CARBON COUNTY
RED LODGE, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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CARBON COUNTY

ORGANIZATION

June 30, 2015

BOARD OF COUNTY COMMISSIONERS

John Prinkki	Presiding Officer
Douglas Tucker	Commissioner
John Grewell	Commissioner

ELECTED OFFICIALS

Marcia Henigman	Clerk and Recorder
Jane Swanson-Webb	County Treasurer/Superintendent
Josh McQuillan	County Sheriff/Coroner
Alex Nixon	County Attorney
Rochelle Loyning	Clerk of District Court
Kevin Nichols	Justice of the Peace

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Carbon County
Red Lodge, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carbon County, Montana (the government) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Management has not recorded the other post employment benefit (OPEB) liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect liabilities, net position and expenses has not been determined.

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, the road fund and the bridge fund.

Qualified Opinions

In our opinion, except for the effects of the matter described in the first paragraph under the heading "Basis for Qualified Opinions" and except for the possible effects of the matter discussed in the second paragraph under the heading "Basis for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the road fund and the bridge fund of the government, as of June 30, 2015, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund (excluding the road and bridge funds) and the aggregate remaining fund information of the government as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2015, 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 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 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.

Olness & Associates, PL

Billings, Montana
November 27, 2015

As financial management of Carbon County, a political subdivision of the state of Montana, we offer readers of the attached Carbon County financial statements this narrative. This discussion and analysis of the financial performance of Carbon County provides an overview of the government's financial activities and financial position for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

- Net position of our governmental activities increased by $790,580 before a prior period adjustment of $4,016,134. The prior period adjustment resulted from recording the beginning of the year net pension liability.
- During the year, our government had expenses that were $885,867 more than the $8,211,639 generated in tax and other general revenues.
- Total cost of all of programs increased $124,362.
- Total governmental revenues were $9,888,086, an increase of less 1% over the prior year, while governmental expenditures increased to $9,097,506, an increase of 1% over the prior year.
- The General fund reported a decrease this year of $57,613 in fund balance.
- There was a General fund budget amendment this year for the annex remodel. Carbon County continues to keep its capital equipment, buildings, roads, and bridges in good condition and up to date. We remain debt free.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements for Carbon County. The Statement of Net Position and the Statement of Activities provide information about the activities of Carbon County as a whole and present a longer-term view of the finances. The fund financial statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements report Carbon County'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 Carbon County acts solely as a trustee or agent for the benefit of those outside the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Carbon County. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements
One of the most important questions asked about Carbon County'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 (page 9) and the Statement of Activities (page 10) report information about Carbon County as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows and 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 (Statement of Net Position and Statement of Activities) report net position and changes in it. You can think of net position – the difference between assets and deferred outflows and 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 is one indicator of whether the County's financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the capital assets (county roads and bridges), to assess the overall health of Carbon County.

The Statement of Net Position and the Statement of Activities, include governmental activities consisting of public safety, public works, culture and recreation, and general administration. Property taxes, local option vehicle taxes, and state and federal grants finance most of these activities.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carbon County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The fund financial statements (pages 11 and 13) provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and/or bond covenants. Also, the Board of County Commissioners 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. Carbon County utilizes the following funds:

Governmental funds – Basic services are reported in governmental funds, which focus on how money flows into and out of these 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 County's 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. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's recent financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Carbon County describes the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations (pages 12 and 14, respectively).

Carbon County maintains individual governmental funds, and adopts an annual appropriated budget for them. The general, road, bridge and public safety funds are all considered to be major funds. Other governmental funds are combined into a single aggregate presentation titled total nonmajor funds. Information for the major funds is reported separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Each of the major funds also reports the revenues and expenditures on a comparative basis with the annually appropriated budget, both original and final, to demonstrate compliance with the budgets. This information is reported as required supplementary information.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties and entities outside the government of Carbon County. Fiduciary funds use the accrual basis of accounting. Carbon County excludes these activities from the other financial statements because we cannot use these assets to finance the County's operations. Carbon County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

NOTES TO BASIC FINANCIAL STATEMENT

The notes provide additional information that is essential to a full understanding of the data and reports presented in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 17 of this report.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, assets and deferred outflows exceeded liabilities and deferred inflows by $12,630,192, as of June 30, 2015.

Net position of our governmental activities increased by $790,580 mainly due to capital grants and contributions. A prior period adjustment of $4,016,134 resulted from recording the beginning of the year net pension liability.

Of the County's total net position ($12,630,192), our net investment in capital assets accounts for $10,793,094 or 85%. Capital assets reflect the County's investments in land, buildings, improvements, infrastructure and machinery and equipment. Carbon County uses these capital assets to provide services to citizens and the community: consequently these assets are not available for future spending.

Unrestricted net position amounted to a deficit balance of $2,789,089. The net position deficit occurred because GASB Statement No.'s 68 and 71 were implemented during fiscal year 2015.

A recap of the County's net position and changes in net position follows:

Carbon County's Net Position

	2015	2014	Change
Current and other assets	$ 6,384,016	$ 6,403,837	$ (19,821)
Capital assets	10,793,094	10,253,736	539,358
Total assets	17,177,110	16,657,573	519,537
Deferred outflows-pensions	263,874	-	263,874
Other liabilities	134,351	243,505	(109,154)
Long-term liabilities	3,618,113	558,322	3,059,791
Total liabilities	3,752,464	801,827	2,950,637
Deferred inflows-pensions	1,192,679	-	1,192,679
Net position:			
Net investment in capital assets	10,793,094	10,253,736	539,358
Restricted	4,626,187	4,430,576	195,611
Unrestricted	(2,789,089)	1,171,434	(3,960,523)
	$ 12,630,192	$ 15,855,746	$ (3,225,554)

