

**CARBON COUNTY
RED LODGE, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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CARBON COUNTY

ORGANIZATION

June 30, 2009

BOARD OF COUNTY COMMISSIONERS

David Davidson	Board Chairman
Douglas Tucker	Commissioner
John Prinkki	Commissioner

ELECTED OFFICIALS

Linda Ladvala	Clerk and Recorder
Jane Swanson-Webb	County Treasurer
Thomas Rieger	County Sheriff/Coroner
Alex Nixon	County Attorney
Jerry Scott	County Superintendent
Rochelle Loyning	Clerk of District Court
Johnny Seiffert	Justice of the Peace

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

ERNEST J. OLNESS, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2009, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which inventory was recorded in the governmental activities and the road and bridge funds, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the road and bridge funds of the government, as of June 30, 2009, 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.

In addition, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Olness & Associates, PC

December 30, 2009

CARBON COUNTY MANAGEMENT'S DISCUSSION & ANALYSIS

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, 2009. We encourage readers to consider the information presented here in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

- Net assets of our governmental activities increased by \$931,264, or nearly 8 percent.
- During the year, our government had expenses that were \$452,113 more than the \$6,847,254 generated in tax and other revenues for governmental programs.
- Total cost of all of programs increased \$580,726.
- The General fund reported a decrease this year of \$268,806 in its fund balance.
- Total governmental revenues were \$8,246,004, an increase of 19% over the prior year, while governmental expenditures increased to \$7,250,445, an increase of 4% over the prior year.
- There were no General fund budget amendments this year. 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 of Carbon County. The Statement of Net Assets 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. For governmental activities, fund 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 Assets and the Statement of Activities (pages 8 and 9) 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 liabilities 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 Assets and Statement of Activities) report the net assets and changes in them. You can think of net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in net assets 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 Assets 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 10 and 12) 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:

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental funds – Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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 Assets and the Statement of Activities) and governmental funds in reconciliations (pages 11 and 13, respectively).

Carbon County maintains individual governmental funds, and adopts an annual appropriated budget for them. The general, road, bridge, public safety, oil & natural gas production tax, and PILT funds are all considered to be major funds. Other governmental funds are combined into a single aggregate presentation titled other governmental 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.

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 16 of this report.

THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In our case, assets exceeded liabilities by \$12,662,767 as of June 30, 2009.

Net assets increased \$931,264 or 8%, mainly due to increases in oil and gas and PILT revenues. Oil and gas revenue increased due to increased production. The increase in PILT revenue was the result of additional funding provided by the Federal government.

Of the County's total net assets (\$12,662,767), our investment in capital assets account for \$5,653,447 or 45%. 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 assets account for \$7,009,320 or 55% of the total net assets. Unrestricted net assets are primarily used as reserves that are used for cash flow purposes in between property tax collections, which are due in 50 percent installments on November 30 and May 31 of each year, and also as reserves to provide against unforeseen costs or events. A recap of the County's net assets and changes in net assets follows:

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Carbon County's Net Assets

	2009	2008	Change
Current and other assets	\$ 7,454,332	\$ 6,493,001	\$ 961,331
Capital assets	5,653,447	5,673,796	(20,349)
Total assets	13,107,779	12,166,797	940,982
Other liabilities	27,185	20,375	6,810
Long-term liabilities outstanding	417,827	414,919	2,908
Total liabilities	445,012	435,294	9,718
Net assets:			
Invested in capital assets	5,653,447	5,673,796	(20,349)
Unrestricted	7,009,320	6,057,707	951,613
\$ 12,662,767	\$ 11,731,503	\$ 931,264	

