,562,665</u>	<u>\$ -</u>	<u>906,445</u>	<u>\$ -</u>	<u>2,469,110</u>		
Total governmental funds	<u>\$ 2,490,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,490,900</u>		

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION

Risk Management

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

Interlocal Agreements

The City of Miles City maintains the accounting records for agreements related to the operation of the library, central dispatch, animal control, 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, 2025, the County contributed approximately \$342,500 to the City for these services.

Commitments and Contingencies

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.

At year-end, the government had commitments outstanding, in the form of contracts of approximately \$2,881,000, primarily for construction projects.

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, 2025, the government abated property taxes totaling \$676,177 for qualifying businesses and individuals.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service. Plan members hired prior to July 1, 2023, are eligible to retire with 20 years of membership service, regardless of age. Plan members hired on or after July 1, 2023, are eligible to retire at age 50 with 20 years of membership service. Retirement benefits are determined as 2.5% of the member's highest average compensation (HAC) multiplied by years of service credit.

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

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

rehire date. The member does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA on the initial retirement benefit in January immediately following second retirement, and on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

Member and Employer Contributions

Public Employees' Retirement System

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

Employers contributed 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, 2025, the government recorded a liability of \$3,625,874 (PERS) and \$1,000,095 (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, 2025	
	PERS	SRS
Employer proportionate share	\$ 3,625,874	\$ 1,000,095
State of Montana proportionate share associated with employer	941,348	-
Total	\$ 4,567,222	\$ 1,000,095

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 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, 2023, through June 30, 2024, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2025, the government's proportion was .1483 and .8154 percent for PERS and SRS, respectively.

For the year ended June 30, 2025, the government recognized \$262,179 (PERS) and \$232,296 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$50,448 (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 \$312,627 and \$232,296 for PERS and SRS, respectively.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2025, 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	\$ 183,232	\$ -	\$ 173,621	\$ -
Changes in actuarial assumptions	-	-	32,381	8,963
Difference between projected and actual investment earnings	-	80,630	-	35,722
Changes in proportion and differences between actual and expected contributions	-	23,501	-	45,527
Employer contributions subsequent to measurement date	<u>272,100</u>	<u>-</u>	<u>126,102</u>	<u>-</u>
	<u><u>\$ 455,332</u></u>	<u><u>\$ 104,131</u></u>	<u><u>\$ 332,104</u></u>	<u><u>\$ 90,212</u></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, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2026	\$ (46,324)	\$ 57,521
2027	216,833	97,398
2028	(56,683)	(23,959)
2029	(34,725)	(15,170)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2024 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, 2024, 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%	
		<u>100.0%</u>	

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 2128. 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.

Sheriffs' 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	\$ 5,285,738	\$ 3,625,874	\$ 2,233,997
Net pension liability-SRS	1,796,960	1,000,095	351,558

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, 2024, 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 351 employers that have participants in the PERS-DCRP totaled \$1,345,278.

Postemployment Benefits Other Than Pensions

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 postemployment 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 benefit terms require that eligible retirees cover 100 percent of the health insurance premiums.

Employees Covered by Benefit Terms. As of June 30, 2025, 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	<u>71</u>
	<u><u>73</u></u>

Total OPEB Liability

The total OPEB liability of \$462,178 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025.

CUSTER COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Valuation date	June 30, 2025
Actuarial cost method	Entry age normal funding
Salary increases	3.50%
Discount rate	4.93% (based on the 20 year municipal bond index)
Healthcare costs trend rates	8.04% for 2025, decreasing each year to an ultimate rate of 4.1% for 2073 and years later
Participation	40% of future retirees are assumed to elect medical coverage
Mortality	For PERS and SRS: RP 2024 Healthy Combined Mortality Table projected to 2024 using Scale BB.

Changes in the total OPEB liability were as follows:

Service cost	\$ 101,678
Interest on the total OPEB liability	26,341
Differences in experience	(54,360)
Changes of assumptions	(5,044)
Benefits payments	<u>(39,052)</u>
Net change in total OPEB liability	29,563
Total OPEB liability - beginning of year	617,466
Prior period adjustment	<u>(184,851)</u>
Total OPEB liability - end of year	<u>\$ 462,178</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 4.93%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.93%) or 1.00% higher (5.93%) than the current rate.