Carbon County's Changes in Net Position

	2015	2014	Change
Revenues:			
Program revenues:			
Charges for services	$ 689,659	$ 730,973	$ (41,314)
Operating grants and contributions	677,130	572,260	104,870
Capital grants and contributions	309,658	516,769	(207,111)
General revenues:			
Taxes	5,082,660	4,992,837	89,823
Intergovernmental	2,511,905	2,537,760	(25,855)
Interest	79,701	34,894	44,807
Miscellaneous	81,649	76,499	5,150
Gain on disposal of capital assets	455,724	50,175	405,549
Total revenues	9,888,086	9,512,167	375,919
Expenses:			
General government	2,587,462	2,385,783	201,679
Public safety	2,127,853	2,288,356	(160,503)
Public works	3,550,527	3,493,024	57,503
Public health	214,052	208,971	5,081
Social and economic services	129,940	127,018	2,922
Culture and recreation	356,173	343,163	13,010
Housing and community development	5,564	3,693	1,871
Other current charges	125,935	123,136	2,799
Total expenses	9,097,506	8,973,144	124,362
Change in net position	790,580	539,023	251,557
Net position, beginning	15,855,746	15,316,723	539,023
Prior period adjustments	(4,016,134)	-	(4,016,134)
Net position, ending	$ 12,630,192	$ 15,855,746	$ (3,225,554)

FUND FINANCIAL STATEMENT ANALYSIS

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 funds as major funds, even though they do not meet the qualifying test. To be reported as a major fund, a fund must meet the following criteria:

Total assets, liabilities and deferred inflows, revenues, or expenditures of an individual governmental fund are at least 10 percent of the corresponding element total for all funds.

As of June 30, 2015, Carbon County's governmental funds reported combined fund balances of $6,139,088, an increase of $433,031 from the prior year. $1,337,281 is unassigned. The remaining $4,801,807 is classified as non-spendable, restricted or committed.

The general fund is the primary operating fund of Carbon County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. As of June 30, 2015, the general fund balance was $1,337,281, a decrease from the prior year of $57,613. Available fund balance was used to fund current year operations.

The road fund accounts for resources accumulated and payments made for the maintenance, repair, and construction of county-owned roads. At the end of the fiscal year, the fund balance of the road fund was $1,338,716, an increase of $335,052 over the prior year. Various budgeted projects did not transpire by year-end.

The bridge fund accounts for resources accumulated and payments made for the maintenance, repair and construction of county-owned bridges. At year-end, the bridge fund balance was $669,820, a decrease of $5,209 over the prior year.

The public safety fund accounts for resources accumulated and payments made for providing law enforcement and public safety services. Fund balance of the public safety fund was $933,296, an increase of $108,263 over the prior year.

General Fund Budgetary Highlights.
There was a General fund budget amendment this year for the annex remodel. General fund expenditures were $334,740 less than the amount budgeted. Revenues received were $115,425 more than anticipated. Various capital outlay and contracts for services did not transpire by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
Carbon County's net investment in capital assets as of June 30, 2015 was $10,793,094. This investment in capital assets includes land, buildings/improvements, machinery and equipment, and infrastructure. During fiscal year 2015, significant capital additions included remodel the old Beartooth Clinic (to be used for the new annex), continuation of the Greenough simulcast microwave system, road and sheriff equipment and vehicles and numerous bridge improvements.

Long-term Debt
Compensated absences are a liability of the County for unpaid vacation and sick leave and compensatory time earned at year-end. The amount of 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 amount of this liability on June 30, 2015 was $521,651. Additionally, the net pension liability required by GASB Statement No. 68 was also recorded.

THE GOVERNMENT'S FUTURE

Carbon County's financial status remains solid. Cash reserves for all funds were dropped to 30%. Reserves were set below the maximum level of 33% allowed by state law to finance the Simulcast Communications System and to account for reduced revenues from property taxes, Oil & Gas, and PILT.

Our county-wide taxable valuation for fiscal year 2015 increased by less 0.6% and our rural taxable valuation for road purposes increased by 0.5%. The revenues from our PILT, Federal Mineral Royalties, and Oil & Gas Production programs decreased in total by $73,955 from the previous year. Much of the decrease was attributed to roughly 8% of our PILT payment being delayed until after October 1, 2015. These funds are very valuable to help offset the cost of Search and Rescue Operations and Ambulance services and increase in public safety expenses, salaries/benefits, and road and bridge maintenance and other operating costs. There is always a demand for increased services, while we continue to provide maintenance and upkeep on our existing assets.

In preparation for budget year 2015-2016, we kept our mills at the maximum level allowed by state statue, in order to cover the increasing costs of running a county government. Fund cash reserves were dropped to 30% to help fund the Simulcast Communications System. However, Capital Improvement funds were created for County Buildings, 911 Communications, and Airports so capital improvements can be funded over multiple years rather than relying on fund cash balances to subsidize revenues to finance those projects. As the state and cities continue to cut back on their funding, there is increased pressure for more financial support from the county to keep existing programs functioning and growing. The county cannot fill all of these wants and wishes. The county will prioritize wants and needs, comparing the costs of services we provide with the benefits derived from those services.

We are aware of the state government passing on increased demands to the county governments. Counties have to be fiscally responsible to county taxpayers and protect financial sources and ability to serve the county citizens.

We continue to study bridges and replace as needed and funding allows. In 2016, Carbon County will replace of the East Pryor Road Bridge with a Treasure State Endowment Program (TSEP) grant. In Fiscal Year 2017 our TSEP grant will fund replacement of the Red Lodge Creek Road Bridge and Homestead Road Bridge.

In the summer of 2015, Riverside Construction began the reconstruction of the West Fork Road. This project is funded in large part by a grant from the Western Federal Lands division of the US Highway Department. The reconstruction will widen and realign West Fork Road from Highway 212 to the intersection with Ski Run Road. The project will also address frost heave issues where the road is built over a natural spring.

The Montana Department of Transportation will continue construction on the Red Lodge Northwest Project on Highway 78 and the US 212/310 Realignment project between Rockvale and Laurel. The realignment will impact a number of roads in the County and the Joliet Road Crew has realigned Farewell Road to accommodate increased traffic flow once the new highway is completed. MDT will also be finishing the Red Lodge 8th to Robinson Project introducing the County's first roundabouts.

In cooperation with the State Department of Fish Wildlife and Parks, Carbon County will be rehabilitate pavement on the Boyd Cooney Dam Road.

Carbon County is also working to secure easements on the Railbed Road so the Forest Service can improve the road and increase access to public lands in the Pryor Mountains.