Carbon County's Changes in Net Assets

	2009	2008	Change
Revenues:			
Program revenues:			
Charges for services	\$ 514,339	\$ 527,473	\$ (13,134)
Operating grants and contributions	825,257	591,067	234,190
Capital grants and contributions	43,781	53,200	(9,419)
Program revenues:			
General revenues:			
Taxes	3,664,608	3,617,967	46,641
Intergovernmental	2,888,282	1,933,199	955,083
Interest	164,555	277,592	(113,037)
Miscellaneous	82,326	87,021	(4,695)
Gain on disposal of capital assets	47,483	90,377	(42,894)
Total revenues	8,230,631	7,177,896	1,052,735
Expenses:			
General government	2,094,240	1,936,271	157,969
Public safety	1,577,945	1,615,216	(37,271)
Public works	2,704,202	2,720,051	(15,849)
Public health	127,103	124,053	3,050
Social and economic services	104,799	95,092	9,707
Culture and recreation	228,472	204,958	23,514
Housing and community development	457,500	20,000	437,500
Other current charges	5,106	3,000	2,106
Total expenses	7,299,367	6,718,641	580,726
Change in net assets	931,264	459,255	472,009
Net assets, beginning	11,731,503	11,272,248	459,255
Net assets, ending	\$ 12,662,767	\$ 11,731,503	\$ 931,264

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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, revenues, or expenditures of an individual governmental fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds.

As of June 30, 2009, Carbon County's governmental funds reported combined fund balances of \$6,895,483, an increase of \$1,017,377 over the prior year. Except for prepaid items, the entire amount is unreserved and available for spending at the Commissioner's discretion.

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, 2009, the general fund fund balance was \$1,505,887, a decrease over the prior year of \$268,806. The decrease occurred because of additional capital improvement projects and numerous building repairs that were needed.

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 \$1,008,581, an increase of \$24,265 over the prior year. Total fund balance represents 63 percent of the total road fund expenditures.

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 fund balance was \$724,012, an increase of \$281,515. The increase occurred because additional non-tax revenue was added to the fund and culvert and bridge work that was planned was not done.

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 \$754,959, an increase of \$89,944. The increase is attributable to board of prisoner expense was not as high as last year and dispatcher salaries were decreased.

The oil and natural gas production tax fund accounts for oil and gas production revenues. Fund balance at year end was \$771,171, and increase over the prior year of \$313,012. Oil and gas production revenues have consistently increased throughout the state.

The PILT fund accounts for PILT revenues and expenditures. Year end fund balance was \$798,484, an increase of \$413,002. The increase occurred because the federal government funded the PILT program at a 100 percent and made up the deficiency from 2008.

General Fund Budgetary Highlights.

General fund expenditures were \$660,968 less than the amount budgeted. Revenues received were \$115,619 less than anticipated. Some of the temporary salaries that were budgeted for did not need to be used; utility expenses were not as high as anticipated; capital expenditures for office and computer equipment were not spent and only 36% of our anticipated additional legal services was spent. \$300,000 is maintained in the general fund building line-item for unexpected capital projects (like an elevator or major remodeling).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Carbon County's investment in capital assets (net of accumulated depreciation) as of June 30, 2009 was \$5,653,447. This investment in capital assets includes land, buildings/improvements, machinery and equipment and infrastructure. During fiscal year 2009 significant capital additions included \$159,785 in building improvements, a grader and numerous vehicles.

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, 2009 was \$417,827. This is the only long-term outstanding liability Carbon County has.

THE GOVERNMENT'S FUTURE

Carbon County's financial status still remains quite solid. We are still able to keep all of our budgeted fund reserves at the maximum level allowed by state law. Our county-wide taxable valuation for fiscal year 2010 increased by 4.81% and our rural taxable valuation for road purposes increased by 4.54%. Investment rates have increased some. Our PILT payment, Federal Mineral Royalties payment and Oil & Gas Production payments all increased by \$942,000. These funds are very valuable to help offset the increases in salaries, health insurance, public safety expenses, road and bridge maintenance and other operating costs. There is always a demand for increased services and continued good maintenance. We are expecting to see more protested taxes this coming year, due to the Department of Revenue's reappraisal.

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

In preparation for budget year 2009-2010, we increased our budgets as funds allowed in order to try to cover the increasing costs of running a county government. As the state continues to cut back funding, everyone wants more money from the county to keep their programs functioning and growing. The county will not be able to fulfill all of these wants and wishes. The county will continue to be concerned about the community needs and wants and will do the best we can. The county also needs to be able to differentiate between the wants, needs, and benefits, and compare the costs of services we provide and proceed as funds and time allow.

Land values are still pretty high and real estate remains stable. There has been a drop in construction activities. It seems as though there is probably more remodeling projects and not as much new building going on. We have seen more refinancing of mortgages and modification of loans than usual. The county continues to notice the small urban sprawl around the Red Lodge area. We will receive some stimulus money to improve the ski run road. Our ski run, Red Lodge Mountain, has been purchased by a new group. They have plans to make the ski area a year round resort and build several condominiums.