	1% Decrease (3.93%)	Current Discount Rate (4.93%)	1% Increase (5.93%)
Total OPEB liability	\$ 481,222	\$ 462,178	\$ 442,651

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 (6.5% decreasing to 2.8%) or 1-percentage-point higher (8.5% decreasing to 4.8%) than the current healthcare cost trend rates:

	1% Decrease (7.04% decreasing to 3.10%)	Healthcare Cost Trend Rates (8.04% decreasing to 4.10%)	1% Increase (9.04% decreasing to 5.10%)
Total OPEB liability	\$ 427,076	\$ 462,178	\$ 502,565

Future Implementation of GASB Pronouncements

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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires: (1) certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, (2) intangible assets to be disclosed separately by major class and, (3) requires additional disclosures for capital assets held for sale. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are 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, 2025

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 1,857,009	\$ 1,857,009	\$ 1,916,397	\$ -	\$ 1,916,397
Fees and fines	64,700	64,700	98,217	-	98,217
Licenses and permits	-	-	1,600	-	1,600
Intergovernmental	634,573	634,573	429,777	269,014	698,791
Charges for services	173,280	173,280	234,014	-	234,014
Investment earnings	55,000	55,000	150,237	-	150,237
Miscellaneous	273,150	273,150	52,000	-	52,000
Total revenues	3,057,712	3,057,712	2,882,242	269,014	3,151,256
EXPENDITURES					
Current:					
General government	2,325,668	2,325,668	2,172,375	24,194	2,196,569
Public safety	77,863	77,863	(123,441)	222,383	98,942
Public works	150,000	150,000	150,000	12,395	162,395
Public health	386,820	386,820	330,529	631	331,160
Social and economic services	27,000	27,000	11,233	6,043	17,276
Culture and recreation	-	-	37,936	3,368	41,304
Housing and community development	9,500	9,500	9,434	-	9,434
Debt service:					
Principal	161,041	161,041	149,897	-	149,897
Interest and other charges	47,773	47,773	60,850	-	60,850
Capital outlay	491,000	491,000	317,823	-	317,823
Total expenditures	3,676,665	3,676,665	3,116,636	269,014	3,385,650
Excess (deficiency) of revenues over expenditures	(618,953)	(618,953)	(234,394)	-	(234,394)
OTHER FINANCING SOURCES					
Transfers in	527,648	527,648	195,000	-	195,000
Total other financing sources	527,648	527,648	195,000	-	195,000
Net change in fund balance	\$ (91,305)	\$ (91,305)	(39,394)	-	(39,394)
Fund balance - beginning			144,171	-	144,171
Fund balance - ending			\$ 104,777	\$ -	\$ 104,777

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fair Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 367,219	\$ 367,219	\$ 371,286
Intergovernmental	370,000	370,000	-
Charges for services	2,000	2,000	3,265
Investment earnings	-	-	227
Miscellaneous	84,100	84,100	116,857
Total revenues	823,319	823,319	491,635
EXPENDITURES:			
Current:			
Culture and recreation	410,071	410,071	427,511
Debt service:			
Principal	-	-	4,874
Interest and other charges	-	-	244
Capital outlay	1,019,081	1,019,081	658,218
Total expenditures	1,429,152	1,429,152	1,090,847
Excess (deficiency) of revenues over expenditures	(605,833)	(605,833)	(599,212)
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	-	-	17,934
Transfers in	600,000	600,000	571,411
Transfers out	(5,000)	(5,000)	(6,000)
Total other financing sources (uses)	595,000	595,000	583,345
Net change in fund balance	\$ (10,833)	\$ (10,833)	(15,867)
Fund balance - beginning			-
Prior period adjustments			<u>12,018</u>
Fund balance (deficit) - ending			\$ (3,849)

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Senior Citizens Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>			Actual Amounts	
	Original	Final	Original		
	Final	Original			
REVENUES					
Taxes/assessments	\$ 276,787	\$ 276,787	\$ 278,744		
Intergovernmental	51,040	51,040	806,761		
Charges for services	40,000	40,000	46,839		
Miscellaneous	7,500	7,500	5,162		
Total revenues	<u>375,327</u>	<u>375,327</u>	<u>1,137,506</u>		
EXPENDITURES					
Current:					
Public works	-	-	1,500		
Social and economic services	413,085	413,085	370,305		
Capital outlay	2,799,250	2,799,250	1,572,730		
Total expenditures	<u>3,212,335</u>	<u>3,212,335</u>	<u>1,944,535</u>		
Excess (deficiency) of revenues over expenditures	(2,837,008)	(2,837,008)	(807,029)		
OTHER FINANCING SOURCES					
Insurance recoveries	-	-	33,347		
Transfers in	2,820,986	2,820,986	786,333		
Total other financing sources	<u>2,820,986</u>	<u>2,820,986</u>	<u>819,680</u>		
Net change in fund balance	\$ (16,022)	<u>\$ (16,022)</u>	12,651		
Fund balance - beginning				-	
Prior period adjustments				9,772	
Fund balance - ending			<u>\$ 22,423</u>		