The Mud Springs Wind project is still under construction and working out migratory bird issue with the department of Fish and Wildlife. Carbon County and the Mud Springs Wind Project are still in discussions about what the project impact fee will be. The project will consist of three 80 MW phases located in the Sage Creek valley and a 230 kV transmission line that will continue into Wyoming to connect with an existing PacificCorp transmission line. The project is expected to result in a significant increase of the County's Taxable Valuation.

The Carbon County Planning Board began the update to the Development Regulations in the spring of 2015. The Planning Board will be updating the Regulations to accommodate changes in State law, to ensure the public has notice of large developments before approved, and to minimize impacts to public infrastructure from new developments.

Community Transportation Enhancement Projects (CTEP) for the Roberts Community Foundation for community entrance signs and Beartooth Recreational Trails Association for bike racks are ongoing.

CARBON COUNTY
STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
Cash and equivalents	$ 3,628,917
Investments	2,294,747
Receivables:	
Taxes and assessments	110,577
Governments	160,288
Resort tax	59,884
Inventories	113,603
Prepaids	16,000
Capital assets:	
Land and construction in progress	509,847
Capital assets, net of accumulated depreciation	10,283,247
Total assets	17,177,110
DEFERRED OUTFLOWS OF RESOURCES	
Pension plans	263,874
Total deferred outflows of resources	263,874
LIABILITIES	
Accounts payable-vendors	134,351
Long-term liabilities:	
Due within one year:	
Compensated absences:	114,946
Due in more than one year:	
Compensated absences:	406,705
Net pension liability	2,962,111
Total liabilities	3,618,113
DEFERRED INFLOWS OF RESOURCES	
Pension plans	1,192,679
Total deferred inflows of resources	1,192,679
NET POSITION	
Net investment in capital assets	10,793,094
Restricted for:	
General government	419,305
Public safety	1,215,890
Public works	2,679,802
Public health	34,545
Social and economic	51,819
Culture and recreation	187,242
Housing and community development	3,018
Capital projects	34,566
Unrestricted	(2,789,089)
Total net position	$ 12,630,192

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
General government	$ 2,587,462	$ 216,586	$ 84,035	$ -	$ (2,286,841)
Public safety	2,127,853	107,291	137,555	-	(1,883,007)
Public works	3,550,527	343,699	328,130	309,658	(2,569,040)
Public health	214,052	22,083	119,719	-	(72,250)
Social and economic services	129,940	-	833	-	(129,107)
Culture and recreation	356,173	-	6,858	-	(349,315)
Housing and community development	5,564	-	-	-	(5,564)
Other current charges	125,935	-	-	-	(125,935)
Total	$ 9,097,506	$ 689,659	$ 677,130	$ 309,658	(7,421,059)
General revenues:					
Property taxes					5,082,660
Intergovernmental					2,511,905
Investment earnings					79,701
Miscellaneous					81,649
Gain on disposal of capital assets					455,724
Total general revenues					8,211,639
Change in net position					790,580
Net position - beginning					15,855,746
Prior period adjustments					(4,016,134)
Net position - ending					$ 12,630,192

See notes to basic financial statements.

CARBON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Road	Bridge	Public Safety	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 893,808	$ 747,148	$ 403,911	$ 571,750	$ 1,012,300	$ 3,628,917
Investments	565,200	472,460	255,414	361,546	640,127	2,294,747
Receivables:						
Taxes and assessments	21,545	21,246	12,940	25,871	28,975	110,577
Governments	8,449	-	-	-	151,839	160,288
Resort tax	-	-	-	-	59,884	59,884
Inventories	-	103,108	10,495	-	-	113,603
Prepaid items	-	16,000	-	-	-	16,000
Total assets	$ 1,489,002	$ 1,359,962	$ 682,760	$ 959,167	$ 1,893,125	$ 6,384,016
LIABILITIES						
Accounts payable-vendors	$ 130,176	$ -	$ -	$ -	$ 4,175	$ 134,351
Total liabilities	130,176	-	-	-	4,175	134,351
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes and assessments	21,545	21,246	12,940	25,871	28,975	110,577
Total deferred inflows of resources	21,545	21,246	12,940	25,871	28,975	110,577
FUND BALANCES						
Nonspendable:						
Prepaids	-	16,000	-	-	-	16,000
Inventory	-	103,108	10,495	-	-	113,603
Restricted for:						
General government	-	-	-	-	415,989	415,989
Public safety	-	-	-	933,296	243,992	1,177,288
Public works	-	1,219,608	659,325	-	632,877	2,511,810
Public health	-	-	-	-	33,907	33,907
Social and economic services	-	-	-	-	50,697	50,697
Culture and recreation	-	-	-	-	180,277	180,277
Housing and community development	-	-	-	-	3,018	3,018
Capital projects	-	-	-	-	34,566	34,566
Committed for:						
General government	-	-	-	-	264,652	264,652
Unassigned	1,337,281	-	-	-	-	1,337,281
Total fund balances	1,337,281	1,338,716	669,820	933,296	1,859,975	6,139,088
Total liabilities, deferred inflows resources and fund balances	$ 1,489,002	$ 1,359,962	$ 682,760	$ 959,167	$ 1,893,125	$ 6,384,016

See notes to basic financial statements.

CARBON COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances, governmental funds	$ 6,139,088
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	10,793,094
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	110,577
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	263,874
Deferred inflows of resources related to pensions	(1,192,679)
Some liabilities (such as compensated absences and the net pension liability) are not due and payable in the current period and, therefore, are not reported in the funds.	(3,483,762)
Net position of governmental activities	$ 12,630,192

CARBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Road	Bridge	Public Safety	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes/assessments	$ 1,570,044	$ 1,198,075	$ 623,968	$ 1,247,216	$ 1,049,335	$ 5,688,638
Fines and forfeitures	57,486	-	-	-	6,519	64,005
Licenses and permits	16,660	5,538	-	6,810	-	29,008
Intergovernmental	339,842	318,490	168,830	106,467	2,285,368	3,218,997
Charges for services	198,183	-	-	28,596	107,587	334,366
Investment earnings	42,710	14,702	5,172	10,407	6,533	79,524
Miscellaneous	63,728	3,573	-	3,457	11,068	81,826
Total revenues	2,288,653	1,540,378	797,970	1,402,953	3,466,410	9,496,364
EXPENDITURES						
Current:						
General government	2,169,011	-	-	-	340,445	2,509,456
Public safety	110,449	-	-	1,606,670	338,983	2,056,102
Public works	42,404	1,646,962	833,669	-	469,114	2,992,149
Public health	87,340	-	-	-	126,712	214,052
Social and economic services	43,325	-	-	-	86,011	129,336
Culture and recreation	133	-	-	-	345,393	345,526
Housing and community development	-	-	-	-	5,564	5,564
Other current charges	125,935	-	-	-	-	125,935
Capital outlay	411,858	355,944	29,962	85,493	328,502	1,211,759
Total expenditures	2,990,455	2,002,906	863,631	1,692,163	2,040,724	9,589,879
Excess (deficiency) of revenues over expenditures	(701,802)	(462,528)	(65,661)	(289,210)	1,425,686	(93,515)
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	-	-	-	73,817	-	73,817
Sale of capital assets	449,705	3,024	-	-	-	452,729
Transfers in	194,484	794,556	60,452	323,656	283,425	1,656,573
Transfers out	-	-	-	-	(1,656,573)	(1,656,573)
Total other financing sources (uses)	644,189	797,580	60,452	397,473	(1,373,148)	526,546
Net change in fund balances	(57,613)	335,052	(5,209)	108,263	52,538	433,031
Fund balances - beginning	1,394,894	1,003,664	675,029	825,033	1,807,437	5,706,057
Fund balances - ending	$ 1,337,281	$ 1,338,716	$ 669,820	$ 933,296	$ 1,859,975	$ 6,139,088

See notes to basic financial statements.

CARBON 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, 2015

Net change in fund balances - total governmental funds	$ 433,031
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which capital outlay ($1,211,759) exceeded depreciation ($888,845) in the current period.	322,914
The net effect of various transactions involving capital assets (i.e., sales, donations, insurance and trade-ins) is to increase net position.	216,444
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.	(343,698)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	125,218
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 the governmental funds:	
Compensated absences	36,671
Change in net position of governmental activities	$ 790,580

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 6,097,801	$ 1,115,258
Investments	3,855,947	-
Taxes and assessments receivable	-	343,024
Total assets	9,953,748	$ 1,458,282
LIABILITIES		
Accounts payable	-	$ 137,967
Due to special districts	-	877,973
Due to state	-	82,793
Due to schools	-	190,051
Due to cities/towns	-	169,498
Total liabilities	-	$ 1,458,282
NET POSITION		
Held in trust for external investment pool participants	$ 9,953,748	

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2015

	External Investment Trust Fund
ADDITIONS	
Contributions	$ 6,987,585
Investment earnings:	
Interest	49,815
Total net investment earnings	49,815
Total additions	7,037,400
DEDUCTIONS	
Distributions to participants	7,432,538
Total deductions	7,432,538
Change in net assets	(395,138)
Net position - beginning	10,348,886
Net position - ending	$ 9,953,748

See notes to basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions also are addressed.

The government adopted the provisions of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This Statement establishes standards for the amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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 (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary funds are excluded from the government-wide financial statements.

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

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The government reports the following major governmental funds:

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

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

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The bridge fund accounts for resources accumulated from property taxes, grants and state entitlement and payments made for the maintenance, repair and construction of county-owned bridges.

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

Additionally, the government reports the following fund types:

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

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 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. 59 percent 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 classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. 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.

Investments in the pool are reported at cost, which approximates fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. 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.

Receivables

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

Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Infrastructure	30
Building and improvements	15-155
Machinery and equipment	5-39

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Outflows/Inflows of Resources

The government reports decreases in net position that relate to a future period(s) as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources are related to government's pension plans and consist of differences between expected and actual results, changes in actuarial assumptions, differences between actual and expected contributions and contributions made to the pension plans subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The government's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the government's statement of net position for actual pension plan investment earnings in excess of the expected amounts and differences between actual and expected contributions included in determining pension expense. In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

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

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

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

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

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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

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

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

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

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

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

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

The governing body has by resolution authorized the Commissioner's administrative assistant and/or Board of County Commissioners to assign fund balance. There was no assigned fund balance in the general fund.

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

Use of Estimates

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

NOTE 2. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	$ 5,923,664
Fiduciary funds	11,069,006
	$ 16,992,670

Total carrying value of cash, cash equivalents and investments as of June 30, 2015, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	$ 2,500	$ -	$ 2,500
Cash in banks:			
Demand deposits	8,729,618	-	8,729,618
Time deposits	-	4,900,694	4,900,694
Savings deposits	262,021	-	262,021
Brokers:			
U.S. Government securities	-	1,250,000	1,250,000
Repurchase agreement	322,454	-	322,454
Short-term Investment Program (STIP)	1,525,383	-	1,525,383
	$ 10,841,976	$ 6,150,694	$ 16,992,670

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, 2015, $9,322,789 of the government's bank balance of $14,731,424 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	$ 9,322,789

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, 2015, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2015 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value (1)	% of Total
U.S. Government securities	.7-1.00%	Various	$ 1,250,000	$ 1,250,000	$ 1,247,218	20.32%
Time deposits	.4-2.20%	Various	4,900,694	4,900,694	4,887,750	79.68%
				$ 6,150,694	$ 6,134,968	

(1) A fair value adjustment is not reflected in the financial statements.