Our commissioners are faced with a new gravel pit and asphalt batch plant controversy and a request to create an ambulance district in the surrounding Red Lodge/Roberts area. We have had a bridge study done in the county and we are replacing the bridges that are in the most need of repair. We are also using TSEP funding for this project.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Carbon County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Carbon County Finance
PO Box 887
Red Lodge, MT 59068

Or e-mail linann@co.carbon.mt.us

CARBON COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	
Cash and equivalents	\$ 3,686,274
Investments	3,029,589
Receivables:	
Taxes and assessments	531,664
Governments	7,426
Inventories	161,380
Prepaid items	37,999
Capital assets:	
Land	97,077
Depreciable capital assets, net	<u>5,556,370</u>
Total assets	<u>13,107,779</u>
LIABILITIES	
Accounts payable-vendors	27,185
Long-term liabilities:	
Compensated absences:	
Due within one year	41,783
Due in more than one year	<u>376,044</u>
Total liabilities	<u>445,012</u>
NET ASSETS	
Invested in capital assets	5,653,447
Unrestricted	<u>7,009,320</u>
Total net assets	<u><u>\$ 12,662,767</u></u>

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,094,240	\$ 244,281	\$ 11,540	\$ (1,838,419)
Public safety	1,577,945	154,503	124,364	(1,299,078)
Public works	2,704,202	105,302	146,298	(2,408,821)
Public health	127,103	9,755	70,205	(47,143)
Social and economic services	104,799	498	-	(104,301)
Culture and recreation	228,472	-	23,850	(204,622)
Housing and community development	457,500	-	449,000	(8,500)
Other current charges	5,106	-	-	(5,106)
Total	\$ 7,299,367	\$ 514,339	\$ 825,257	(5,915,990)
General revenues:				
Property taxes				3,664,608
Intergovernmental				2,888,282
Investment earnings				164,555
Miscellaneous				82,326
Gain on disposal of capital assets				47,483
Total general revenues				6,847,254
Change in net assets				931,264
Net assets - beginning				11,731,503
Net assets - ending				\$ 12,662,767

See notes to basic financial statements.

CARBON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Road	Bridge	Public Safety	Oil & Natural Gas		PILT	Other Governmental Funds	Total Governmental Funds
					Production Tax	Tax			
ASSETS									
Cash and cash equivalents	\$ 815,010	\$ 477,044	\$ 390,506	\$ 414,390	\$ 423,289	\$ 438,280	\$ 727,755	\$ 3,686,274	
Investments	669,821	392,062	320,939	340,569	347,882	360,204	598,112	3,029,599	
Receivables:									
Taxes and assessments	118,331	133,558	69,552	140,092	-	-	70,131	531,664	
Governments	-	-	-	-	-	-	7,426	7,426	
Inventories	-	139,475	21,905	-	-	-	-	161,380	
Prepaid items	21,056	-	-	-	-	-	16,943	37,999	
Total assets	\$1,624,218	\$1,142,139	\$802,902	\$895,051	\$771,171	\$798,484	\$1,420,367	\$7,454,332	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable-vendors	\$ -	\$ -	\$ 9,338	\$ -	\$ -	\$ -	\$ 17,847	\$ 27,185	
Deferred revenue	118,331	133,558	69,552	140,092	-	-	70,131	531,664	
Total liabilities	118,331	133,558	78,890	140,092	-	-	87,978	558,849	
Fund balances:									
Reserved for:									
Prepaid items	21,056	-	-	-	-	-	16,943	37,999	
Unreserved	1,484,831	1,008,581	724,012	754,959	771,171	798,484	-	5,542,038	
Unreserved, reported in non-major:									
Special revenue funds	-	-	-	-	-	-	1,294,326	1,294,326	
Capital projects funds	-	-	-	-	-	-	21,120	21,120	
Total fund balances	1,505,887	1,008,581	724,012	754,959	771,171	798,484	1,332,389	6,895,483	
Total liabilities and fund balances	\$1,624,218	\$1,142,139	\$802,902	\$895,051	\$771,171	\$798,484	\$1,420,367	\$7,454,332	

See notes to basic financial statements.