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 1,201,501	\$ 1,201,501	\$ 1,216,583
Licenses and permits	1,000	1,000	1,855
Intergovernmental	408,839	408,839	408,607
Charges for services	195,500	195,500	219,851
Investment earnings	-	-	20
Miscellaneous	2,000	2,000	4,427
Total revenues	1,808,840	1,808,840	1,851,343
EXPENDITURES			
Current:			
Public safety	2,393,523	2,438,134	2,537,423
Public health	-	-	2,815
Capital outlay	112,200	112,200	118,448
Total expenditures	2,505,723	2,550,334	2,658,686
Excess (deficiency) of revenues over expenditures	(696,883)	(741,494)	(807,343)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	-	4,916
Transfers in	659,742	659,742	769,711
Transfers out	(25,000)	(25,000)	(25,000)
Total other financing sources (uses)	634,742	634,742	749,627
Net change in fund balance	\$ (62,141)	\$ (106,752)	(57,716)
Fund balance (deficit) - beginning			(26,998)
Fund balance (deficit) - ending			\$ (84,714)

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Impact Fees Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts
	Original	Final	
REVENUES			
Charges for services	\$ 2,075,000	\$ 2,075,000	\$ 2,075,000
Total revenues	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,075,000</u>
EXPENDITURES			
Current:			
General government	200,000	200,000	217,879
Capital outlay	-	-	75,000
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>292,879</u>
Excess (deficiency) of revenues over expenditures	<u>1,875,000</u>	<u>1,875,000</u>	<u>1,782,121</u>
OTHER FINANCING USES			
Transfers out	(3,214,627)	(3,214,627)	(854,290)
Total other financing uses	<u>(3,214,627)</u>	<u>(3,214,627)</u>	<u>(854,290)</u>
Net change in fund balance	<u>\$ (1,339,627)</u>	<u>\$ (1,339,627)</u>	927,831
Fund balance - beginning			<u>2,075,000</u>
Fund balance - ending			<u>\$ 3,002,831</u>

CUSTER COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LATCF Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts
	Original	Final	
OTHER FINANCING USES			
Transfers out	(1,066,563)	(1,066,563)	-
Total other financing uses	<u>(1,066,563)</u>	<u>(1,066,563)</u>	-
Net change in fund balance	<u><u>\$ (1,066,563)</u></u>	<u><u>\$ (1,066,563)</u></u>	-
Fund balance - beginning			<u><u>1,066,564</u></u>
Fund balance - ending			<u><u>\$ 1,066,564</u></u>

CUSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2025

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 Public Safety (\$108,352) and Commissary (\$22,855) funds were overspent for the year ended June 30, 2025.

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		State of Montana's proportionate share of the net pension liability		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	
		associated with the employer	Total	associated with the employer	Total				
2025	0.1483%	\$ 3,625,874	\$ 941,348	\$ 4,567,222	\$ 2,888,678	125.52%	74.77%		
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	1,052,444	4,581,317	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%		

Sheriffs' Retirement System									
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability		State of Montana's proportionate share of the net pension liability		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	
		associated with the employer	Total	associated with the employer	Total				
2025	0.8154%	\$ 1,000,095	\$ -	\$ 1,000,095	\$ 904,662	110.55%	82.12%		
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%		

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
			Year	Amount			
2025	\$	272,100	\$	272,100	\$ -	2,999,990	9.07%
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%

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
			Year	Amount			
2025	\$	126,102	\$	126,102	\$ -	961,650	13.11%
2024		120,218		120,218		904,662	13.29%
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%

CUSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2025

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, 2025

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.

2024:

Employer contribution rate:

- Beginning July 1, 2024, contribution rates are actuarially determined based on the funding valuation one year prior.

CUSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2025

Changes in actuarial assumptions and methods

Method and assumptions used in calculations of actuarially determined contributions:

<u>PERS and SRS</u>	
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
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 POSTEMPLOYMENT
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 432,615	\$ 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	432,615	580,559	546,638	482,555	441,261	508,811	510,324	427,785
Service cost	101,678	111,410	66,585	54,063	66,230	70,636	68,355	65,829
Interest cost	26,341	30,031	24,652	12,181	12,840	20,281	22,396	19,498
Differences in experience	(54,360)	(249,931)	-	32,369	-	-	-	26,869
Change in assumptions	(5,044)	2,311	(18,592)	(2,014)	(10,336)	(128,738)	(11,058)	-
Benefit payments	(39,052)	(41,765)	(38,724)	(32,516)	(27,440)	(29,729)	(34,677)	(29,657)
Total OPEB liability - end of year	<u>\$ 462,178</u>	<u>\$ 432,615</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	\$ 3,675,808	\$ 3,278,844	\$ 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	12.57%	13.19%	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.

4.93% 4.02% 4.02% 2.27% 2.53% 3.50% 3.87% 3.87%

Differences in experience measure the expected versus actual claims experience.

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

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

OTHER SUPPLEMENTARY INFORMATION

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

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, 2024	Receipts	Expenditures	Balance June 30, 2025	Amount Provided to Subrecipients
U.S. Department of Transportation:								
Passed through the Montana Department of Transportation:								
Cash Assistance:								
Formula Grants for Rural Areas and Tribal Transit Program (1)	20.509	113097	\$ 141,802	\$ (4,898)	\$ 4,898	\$ -	\$ -	\$ -
Formula Grants for Rural Areas and Tribal Transit Program	20.509	113065	381,172	(69,440)	69,440	-	-	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	113371	337,527	-	260,791	334,518	(73,727)	-
Subtotal				(74,338)	335,129	334,518	(73,727)	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated.	20.608	113631	3,100	-	2,817	2,817	-	-
Subtotal				-	2,817	2,817	-	-
State and Community Highway Safety	20.600	113631	1,900	-	1,684	1,684	-	-
Subtotal				-	1,684	1,684	-	-
Noncash Assistance:								
Formula Grants for Buses and Bus Facilities Program	20.526	113553	19,417	-	19,417	19,417	-	-
Subtotal				-	19,417	19,417	-	-
Total U.S. Department of Transportation				(74,338)	359,047	358,436	(73,727)	-
U.S. Department of Justice:								
Passed through the Montana Board of Crime Control:								
Crime Victim Assistance	16.575	24-V01-1699	69,676	-	28,976	39,226	(10,250)	-
Crime Victim Assistance	16.575	24-01-1700	69,676	(7,856)	7,856	-	-	-
Subtotal				(7,856)	36,832	39,226	(10,250)	-
Passed through the Eastern Montana Drug Task Force:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2025-03-14	110,258	-	58,089	64,103	(6,014)	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23-G01-1344	110,930	(5,276)	5,276	-	-	-
Subtotal				(5,276)	63,365	64,103	(6,014)	-
Total U.S. Department of Justice				(13,132)	100,197	103,329	(16,264)	-
U.S. Department of Homeland Security:								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Homeland Security Grant Program	97.067	EMW-2023-SS-00059	135,000	-	135,000	135,000	-	-
Homeland Security Grant Program	97.067	EMW-2024-SS-05128	232,000	-	139,200	139,200	-	-
Subtotal				-	274,200	274,200	-	-
Hazard Mitigation Grant Program (1)	97.039	DR-4508-2R	324,975	-	-	5,015	(5,015)	-
Subtotal				-	-	5,015	(5,015)	-
Emergency Management Performance Grants	97.042	EMD-2023-EP-00005	48,950	(7,814)	7,814	-	-	-
Emergency Management Performance Grants	97.042	EMD-2024-EP-05003	39,450	-	36,646	39,450	(2,804)	-
Subtotal				(7,814)	44,460	39,450	(2,804)	-
Total U.S. Department of Homeland Security				(7,814)	318,660	318,665	(7,819)	-
U.S. Department of Health and Human Services:								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services								
Block Grant to the States	93.994	24-25-5-01-009-0	10,076	-	6,046	6,046	-	6,046
Maternal and Child Health Services								
Block Grant to the States	93.994	25-25-5-001-009-0	9,919	-	3,968	3,968	-	3,968
Subtotal				-	10,014	10,014	-	10,014
Immunization Cooperative Agreements (1)	93.268	25-07-4-31-109-0	65,676	-	51,024	51,024	-	51,024
Immunization Cooperative Agreements	93.268	24-07-4-31-109-0	5,791	-	2,107	2,107	-	2,107
Subtotal				-	53,131	53,131	-	53,131
Block Grants for Community Mental Health Services	93.958	23-101-74105-0	100,000	-	1,446	1,446	-	1,446
Subtotal				-	1,446	1,446	-	1,446
Block Grants for Prevention and Treatment of Substance Abuse	93.959	23-101-74105-0	85,000	-	1,230	1,230	-	1,230
Subtotal				-	1,230	1,230	-	1,230
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	25-07-3-01-004-0	16,659	-	15,955	15,955	-	15,955
Subtotal				-	15,955	15,955	-	15,955