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

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. 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	Fair
	1	2	3	Amount	Value
U.S. Government securities	$ 500,000	$ -	$ 750,000	$ 1,250,000	$ 1,247,218
Repurchase agreement	-	-	322,454	322,454	322,454
	$ 500,000	$ -	$ 1,072,454	1,572,454	1,569,672
Uncategorized:					
STIP				1,525,383	1,525,383
				$ 3,097,837	$ 3,095,055

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2015:

	Internal	External	Total
Net position - beginning of year	$ 5,730,505	$ 10,348,886	$ 16,079,391
Contributions from participants	4,733,732	6,987,585	11,721,317
Investment earnings	38,850	49,815	88,665
Distributions to participants	(3,464,165)	(7,432,538)	(10,896,703)
Net position - end of year	$ 7,038,922	$ 9,953,748	$ 16,992,670

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated				
Land	$ 180,577	$ -	$ (7,260)	$ 173,317
Construction-in-progress	479,799	301,432	(444,701)	336,530
Total capital assets, not being depreciated	660,376	301,432	(451,961)	509,847
Capital assets, being depreciated				
Buildings/improvements	3,720,335	548,635	(210,488)	4,058,482
Machinery and equipment	7,577,527	1,211,089	(338,136)	8,450,480
Infrastructure	4,071,788	-	-	4,071,788
Total capital assets, being depreciated	15,369,650	1,759,724	(548,624)	16,580,750
Less accumulated depreciation for:				
Buildings/improvements	(1,009,434)	(105,072)	90,705	(1,023,801)
Machinery and equipment	(4,114,460)	(647,812)	276,927	(4,485,345)
Infrastructure	(652,396)	(135,961)	-	(788,357)
Total accumulated depreciation	(5,776,290)	(888,845)	367,632	(6,297,503)
Total capital assets, being depreciated, net	9,593,360	870,879	(180,992)	10,283,247
Capital assets, net	$ 10,253,736	$ 1,172,311	$ (632,953)	$ 10,793,094

Depreciation expense was charged as follows:

General government	$ 111,807
Public safety	149,403
Public works	615,864
Social and economic services	1,578
Culture and recreation	10,193
Total depreciation	$ 888,845

Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
General	$ 194,484	$ -	$ 194,484
Road	794,556	-	794,556
Bridge	60,452	-	60,452
Public Safety	323,656	-	323,656
Nonmajor governmental funds	283,425	(1,656,573)	(1,373,148)
	$ 1,656,573	$ (1,656,573)	$ -

Transfers are made to fund operations of various governmental activities and to fund future capital improvements.

Operating Leases

The government leases phone equipment under a non-cancelable operating lease. Total rental expenses for operating leases were

$18,292 for the year ended June 30, 2015. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year	
2015	$ 18,292
2016	18,292

Long-Term Debt

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	$ 558,322	$ -	$ (36,671)	$ 521,651	$ 114,946

Compensated absences are generally liquidated from the fund in which the employee is paid.

NOTE 3. 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 a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from recording the beginning net pension liability under GASB Statement No.'s 68 and 71.

Jointly Governed Organization

The County participates with the City of Red Lodge and the Town of Bridger in a Joint Airport. The organization is authorized by Part 2, Chapter 10, Title 67, MCA. The Airport Board consists of seven members; three from the City and Town; three from the County and one appointed by the Airport Board

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately $190,000, primarily for construction projects and equipment.

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

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

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, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at mpera.mt.gov.

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, the greater of (a) 1/56 of the member's highest average compensation (HAC) multiplied by years of service credit or (b) the actuarial equivalent of double the member's regular contributions and interest plus the actuarial equivalent of any additional contributions plus interest or 2) if 25 years of membership service or more, the greater of (a) 2% of HAC multiplied by years of service credit or (b) calculation in 1)(b) above.

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, the greater of (a) 1.5% of the member's HAC multiplied by years of service credit or (b) the actuarial equivalent of double the member's regular contributions and interest plus the actuarial equivalent of any additional contributions plus interest 2) if between 10 and 30 years of membership service, the greater of (a) 1/56 of HAC multiplied by years of service credit or (b) calculation in 1)(b) above or 3) if 30 years of membership service or more, the greater of (a) 2% of HAC multiplied by years of service credit or (b) calculation in 1)(b) above.

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 under age 60 with 25 years of membership service. Benefits are calculated as follows: 1) members who retire prior to October 1, 2011, the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service with the exception that the benefit must be reduced by a factor resulting from multiplying 0.5% (for first 5 years from service retirement eligibility) and by 0.3% (for six to 10 years from service retirement eligibility) by the number of months by which the retirement date precedes the date at which the member would have attained age 60 or completed 30 years of membership service or 2) members who retire on or after October 1, 2011, the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service with the exception that the benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. The benefit is the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 65 with the exception that the benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

5 years of membership service is required for disability eligibility. Disability benefits are determined as follows: 1) if hired on or before February 24, 1991 and an election was not made, the greater of (a) 90% of 1/56 of HAC multiplied by years of service credit or (b) 25% of HAC, 2) if hired after February 24, 1991 and prior to July 1, 2011 (a) less than 25 years of membership service: 1/56 of HAC multiplied by years of service credit or (b) at least 25 years of membership service: 2% of HAC multiplied by years of service credit or 3) if hired on or after July 1, 2011 (a) if less than 10 years of membership service: 1.5% of HAC multiplied by years of service credit, (b) if between 10 and 30 years of membership service: 1/56 of HAC multiplied by years of service credit or (c) if 30 years of membership service or more: 2% of HAC multiplied by years of service credit.

Death benefits equal the sum of 1) accumulated contributions plus 2) monthly compensation multiplied by the lesser of years of service credit or six, plus 3) interest until the benefit is paid. However, the survivor of an inactive member who was inactive for more than six months will receive only accumulated contributions and interest from the date of death until payment is made. A survivor may elect to receive the payment as a non-increasing annuity that is the actuarial equivalent of the amount of benefit the member would have received.

For members hired prior to July 1, 2011, the survivorship benefit payable to an active vested member's survivor is the actuarial equivalent of the member's accrued retirement benefit at the time of death or, if the member dies prior to age 50 or 25 years of membership service, the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 50. For members hired on or after July 1, 2011, the survivorship benefit payable to an active vested member's survivor is the actuarial equivalent of the member's accrued retirement benefit at the time of death, or if the member dies prior to age 55, the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 55.

A member who leaves service may withdraw contributions made. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit is forfeited.

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to a maximum of 1.5% for each year PERS is funded at or above 90%, with the 1.5% reduced by 0.1% for each 2% PERS is funded below 90% and 0% whenever the amortization period for PERS is 40 years or more.

Sheriff's Retirement System (SRS)
SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5 percent of the member's highest average compensation (HAC) multiplied by years of service credit. For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on 110% annual cap on compensation. Members age 50 with 5 years of membership service are eligible for early retirement. Retirement benefits are determined using HAC and years of service credit at early retirement, reduced to the actuarial equivalent.