CARBON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balance, governmental funds	\$ 6,895,483
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	5,653,447
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	531,664
Some liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not included in the funds.	<u>(417,827)</u>
Net assets of governmental activities	<u>\$ 12,662,767</u>

CARBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Road	Bridge	Public Safety	Natural Gas Production Tax	PILT	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes/assessments	\$ 1,110,637	\$ 825,972	\$ 438,011	\$ 887,412	\$ -	\$ -	\$ 475,452	\$ 3,737,484
Fines and forfeitures	90,033	-	-	-	-	-	8,204	98,237
Licenses and permits	12,031	1,200	-	5,510	-	-	-	18,741
Intergovernmental	220,114	279,837	79,304	89,758	961,101	999,792	1,127,414	3,757,320
Charges for services	198,187	60	1,663	49,603	-	-	137,828	387,341
Investment earnings	133,444	12,329	-	-	-	11,148	7,634	164,555
Miscellaneous	24,075	2,970	380	16,766	-	-	38,135	82,326
Total revenues	1,788,521	1,122,368	519,358	1,049,049	961,101	1,010,940	1,794,667	8,246,004
EXPENDITURES								
Current:								
General government	1,837,656	-	-	-	-	2,580	196,207	2,036,443
Public safety	97,500	-	-	1,225,589	-	49,215	93,054	1,465,358
Public works	48,801	1,364,845	636,151	-	-	-	276,463	2,326,260
Public health	51,972	-	-	-	-	-	75,131	127,103
Social and economic services	35,544	-	-	-	-	-	69,255	104,799
Culture and recreation	3,132	-	-	-	-	-	219,175	222,307
Housing and community development	-	-	-	-	-	-	457,500	457,500
Other current charges	5,106	-	-	-	-	-	-	5,106
Capital outlay	77,764	230,125	22,822	33,000	-	-	141,858	505,569
Total expenditures	2,157,475	1,594,970	658,973	1,258,589	-	51,795	1,528,643	7,250,445
Excess (deficiency) of revenues over expenditures	(368,954)	(472,602)	(139,615)	(209,540)	961,101	959,145	266,024	995,559
OTHER FINANCING SOURCES (USES)								
Insurance recoveries	-	10,172	-	-	-	-	-	10,172
Sale of capital assets	-	11,546	-	-	-	-	100	11,646
Transfers in	100,148	475,149	421,130	299,484	-	-	268,521	1,564,432
Transfers out	-	-	-	-	(648,089)	(546,143)	(370,200)	(1,564,432)
Total other financing sources (uses)	100,148	496,867	421,130	299,484	(648,089)	(546,143)	(101,579)	21,818
Net change in fund balances	(268,806)	24,265	281,515	89,944	313,012	413,002	164,445	1,017,377
Fund balances - beginning	1,774,693	984,316	442,497	665,015	458,159	385,482	1,167,944	5,878,106
Fund balances - ending	\$ 1,505,887	\$ 1,008,581	\$ 724,012	\$ 754,959	\$ 771,171	\$ 798,484	\$ 1,332,389	\$ 6,895,483

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, 2009

Net change in fund balances - total governmental funds	\$ 1,017,377
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 depreciation (\$561,755) exceeded capital outlay (\$505,569) in the current period.	(56,186)
The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net assets.	35,837
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(62,856)
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	<u>(2,908)</u>
Change in net assets of governmental activities	<u>\$ 931,264</u>

CARBON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2009

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 5,956,769	\$ 452,822
Investments	5,021,638	-
Taxes and assessments receivable	-	1,464,511
Total assets	10,978,407	1,917,333
LIABILITIES		
Accounts payable	-	\$ 161,998
Due to special districts	-	86,531
Due to state	-	378,961
Due to schools	-	1,027,952
Due to cities/towns	-	261,891
Total liabilities	-	1,917,333
NET ASSETS		
Held in trust for external investment pool participants	10,978,407	

CARBON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the Year Ended June 30, 2009

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 21,474,297
Investment earnings:	
Decrease in fair value of investments	(30,498)
Interest	328,764
Total net investment earnings	298,266
Total additions	21,772,563
DEDUCTIONS	
Distributions to participants	27,411,864
Total deductions	27,411,864
Change in net assets	(5,639,301)
Net assets - beginning	16,617,708
Net assets - ending	\$ 10,978,407

See notes to basic financial statements.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 mislead or be incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the government. Based on the aforementioned criteria, 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 assets 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

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.