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

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, 2024	Receipts	Expenditures	Balance June 30, 2025	Amount Provided to Subrecipients
Public Health Emergency Preparedness	93.069	25-07-6-11-014-0	35,925	-	35,895	35,895	-	35,895
Subtotal				-	35,895	35,895	-	35,895
Foster Care Title IV-E	93.658	21-03-8-09-000-3	11,517	(1,652)	5,809	4,509	(352)	-
Subtotal				(1,652)	5,809	4,509	(352)	-
CDC's Collaboration with Academia to Strengthen Public Health	93.967	24-07-1-01-161-0	10,000	-	2,500	2,500	-	2,500
CDC's Collaboration with Academia to Strengthen Public Health	93.967	25-07-1-01-109-0	97,000	-	96,857	96,857	-	96,857
Subtotal				-	99,357	99,357	-	99,357
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	2025-001-02	6,971	-	1,883	2,312	(429)	-
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2025-001-02	2,285	-	1,750	1,750	-	-
Subtotal				-	3,633	4,062	(429)	-
Title III, Part C-Nutrition Services	93.045	2024-001-02	35,671	(5,219)	5,219	-	-	-
Title III, Part C-Nutrition Services (1)	93.045	2024-001-02	52,428	(8,284)	8,284	-	-	-
Title III, Part C-Nutrition Services	93.045	2024-001-02	26,462	-	9,750	22,022	(12,272)	-
Title III, Part C-Nutrition Services	93.045	2025-001-02	27,609	-	19,068	21,253	(2,185)	-
Subtotal				(13,503)	42,321	43,275	(14,457)	-
Aging Cluster Subtotal				(13,503)	45,954	47,337	(14,886)	-
Total U.S. Department of Health and Human Services				(15,155)	268,791	268,874	(15,238)	217,028
U.S. Department of the Interior:								
Direct Programs:								
BLM CA Fuels Management and Community Fire Assistance Activities	15.228	L24AC00637-00	247,500	-	149,659	149,659	-	-
BLM CA Fuels Management and Community Fire Assistance Activities	15.228	L19AC00181-03	316,269	(5,225)	5,225	-	-	-
Subtotal				(5,225)	154,884	149,659	-	-
Total U.S. Department of the Interior				(5,225)	154,884	149,659	-	-
U.S. Department of Agriculture:								
Direct Programs:								
Schools and Roads - Grants to Counties	10.666	N/A	5,576	-	5,576	5,576	-	-
Subtotal				-	5,576	5,576	-	-
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	LSR-25-001	190,000	-	20,883	20,883	-	-
Cooperative Forestry Assistance	10.664	VFC-25-090	14,000	-	14,000	14,000	-	-
Subtotal				-	34,883	34,883	-	-
Total U.S. Department of Agriculture				-	40,459	40,459	-	-
U.S. Department of Housing and Urban Development:								
Passed through the Montana Department of Commerce:								
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii (1)	14.228	MT-CDBG-CF-22-04	750,000	-	735,000	750,000	(15,000)	-
Total U.S. Department of Housing and Urban Development				-	735,000	750,000	(15,000)	-