5 years of membership service is required for a non-duty disability and any membership service for a duty-related disability. Disability benefits for a non-duty-related disability are calculated as the actuarial equivalent of the accrued normal retirement benefit available at the time of disability or for a duty-related disability (a) if less than 20 years of membership service: 50% of HAC, or (b) if 20 years or more of membership service: 2.5% of HAC multiplied by years of service credit.

The non-duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit equal to 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. The duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit to the designated beneficiary equal to the greater of (a) 50% of HAC or (b) 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. A beneficiary may elect to receive the present value of the benefit as a single lump sum. For retired members without a contingent annuitant, a payment will be made to the designated beneficiary equal to the accumulated contributions reduced by any retirement benefits already paid.

A member who leaves service may withdraw contributions made. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit is forfeited.

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to a maximum of 1.5% for members hired on or after July 1, 2007 and 3% for members hired prior to July 1, 2007.

Member and Employer Contributions

Public Employees Retirement System
All members contribute 7.9% of their compensation. This is a temporary 1% increase for members hired prior to July 1, 2011 and remains the same for members hired on or after July 1, 2011. 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 and remain below 25 years following the termination of the 1% additional member contribution rate. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 7.9% of each member's compensation. This was temporarily increased from 6.9% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions terminates 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. Effective July 1, 2013, contributions are also made to the system from the Coal Tax Fund. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System (SRS)
Members contribute 9.245% 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 10.115% of each member's compensation. The rate increased from 9.535% to 9.825% on July 1, 2007 and to 10.115% on July 1, 2009. These increased contributions as of 2009 of 0.58% will terminate if an actuarial valuation shows that the period required to amortize the system's unfunded liabilities is less than 25 years, and that the termination of those increases would not cause the amortization to increase beyond 25 years.

Beginning July 1, 2013, employers of retirees who return to work in a position working less than 480 hours contribute 10.115% of the working retiree's compensation.

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

At June 30, 2015, the government recorded a liability of $2,606,889 (PERS) and $355,222 (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, 2014 PERS	SRS
Employer proportionate share	$ 2,606,889	$ 355,222
State of Montana proportionate share associated with employer	31,834	-
Total	$ 2,638,723	$ 355,222

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2013, through June 30, 2014, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2014, the government's proportion was .2092 and .8535 percent for PERS and SRS, respectively.

For the year ended June 30, 2015, the government recognized $117,467 (PERS) and $19,847 (SRS for its proportionate share of the pension expense. The government also recognized grant revenue of $73,712 (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 $191,179 and 19,847 for PERS and SRS, respectively.

At June 30, 2015, 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 experience	$ -	$ -	$ -	$ -
Changes in assumptions	-	-	-	362,458
Net difference between projected and actual earnings on pension plan investments	-	673,577	-	156,558
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	1,342	86	-	-
District contributions subsequent to measurement date	203,695	-	58,837	-
	$ 205,037	$ 673,663	$ 58,837	$ 519,016

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, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	PERS			SRS		
Year Ended June 30:	Deferred Outflows of Resources	Deferred Inlows of Resources	Increase (Decrease) to Pension Expense	Deferred Outflows of Resources	Deferred Inlows of Resources	Increase (Decrease) to Pension Expense
2016	$ 447	$ 168,423	$ (167,976)	$ -	$ 99,549	$ (99,549)
2017	447	168,423	(167,976)	-	99,549	(99,549)
2018	448	168,424	(167,976)	-	99,549	(99,549)
2019	-	168,393	(168,393)	-	99,549	(99,549)
2020	-		-	-	60,410	(60,410)
Thereafter	-	-	-	-	60,410	(60,410)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2014 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	7.75%	7.75%
Salary increases	4.00%	4.00%
Inflation	3.00%	3.00%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables with adjustments for mortality improvements based on Scale AA.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the SRS and PERS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS' and SRS' target asset allocation as of June 30, 2014, and are summarized in the following table:

	PERS		SRS	
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.0%	-0.25%	2.0%	-0.25%
Domestic equity	36.0%	4.80%	36.0%	4.80%
Foreign equity	18.0%	6.05%	18.0%	6.05%
Fixed income	24.0%	1.68%	24.0%	1.68%
Private equity	12.0%	8.50%	12.0%	8.50%
Real estate	8.0%	4.50%	8.0%	4.50%
	100.0%		100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.75%. 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 coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. 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 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Sheriff's Retirement System (SRS)

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability-PERS	$ 4,147,291	$ 2,606,889	$ 1,307,711
Net pension liability-SRS	747,617	355,222	31,376

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 77, Tax Abatement Disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP).

GASB Statement No. 75 - Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts				
	Original	Final	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Taxes/assessments	$ 1,497,613	$ 1,497,613	$ 1,570,044	$ -	$ 1,570,044
Fines and forfeitures	70,100	70,100	57,486	-	57,486
Licenses and permits	14,500	14,500	16,660	-	16,660
Intergovernmental	271,210	271,210	266,130	73,712	339,842
Charges for services	186,093	186,093	198,183	-	198,183
Investment earnings	30,000	30,000	42,710	-	42,710
Miscellaneous	30,000	30,000	63,728	-	63,728
Total revenues	2,099,516	2,099,516	2,214,941	73,712	2,288,653
EXPENDITURES					
Current:					
General government	2,314,825	2,314,825	2,133,202	35,809	2,169,011
Public safety	133,345	133,345	100,616	9,833	110,449
Public works	20,000	20,000	15,300	27,104	42,404
Public health	87,821	87,821	87,340	-	87,340
Social and economic services	50,492	50,492	42,492	833	43,325
Culture and recreation	-	-	-	133	133
Other current charges	142,000	142,000	125,935	-	125,935
Capital outlay	462,000	503,000	411,858	-	411,858
Total expenditures	3,210,483	3,251,483	2,916,743	73,712	2,990,455
Excess (deficiency) of revenues over expenditures	(1,110,967)	(1,151,967)	(701,802)	-	(701,802)
OTHER FINANCING SOURCES					
Sale of capital assets	451,750	451,750	449,705	-	449,705
Transfers in	244,484	285,484	194,484	-	194,484
Total other financing sources	696,234	737,234	644,189	-	644,189
Net change in fund balance	$ (414,733)	$ (414,733)	(57,613)	-	(57,613)
Fund balance - beginning			1,394,894	-	1,394,894
Fund balance - ending			$ 1,337,281	$ -	$ 1,337,281