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.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The bridge fund accounts for resources accumulated and payments made for the maintenance, repair and construction of county-owned bridges.

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

The oil & natural gas production tax fund accounts for natural gas production taxes.

The PILT fund accounts for PILT revenue and expenditures.

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 and Net Assets or Equity

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. 60 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 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.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 applicable governmental or business-type activities columns 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on capital assets is calculated on the straight-line basis 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 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 assets. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

Fund Equity

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

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets 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 net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Use of Estimates

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

NOTE 2. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 6,715,863
Fiduciary funds	<u>11,431,229</u>
	<u>\$ 18,147,092</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2009, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,000	\$ -	\$ 2,000
Cash in banks:			
Demand deposits	716,965	-	716,965
Time deposits	-	3,026,486	3,026,486
Savings deposits	6,487,395	-	6,487,395
Brokers:			
U.S. Government securities	-	4,898,689	4,898,689
Money markets	28	-	28
Mutual funds	-	126,052	126,052
Repurchase agreement	328,257	-	328,257
Short-term Investment Program (STIP)	<u>2,561,220</u>	-	<u>2,561,220</u>
	<u>\$ 10,095,865</u>	<u>\$ 8,051,227</u>	<u>\$ 18,147,092</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$10,407,672 of the government's bank balance of \$11,171,484 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 10,407,672</u>
---	----------------------

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2009, exceeded the amount required by state statute.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The investment pool portfolio as of June 30, 2009 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	1.38-2.00	Various	\$ 4,900,000	\$ 4,898,689	\$ 4,898,143	0.61
Certificates of deposit	2.65-3.00	Various	3,026,486	3,026,486	3,026,486	0.38
Mutual funds	N/A	N/A	N/A	126,052	116,280	0.02
				<u>\$ 8,051,227</u>	<u>\$ 8,040,909</u>	

(1) A fair value adjustment for the mutual funds 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 Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 500,000	\$ -	\$ 4,398,689	\$ 4,898,689	\$ 4,898,143
Repurchase agreement	-	-	328,257	328,257	328,257
Money markets with brokers	28	-	-	28	28
	<u>\$ 500,028</u>	<u>\$ -</u>	<u>\$ 4,726,946</u>	<u>5,226,974</u>	<u>5,226,428</u>
Uncategorized:					
Mutual funds				126,052	116,280
STIP				<u>2,561,220</u>	<u>2,561,220</u>
				<u>\$ 7,914,246</u>	<u>\$ 7,903,928</u>

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2009:

	Internal		External		Total
Net assets - beginning of year	\$ 7,816,296	\$ -	\$ 16,617,708	\$ -	\$ 24,434,004
Contributions from participants	7,370,545	-	21,474,297	-	28,844,842
Investment earnings	164,555	-	328,764	-	493,319
Change in fair value	-	-	(30,498)	-	(30,498)
Distributions to participants	(8,182,711)	-	(27,411,864)	-	(35,594,575)
Net assets - end of year	<u>\$ 7,168,685</u>	<u>\$ -</u>	<u>\$ 10,978,407</u>	<u>\$ -</u>	<u>\$ 18,147,092</u>

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated				
Land	\$ 97,057	\$ 20	\$ -	\$ 97,077
Total capital assets, not being depreciated	<u>97,057</u>	<u>20</u>	<u>-</u>	<u>97,077</u>
Capital assets, being depreciated				
Buildings/improvements	2,085,042	159,785	-	2,244,827
Machinery and equipment	4,829,573	425,942	(320,028)	4,935,487
Infrastructure	1,732,164	22,822	-	1,754,986
Total capital assets, being depreciated	<u>8,646,779</u>	<u>608,549</u>	<u>(320,028)</u>	<u>8,935,300</u>
Less accumulated depreciation for:				
Buildings/improvements	(565,097)	(61,779)	-	(626,876)
Machinery and equipment	(2,345,543)	(441,432)	252,865	(2,534,110)
Infrastructure	(159,400)	(58,544)	-	(217,944)
Total accumulated depreciation	<u>(3,070,040)</u>	<u>(561,755)</u>	<u>252,865</u>	<u>(3,378,930)</u>
Total capital assets, being depreciated, net	<u>5,576,739</u>	<u>46,794</u>	<u>(67,163)</u>	<u>5,556,370</u>
Capital assets, net	<u>\$ 5,673,796</u>	<u>\$ 46,814</u>	<u>\$ (67,163)</u>	<u>\$ 5,653,447</u>