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

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, 2024	Receipts	Expenditures	Balance June 30, 2025	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	(54,034)	66,769	12,735	-	-
Total U.S. Environmental Protection Agency				(54,034)	66,769	12,735	-	-
<u>U.S. Department of Commerce:</u>								
Direct Program:								
Economic Adjustment Assistance	11.307	05-79-06107	380,000	(100,799)	380,000	279,201	-	-
Total U.S. Department of Commerce				(100,799)	380,000	279,201	-	-
<u>U.S. Department of the Treasury:</u>								
Direct Program:								
Local Assistance and Tribal Consistency Fund Subtotal	21.032	N/A	1,066,564	1,066,564	-	-	1,066,564	-
				1,066,564	-	-	1,066,564	-
Direct Program:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	N/A	2,214,706	34,595	-	34,595	-	-
Passed through the Montana Department of Natural Resources and Conservation:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	AM-23-0221	150,000	-	145,000	145,000	-	-
Total U.S. Department of the Treasury				34,595	145,000	179,595	-	-
Total Federal Awards				<u>\$ 830,662</u>	<u>\$ 2,568,807</u>	<u>\$ 2,460,953</u>	<u>\$ 938,516</u>	<u>\$ 217,028</u>

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2025. 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 minimis 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, 2025 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, 2025, 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 14, 2026. The report included an explanatory paragraph to describe changes 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.

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 2025-001 through 2025-005 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 accompanying schedule of findings and questioned costs as items 2025-006 and 2025-007 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 2025-008 through 2025-010.

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

The Government's Response to Findings

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

Purpose of this Report

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

O'Ness & Associates, PC

Billings, Montana
January 14, 2026

OLNESS & ASSOCIATES, P. C.

CURTIS D. WYSS, CPA

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

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Custer County, Montana's (the government) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2025. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing No. 97.067, Homeland Security Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 97.067, Homeland Security Grant Program for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on Assistance Listing No. 97.067, Homeland Security Grant Program

As described in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding Assistance Listing No. 97.067, Homeland Security Grant Program as described in finding number 2025-011 for Grant Terms and Conditions.

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

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.

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over compliance. Accordingly, no such opinion is expressed.

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

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 2025-010. Our opinion on each 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.

The government is responsible for preparing a corrective action plan to address each audit finding in our auditor's report. The government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-011 to be a material weakness.

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.

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

The government is responsible for preparing a corrective action plan to address each audit finding in our auditor's report. The government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Olness & Associates, PC

Billings, Montana
January 14, 2026

CUSTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

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:

Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii - unmodified
Homeland Security Grant Program - qualified

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

Major programs:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
97.067	Homeland Security Grant Program

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

2025-001. 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, 2025

2025-002. 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 prepare its own financial statements in accordance with generally accepted accounting principles (GAAP). The government uses the auditor to prepare its 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.

2025-003. YEAR-END INVENTORY NOT CONDUCTED

Criteria: Periodic physical inventories provide a basis for updating inventory balances and aid in detecting significant inventory shortages.

Condition: The road/bridge departments did not conduct a year-end inventory of materials and supplies.

Cause: Unknown.

Effect: The audit opinion is qualified.

Recommendation: We recommend that materials and supplies inventory be counted at year-end, accurate dollar costs assigned and the general ledger updated.

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

2025-004. PAYROLL PROCESSING AND WAGE BASE RECONCILIATION

Criteria: Federal and state law requires employers to file quarterly payroll reports to report income, withholdings and provide information that documents employment status and earnings by covered insurance classification. In addition, 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: 1 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 is set up properly, accurate and consistent across the system.

Condition: 2 The county failed to make a timely Federal Form 941 deposit for the quarter ended June 30, 2024. As a result the county was assessed penalties and interest on the shortage of nearly \$9,000.

Condition: 3 The county included the elected County Attorney's wage in the calculation of unemployment taxes for the quarter ended March 31, 2025. The result was overreported state unemployment wages of \$29,282.

Condition: 4 The County underreported the wages for worker's compensation for the quarter ended December 31, 2024 by approximately \$186,000 resulting in an underpayment of worker's compensation premiums.

Cause: Insufficient internal controls and oversight within the payroll department.

Effect: Without strong internal controls and oversight within the payroll department and regular wage base 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.

CUSTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

Recommendation: A system should be developed that will ensure county payroll is processed accurately and in a timely manner. This system should include an independent review of monthly payroll, quarterly payroll reports and verifying that payroll deposits are made timely. Additionally, 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.