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,183,021	$ 1,183,021	$ 1,198,075
Licenses and permits	1,000	1,000	5,538
Intergovernmental	319,415	319,415	318,490
Charges for services	300	300	-
Investment earnings	4,200	4,200	14,702
Miscellaneous	12,000	12,000	3,573
Total revenues	1,519,936	1,519,936	1,540,378
EXPENDITURES			
Current:			
Public works	1,954,850	1,966,850	1,646,962
Capital outlay	392,000	470,000	355,944
Total expenditures	2,346,850	2,436,850	2,002,906
Excess (deficiency) of revenues over expenditures	(826,914)	(916,914)	(462,528)
OTHER FINANCING SOURCES			
Sale of capital assets	-	-	3,024
Transfers in	704,556	794,556	794,556
Total other financing sources	704,556	704,556	797,580
Net change in fund balance	$ (122,358)	$ (212,358)	335,052
Fund balance - beginning			1,003,664
Fund balance - ending			$ 1,338,716

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Bridge Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 618,457	$ 618,457	$ 623,968
Intergovernmental	39,636	184,272	168,830
Charges for services	1,000	1,000	-
Investment earnings	-	-	5,172
Miscellaneous	500	500	-
Total revenues	659,593	804,229	797,970
EXPENDITURES			
Current:			
Public works	1,022,550	1,022,550	833,669
Capital outlay	-	32,000	29,962
Total expenditures	1,022,550	1,054,550	863,631
Excess (deficiency) of revenues over expenditures	(362,957)	(250,321)	(65,661)
OTHER FINANCING SOURCES			
Transfers in	60,452	60,452	60,452
Total other financing sources	60,452	60,452	60,452
Net change in fund balance	$ (302,505)	$ (189,869)	(5,209)
Fund balance - beginning			675,029
Fund balance - ending			$ 669,820

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,235,951	$ 1,235,951	$ 1,247,216
Licenses and permits	6,000	6,000	6,810
Intergovernmental	104,972	104,972	106,467
Charges for services	55,041	55,041	28,596
Investment earnings	-	-	10,407
Miscellaneous	11,000	81,898	3,457
Total revenues	1,412,964	1,483,862	1,402,953
EXPENDITURES			
Current:			
Public safety	1,829,455	1,829,455	1,606,670
Capital outlay	91,800	162,698	85,493
Total expenditures	1,921,255	1,992,153	1,692,163
Excess (deficiency) of revenues over expenditures	(508,291)	(508,291)	(289,210)
OTHER FINANCING SOURCES			
Insurance recoveries	-	-	73,817
Transfers in	323,656	323,656	323,656
Total other financing sources	323,656	323,656	397,473
Net change in fund balance	$ (184,635)	$ (184,635)	108,263
Fund balance - beginning			825,033
Fund balance - ending			$ 933,296

See notes to required supplementary information-budgetary comparison information.

BUDGETARY 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.

The differences between budget and GAAP revenues and expenditures are due to recording the on-behalf state support revenue and expenditures for PERS.

CARBON COUNTY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES AND SHERIFF RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30, 2015

Public Employees Retirement System:	2015
Contractually required contributions	$ 203,695
Contributions in relation to the contractually required contributions	203,695
Contribution deficiency (excess)	$ -
Employer's covered-employee payroll	$ 2,383,462
Contributions as a percentage of covered-employee payroll	8.55%

Sheriff Retirement System:	2015
Contractually required contributions	$ 58,837
Contributions in relation to the contractually required contributions	58,837
Contribution deficiency (excess)	$ -
Employer's covered-employee payroll	$ 581,680
Contributions as a percentage of covered-employee payroll	10.12%

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

See notes to required supplementary information-pension plan information.

CARBON COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES AND SHERIFF RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30, 2015

Public Employees Retirement System:	2015
Employer's proportion of the net pension liability	0.2092%
Employer's proportionate share of the net pension liability associated with the employer	$ 2,606,889
State of Montana's proportionate share of the net pension liability associated with the employer	31,834
Total	$ 2,638,723
Employer's covered-employee payroll	$ 2,368,353
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.07%
Plan fiduciary net position as a percentage of the total pension liability	79.90%

Sheriff Retirement System:	2015
Employer's proportion of the net pension liability	0.8535%
Employer's proportionate share of the net pension liability associated with the employer	$ 355,222
State of Montana's proportionate share of the net pension liability associated with the employer	-
Total	$ 355,222
Employer's covered-employee payroll	$ 552,013
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.35%
Plan fiduciary net position as a percentage of the total pension liability	87.20%

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

See notes to required supplementary information-pension plan information.

Changes of assumptions: There were no changes in assumptions for PERS and SRS.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

	PERS	SRS
Acturial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	30 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Inflation	3.25%	3.25%
Salary increases	4%	4%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation	7.75%, net of pension plan investment expense and including inflation

OLNESS & ASSOCIATES, P. C.

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CERTIFIED PUBLIC ACCOUNTANTS

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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
Carbon County
Red Lodge, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carbon County, Montana (the government) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated November 27, 2015. The report included explanatory paragraphs to describe changes in accounting principles. Also, the report on the governmental activities and the road and bridge funds was qualified because we did not observe year-end inventory counts and the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities. Additionally, the report on the governmental activities was qualified because management has not recorded the other post employment benefit (OPEB) liability and related expense.

<u>Internal Control over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) to determine the 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, 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 responses to be material weaknesses. (Findings 2015-001 through 2015-004)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. (Findings 2015-005 and 006)

<u>Compliance and Other Matters</u>

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 determination of financial statement amounts. 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 responses as items 2015-005 and 2015-006.

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

The Government's Response to Findings

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

Purpose of this Report

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

Olness & Associates, PC

Billings, Montana
November 27, 2015

2015-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements. The government ensures the quality of its financial statements by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements.