Depreciation expense was charged as follows:

General government	\$ 50,826
Public safety	125,818
Public works	379,240
Culture and recreation	5,871
Total depreciation	<u>\$ 561,755</u>

Transfers

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
General	\$ 100,148	\$ -	\$ 100,148
Road	475,149	-	475,149
Bridge	421,130	-	421,130
Public Safety	299,484	-	299,484
Natural Gas Production Tax	-	(648,089)	(648,089)
PILT	-	(546,143)	(546,143)
Nonmajor governmental funds	268,521	(370,200)	(101,679)
	<u>\$ 1,564,432</u>	<u>\$ (1,564,432)</u>	<u>\$ -</u>

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

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Compensated absences	\$ 414,919	\$ 2,908	\$ -	\$ 417,827	\$ 41,783

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. During 2003, the Authority issued bonds to fund an excess claims payment account. Funding the excess claims payment account enabled the Authority to offer participants more desirable coverage. 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.

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.

Subsequent Events

In December 2009, a fire destroyed a county road shop and equipment located in Red Lodge. Negotiations are ongoing with the County's insurance carrier.

Contingencies

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

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable. For members that choose to join the PERS-DCRP, a percentage of the employer contribution is used to maintain the funding of the defined benefit plan.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
SRS	9.825%	9.245%	19.070%
PERS	6.935%	6.900%	13.835%

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2009, 2008 and 2007 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2009	2008	2007
SRS	\$ 81,351	\$ 73,235	\$ 71,085
PERS	314,069	281,043	251,684
	\$ 395,420	\$ 354,278	\$ 322,769

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

- o Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB No. 45 is effective based on the same three phases of governments used in GASBS No. 34. For employers, GASBS No. 45 is effective for Phase 1 governments (total annual revenues of \$100 million or more for the first year ending after June 15, 1999) with years beginning after December 15, 2006, Phase 2 governments (revenues of \$10 million to \$100 million) with years beginning after December 15, 2007, and Phase 3 governments (revenues less than \$10 million) with years beginning after December 15, 2008.
- o In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The provisions of GASBS No. 54 must be implemented no later than the fiscal year beginning July 1, 2010. Implementation will require restatement of existing fund balances for the governmental funds.
- o In June 2007, Governmental Accounting Standards Board (GASB) approved Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The provisions of GASBS No. 51 must be implemented no later than the fiscal year beginning July 1, 2009.

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, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,169,196	\$ 1,169,196	\$ 1,110,637
Fines and forfeitures	90,000	90,000	90,033
Licenses and permits	14,600	14,600	12,031
Intergovernmental	219,970	219,970	220,114
Charges for services	195,374	195,374	198,187
Investment earnings	190,000	190,000	133,444
Miscellaneous	25,000	25,000	24,075
Total revenues	1,904,140	1,904,140	1,788,521
EXPENDITURES			
Current:			
General government	2,112,510	2,112,510	1,837,656
Public safety	90,480	90,480	97,500
Public works	10,000	10,000	48,801
Public health	49,530	49,530	51,972
Social and economic services	42,123	42,123	35,544
Culture and recreation	-	-	3,132
Other current charges	125,000	125,000	5,106
Capital outlay	388,800	388,800	77,764
Total expenditures	2,818,443	2,818,443	2,157,475
Excess (deficiency) of revenues over expenditures	(914,303)	(914,303)	(368,954)
OTHER FINANCING SOURCES			
Transfers in	100,148	100,148	100,148
Total other financing sources	100,148	100,148	100,148
Net change in fund balance	\$ (814,155)	\$ (814,155)	(268,806)
Fund balance - beginning			1,774,693
Fund balance - ending			\$ 1,505,887