2025-005. 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 tax levy requirements schedule reserve accounts should be limited to one-third of budgeted appropriations (MCA 7-6-4034).
2. Total fund expenditures should be at or below budgeted expenditures for the year (MCA 7-6-4005).
3. Budget amendments should be made for authorized purposes in accordance with Section 7-6-4006(3), MCA.
4. The general ledger should be updated for budget amendment resolutions.
5. The permissive health levy should be determined by multiplying the average annual contribution for each employee at the beginning of the fiscal year times the number of employees eligible at that time (MCA 2-18-703).

Condition 1: Two funds on the tax levy requirements schedule had budgeted reserves in excess of one-third of appropriations.

Condition 2: The public safety and commissary funds were overspent.

Condition 3: Numerous funds were amended for additional purchases. This is contrary to Section 7-6-4006(3), MCA.

Condition 4: Custer County Commission Budget Resolution 2025-13 was not posted to the general ledger.

Condition 5: The permissive medical levy was calculated by including open positions, resulting in an overlevy of approximately \$56,500.

Cause: Insufficient review and monitoring of budget development and accounting procedures and general unfamiliarity with Montana budgeting statutes. Further, budget amendments should only be made for items allowed under Section 7-6-4006(3), MCA.

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.

2025-006. 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 the subsequent 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

CUSTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

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.

2025-007. COUNTY FAIR

Criteria: Strong internal control and oversight requires management be provided with timely and accurate revenue reports and ticket reconciliations for all fair activities and a formal accounting of fair startup funds.

Condition: During our audit of the county's fair event revenues, we noted that the newly implemented event revenue tracking software (Saffire) was not effectively utilized to record and reconcile all event-related receipts. Further, a formal accounting of the fair start up funds was not provided to the county commission and fair board.

Cause: The county did not mandate the use of the event revenue tracking software and those using the software were insufficiently trained and prepared for its implementation. Additionally, procedures were not in place to provide reconciliations between the event tracking software, manual records, and bank deposits.

Effect: The risk of errors or irregularities increases when there is a lack of consistency in fair revenue recording and reconciliation processes and when a full accounting of fair startup funds is not prepared. Additionally, lack of reporting consistency of fair revenues increases risks of financial impropriety and decreases the ability to provide meaningful accounting and financial reporting.

Recommendation: We recommend that the county review its fair revenue accounting procedures and implement a sound and consistent methodology. All fair personnel should have adequate training with any software used and should be trained on the importance of complete and accurate revenue recognition and reconciliation. Management should monitor compliance with these procedures to strengthen their effectiveness. Further, the fair manager should provide timely revenue reports, ticket reconciliations and accounting of fair start up funds to the county commission and fair board at the conclusion of the fair.

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

2025-008. NONCOMPLIANCE WITH GRANT TERMS AND CONDITIONS; HOMELAND SECURITY GRANT PROGRAM, AL No. 97.067, GRANT No. EMS-2023-SS-00059, YEAR ENDED JUNE 30, 2025

Criteria: Per Article XV of the grant contract, the county is subject to the non-procurement debarment and suspension regulations implementing Executive Orders (E.O.) 12549 and 12689. These regulations restrict federal financial assistance awards, subawards, and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Condition: The county did not verify that all program recipients/participants were not suspended, debarred, or otherwise excluded from participation in the program in accordance with Article XV of the grant contract

Cause: The county does not have a system in place that will allow full compliance with all grant terms and conditions.

Effect: Non-compliance with program terms and conditions.

Recommendation: Management should develop procedures that will provide reasonable assurance that procurement of goods and services are made in compliance with applicable federal regulations and other procurement requirements specific to a federal award or subaward. The county should obtain the required certifications in order to verify that program recipients/participants were not suspended, debarred, or otherwise excluded from participation in the program.

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

CUSTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

2025-009. BOND COVENANTS

Criteria: The bond indenture agreement for the 2025 solid waste revenue bond requires debt service and reserve accounts be established. The debt service account requirement stipulates that each month, the county shall set aside and credit to the debt service account an amount not less than one-sixth of the principal and interest due within the next six months. The reserve account requirement stipulates that the county shall establish a reserve account equal to 10% of the principal amount advanced or one year's debt service, whichever is less.

Condition: As of June 30, 2025, the required debt service and reserve accounts had not been established.

Cause: Management was unaware of the requirements.

Effect: Noncompliance with the bond indenture agreement.

Recommendation: The county should establish and maintain the required debt service and reserve accounts.

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

2025-010. 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: The fiscal year 2023 reporting package and data collection form was not submitted to the Federal Audit Clearinghouse until November 27, 2024.

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).