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

Effect: It is common within the governmental sector to rely the on 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: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

Response: Carbon County employees and management have the necessary qualifications and training to fulfill their assigned daily functions, but do not have the skills and knowledge to apply Generally Accepted Accounting Principles (GAAP) in relation to the preparation of the financial statement. The cost verses the benefits of hiring qualified staff to prepare GAAP financial statements and footnote disclosures is not cost effective. The County does not have the money or space for such a staff; our resources are limited.

2015-002. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the other post employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2015.

Effect: The governmental activities liabilities are understated, net position is overstated and total expenses would change.

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

Response: Carbon County talked to two actuarial firms in 2010 regarding an actuarial valuation for the OPEB-GASB No. 45. The quotes we received were $3,500, $5,000-$15,000. The Commissioners decided that the amount of liability Carbon County would incur from this valuation and the expense involved in determining that liability, would not be worth the cost and not reflect true accuracy.

2015-003. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Response: Segregation of duties is an area that Carbon County is continually trying to improve on. Accounts Payable, Payroll, and Tax Reconciliation are segregated. Management will continue to monitor this area and implement effective controls.

2015-004. TIME CLOCK SYSTEM

Criteria: Using the time clock system to account for hours actually worked would strengthen internal control.

Condition: The County purchased a web-based payroll time clock system during 2015. All departments, except for the Treasurer's office, have pre-determined hours entered into the system and are not required to log in and out of the system. The Treasurer office employees log in and out to account for their daily hours.

Cause: Unknown.

Effect: The purpose of having a time clock is defeated if employees are not required to log in and out.

Recommendation: All departments should use the log in and out feature of the web based time clock system. We believe that requiring employees to log in and out of the time clock system would increase the County's control over payroll costs and provide accurate accounting of time worked.

Response: Time-segments must be approved by both the employee and their manager before they are sent to payroll for processing. Commissioners believe this process provides sufficient internal controls for accurate time reporting. The system will altered so that all time segments reflect the "in" and "out" time.

2015-005. COMPETITIVE BIDDING

Criteria: Section 7-5-2301, MCA, specifies a contract for any purchase in excess of $80,000 may not be entered into by a county governing body without first publishing a notice calling for bids.

Condition: The County contracted for paving work amounting to $228,187 without going through the formal bid process.

Cause: Unknown

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of $80,000 should be formally advertised for bid in accordance with Section 7-5-2301, MCA.

Response: At the time of the paving, Carbon County was operating three separate road districts each under the supervision of individual Commissioners. In September of 2014, Commissioners hired a Road Superintendent to oversee the operations of all three road districts and facilitate projects. The Road Superintendent will ensure future projects go through the proper bidding process.

2015-006. STATE PREVAILING WAGE RATES

Criteria: Per Section 18-2-422, MCA, all public works contracts and the bid specifications for those contracts must contain (1) a provision stating for each job classification the standard prevailing wage rate, including fringe benefits, that the contractors and employers shall pay during construction of the project; (2) a provision requiring each contractor and employer to maintain payroll records in a manner readily capable of being certified for submission to the Department of Labor & Industry for not less than 3 years after the contractor's or employer's completion of work on the project; and (3) a provision requiring each contractor to post a statement of all wages and fringe benefits.

Condition: The bids and/or contract for the Red Lodge airport pavement maintenance project did not contain the required state prevailing wage rate language.

Cause: Unknown

Effect: Failure to include these provisions in a public works contract relieves the contractor from the obligation to pay the standard prevailing wage rate and places the obligation on the public contracting agency. (MCA 18-2-403(9); ARM 24.17.144)

Recommendation: All public works contracts and the bid specifications for those contracts should contain the provisions that will satisfy the requirements of the Montana Prevailing Wage statutes.

Response: The notice for bid was copied from an old notice that did not include the state prevailing wage rate language. A new template for Airport asphalt bid projects has been prepared and put on record to be used in the future.

CARBON COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS		STATUS
2014-001.	FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2014-002.	OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED
2014-003.	SEGREGATION OF DUTIES	CONTINUED DISCLOSURE

CARBON COUNTY'S RESPONSE TO AUDIT FINDINGS
FINANCIAL STATEMENT AUDIT FOR YEAR ENDED JUNE 30, 2015

2015-01 FINANCIAL STATEMENT PREPARATION

Carbon County employees and management have the necessary qualifications and training to fulfill their assigned daily functions, but do not have the skills and knowledge to apply Generally Accepted Accounting Principles (GAAP) in relation to the preparation of the financial statement.

The cost verses the benefits of hiring qualified staff to prepare GAAP financial statements and footnote disclosures is not cost effective. The County does not have the money or space for such a staff; our resources are limited.

Administrative Assistant

2015-02 OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Carbon County talked to two actuarial firms in 2010 regarding "Actuarial Valuation of OPEB for GASB 45". The quotes we received were $3500, $5000-$15000. The Commissioners decided that the amount of liability Carbon County would incur from this valuation and the expense involved in determining that liability, would not be worth the cost and not reflect true accuracy.

County Commissioners

2015-03 SEGREGATION OF DUTIES

Segregation of duties is an area that Carbon County is continually trying to improve on. Accounts Payable, Payroll, and Tax Reconciliation are segregated. Management will continue to monitor this area and implement effective controls.

Administrative Assistant

2015-04 TIME CLOCK SYSTEM

Time-segments must be approved by both the employee and their manager before they are sent to payroll for processing. Commissioners believe this process provides sufficient internal controls for accurate time reporting. The system will altered so that all time segments reflect the "in" and "out" time.

County Commissioners

2015-05 COMPETITIVE BIDDING

At the time of the paving, Carbon County was operating three separate road districts each under the supervision of individual Commissioners. In September of 2014 Commissioners hired a Road Superintendent in to oversee the operations of all three road districts and facilitate projects. The Road Superintendent will ensure future projects go through the proper bidding process.

County Commissioners

2015-06 STATE PREVAILING WAGE RATES

The notice for bid was coped from an old notice that did not include the state prevailing wage rate language. A new template for Airport asphalt bid projects has been prepared and put on record to be used in the future.

County Commissioners