See notes to required supplementary information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Road Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Taxes/assessments	\$ 819,257	\$ 819,257	\$ 825,972
Licenses and permits	2,000	2,000	1,200
Intergovernmental	291,836	291,836	279,837
Charges for services	400	400	60
Investment earnings	10,000	10,000	12,329
Miscellaneous	2,000	2,000	2,970
Total revenues	1,125,493	1,125,493	1,122,368
EXPENDITURES			
Current:			
Public works	1,541,420	1,541,420	1,364,845
Capital outlay	263,000	263,000	230,125
Total expenditures	1,804,420	1,804,420	1,594,970
Excess (deficiency) of revenues over expenditures	(678,927)	(678,927)	(472,602)
OTHER FINANCING SOURCES			
Insurance recoveries	-	-	10,172
Sale of capital assets	-	-	11,546
Transfers in	475,149	475,149	475,149
Total other financing sources	475,149	475,149	496,867
Net change in fund balance	\$ (203,778)	\$ (203,778)	24,265
Fund balance - beginning			984,316
Fund balance - ending			\$ 1,008,581

See notes to required supplementary information.

CARBON COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

Bridge Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 436,876	\$ 436,876	\$ 438,011
Intergovernmental	37,227	37,227	79,304
Charges for services	2,000	2,000	1,663
Miscellaneous	22,500	22,500	380
Total revenues	498,603	498,603	519,358
EXPENDITURES			
Current:			
Public works	931,020	931,020	636,151
Capital outlay	70,000	70,000	22,822
Total expenditures	1,001,020	1,001,020	658,973
Excess (deficiency) of revenues over expenditures	(502,417)	(502,417)	(139,615)
OTHER FINANCING SOURCES			
Transfers in	421,130	421,130	421,130
Total other financing sources	421,130	421,130	421,130
Net change in fund balance	\$ (81,287)	\$ (81,287)	281,515
Fund balance - beginning			442,497
Fund balance - ending			\$ 724,012

See notes to required supplementary information.

CARBON COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Public Safety Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 884,958	\$ 884,958	\$ 887,412
Licenses and permits	2,500	2,500	5,510
Intergovernmental	93,243	93,243	89,758
Charges for services	53,000	53,000	49,603
Miscellaneous	8,000	8,000	16,766
Total revenues	1,041,701	1,041,701	1,049,049
EXPENDITURES			
Current:			
Public safety	1,429,650	1,429,650	1,225,589
Capital outlay	75,000	75,000	33,000
Total expenditures	1,504,650	1,504,650	1,258,589
Excess (deficiency) of revenues over expenditures	(462,949)	(462,949)	(209,540)
OTHER FINANCING SOURCES			
Transfers in	299,484	299,484	299,484
Total other financing sources	299,484	299,484	299,484
Net change in fund balance	\$ (163,465)	\$ (163,465)	89,944
Fund balance - beginning			665,015
Fund balance - ending			\$ 754,959

See notes to required supplementary information.

CARBON COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Oil & Natural Gas Production Tax Fund
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 600,000	\$ 600,000	\$ 961,101
Total revenues	600,000	600,000	961,101
OTHER FINANCING USES			
Transfers out	(1,058,159)	(1,058,159)	(648,089)
Total other financing uses	(1,058,159)	(1,058,159)	(648,089)
Net change in fund balance	\$ (458,159)	\$ (458,159)	313,012
Fund balance - beginning			458,159
Fund balance - ending			\$ 771,171

See notes to required supplementary information.

CARBON COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

PILT Fund

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 450,000	\$ 450,000	\$ 999,792
Investment earnings	12,000	12,000	11,148
Total revenues	462,000	462,000	1,010,940
EXPENDITURES:			
Current:			
General government	33,184	33,184	2,580
Public safety	30,000	30,000	49,215
Total expenditures	78,184	78,184	51,795
Excess (deficiency) of revenues over expenditures	383,816	383,816	959,145
OTHER FINANCING USES			
Transfers out	(769,298)	(769,298)	(546,143)
Total other financing uses	(769,298)	(769,298)	(546,143)
Net change in fund balance	\$ (385,482)	\$ (385,482)	413,002
Fund balance - beginning			385,482
Fund balance - ending			\$ 798,484

See notes to required supplementary information.

CARBON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 later of the second Monday in August or within 45 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.