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

U.S. DEPARTMENT OF HOMELAND SECURITY:

2025-011. HOMELAND SECURITY GRANT PROGRAM, AL No. 97.067, GRANT No. EMS-2023-SS-00059

Finding 2025-008 applies to this federal award program.

CUSTER COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2025

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2025-001 for the year ended June 30, 2025.

2024-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2025-002 for the year ended June 30, 2025.

2024-003. TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY NOT RECORDED

Status: This finding has been resolved.

2024-004. RECONCILE THE PAYROLL WAGE BASES

Status: This finding is unresolved and is repeated as finding 2025-004 for the year ended June 30, 2025.

2024-005. SOLID WASTE ACCOUNTS RECEIVABLE

Status: This finding has been resolved.

2024-006. DETENTION COMMISSARY ACCOUNT

Status: This finding is unresolved and is repeated as finding 2025-006 for the year ended June 30, 2025.

2024-007. EXCESS VACATION LEAVE

Status: This finding has been resolved.

2024-008. BUDGETS

Status: This finding is unresolved and is repeated as finding 2025-005 for the year ended June 30, 2025.

2024-009. SINGLE AUDIT REPORTING PACKAGE

Status: This finding is unresolved and is repeated as finding 2025-010 for the year ended June 30, 2025.

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

None

CUSTER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2025

FINDINGS - FINANCIAL STATEMENT AUDIT

2025-001. 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: Ongoing

2025-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: County Commissioners

Corrective Action: Although the county will continue having the auditors prepare the financial statements, management will accept responsibility for the preparation and fair presentation of the financial statements and related internal controls, and will review and approve the financial statements prepared by the auditor to ensure their accuracy and completeness.

Proposed Completion Date: Ongoing

2025-003. YEAR-END INVENTORY NOT CONDUCTED

Name of contact person: County Commissioners

Corrective Action: The Commission will educate affected departments that the materials and supplies inventory is to be completed at year-end and ensure accurate dollar costs are assigned (purchase price rather than value), then update the general ledger with this information.

Proposed Completion Date: Fiscal year 2026

2025-004. PAYROLL PROCESSING AND WAGE BASE RECONCILIATION

Name of contact person: County Commissioners

Corrective Action: The Commission is working with the Payroll Clerk to implement a procedure that will be used to reconcile payroll each period. Another procedure that will be implemented is to train an additional employee to process payroll. The cross training will provide an opportunity for review and redundancy to ensure uninterrupted payroll processing. The Payroll Clerk will report to the Commission regularly to ensure compliance.

Proposed Completion Date: Fiscal year 2026

2025-005. BUDGETS

Name of contact person: County Commissioners

Corrective Action: The Commission will work with the Budget Manager to accurately reflect the revenue sources for all budget amendments. Further, year-end expenditure cutoff processes will be established as well as budget versus actual expenditure monitoring.

Proposed Completion Date: Fiscal year 2026

CUSTER COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2025

2025-006. 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 2026

2025-007. COUNTY FAIR

Name of contact person: County Commissioners and Fair Board

Corrective Action: The Commission will work with the new Fair Event Manager to establish policy and procedures for utilizing event revenue tracking software (Saffire) effectively and provide financial reporting to the Fair Board and Commissioners.

Proposed Completion Date: Policies and Procedures will be in place for the next Fair in August of 2026

2025-008. NONCOMPLIANCE WITH GRANT TERMS AND CONDITIONS; HOMELAND SECURITY GRANT PROGRAM, AL No. 97.067, GRANT No. EMS-2023-SS-00059, YEAR ENDED JUNE 30, 2025

Name of contact person: County Commissioners

Corrective Action: As a general practice, the Commission will require all contractors and vendors to supply proof of suspension and debarment review prior to work contracts being finalized for all projects.

Proposed Completion Date: Immediately

2025-009. BOND COVENANTS

Name of contact person: County Commissioners

Corrective Action: The Commission will work with the Budget Manager to establish debt service and reserve accounts for the Solid Waste Enterprise Fund.

Proposed Completion Date: Fiscal year 2026

2025-010. 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

FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

U.S DEPARTMENT OF HOMELAND SECURITY:

2025-011. HOMELAND SECURITY GRANT PROGRAM, AL No. 97.067, GRANT No. EMS-2023-SS-00059, YEAR ENDED JUNE 30, 2025

Finding 2025-008 applies to this federal award program.