OTHER SUPPLEMENTARY INFORMATION

CARBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Program or Award Amount	Balance July 1, 2008	Receipts	Expenditures/ Disbursements	Returned to Grantor/ Other	Balance June 30, 2009
<u>U.S. Department of Housing and Urban Development:</u> Passed through the Montana Department of Commerce: Community Development Block Grant - States Program	14.228	MT-CDBG-ED08-07	\$ 600,000	\$ -	\$ 449,000	\$ 449,000	\$ -	\$ -
Total U.S. Department of Housing and Urban Development				\$ -	\$ 449,000	\$ 449,000	\$ -	\$ -
<u>U.S. Department Health and Human Services:</u> Passed through State Department of Public Health and Human Services: Maternal and Child Health Services	93.994	09-07-5-01-005-0	10,318	\$ -	\$ 7,739	\$ 7,633	\$ (106)	\$ -
Immunization Grants	93.268	08-07-4-31-006-0	3,872	-	3,872	1,380	-	2,492
Center for Disease Control and Prevention - Investigation and Technical Assistance	93.283	08-07-6-11-006-0	42,372	4,851	23,263	28,214	-	-
Public Health Emergency Preparedness	93.068	09-07-6-11-006-0	38,427	-	17,292	17,292	-	-
Total U.S. Department of Health and Human Services				\$ 4,851	\$ 52,168	\$ 54,519	\$ (106)	\$ 2,492
<u>U.S. General Services Administration:</u> Passed through the Montana Secretary of State: Help America Vote Act Requirements Payments	39.011	N/A	1,000	\$ -	\$ 1,000	\$ 1,000	\$ -	\$ -
Total U.S. General Services Administration				\$ -	\$ 1,000	\$ 1,000	\$ -	\$ -
<u>U.S. Election Assistance Commission:</u> Passed through the Montana Secretary of State: Help America Vote Act Requirements Payments	90.401	N/A	5,179	\$ -	\$ 5,179	\$ 5,179	\$ -	\$ -
Total U.S. Election Assistance Commission				\$ -	\$ 5,179	\$ 5,179	\$ -	\$ -
<u>U.S. Department of Homeland Security:</u> Passed through the Montana Department of Fish, Wildlife and Parks: Services Division: Boating Safety Financial Assistance	97.012	N/A	3,000	\$ -	\$ 3,000	\$ 3,000	\$ -	\$ -
Emergency Management Performance Grants	97.042	N/A	19,032	(3,172)	3,172	-	-	-
Emergency Management Performance Grants	97.042	N/A	19,032	-	19,032	19,032	-	-
<u>CFDA Subtotal</u>				(3,172)	22,204	19,032	-	-
Total U.S. Department of Homeland Security				(3,172)	25,204	22,032	-	-
<u>U.S. Department of Agriculture:</u> Passed through the Montana State Auditor's Office: Schools and Roads - Grants to States	10.665	N/A	26,404	\$ -	\$ 26,404	\$ 26,404	\$ -	\$ -
Total U.S. Department of Agriculture				\$ -	\$ 26,404	\$ 26,404	\$ -	\$ -
<u>U.S. Department of the Interior:</u> Direct program: Refuge Revenue Sharing Passed through the Montana Historic Preservation Office: Historic Preservation Fund Grants-in-Aid Historic Preservation Fund Grants-in-Aid	15.969	N/A	358	\$ -	\$ 358	\$ 358	\$ -	\$ -
	15.904	MT-08-015	5,500	-	-	-	-	-
	15.904	MT-08-015	5,500	-	5,500	5,500	-	-
Total U.S. Department of the Interior				\$ -	\$ 5,858	\$ 5,858	\$ -	\$ -

CARBON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Program or Award Amount	Balance July 1, 2008	Receipts	Expenditures/ Disbursements	Returned to Grantor/ Other	Balance June 30, 2009
U.S. Department of Transportation:								
Passed through Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE 5(42)	63,170	-	-	6,429	-	(6,429)
Total U.S. Department Transportation				\$ -	\$ -	\$ 6,429	\$ -	\$ (6,429)
Total federal awards				\$ 1,779	\$ 564,811	\$ 570,421	\$ (106)	\$ (3,937)

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of cash receipts and federal expenditures related to the County's federal award programs. This schedule is presented in accordance with grant terms and conditions, which are not on the accrual basis of accounting as contemplated by generally accepted accounting principles.

CARBON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year findings and questioned costs related to federal award programs.

OLNESS & ASSOCIATES, P. C.

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

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

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 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, 2009, which collectively comprise the government's basic financial statements and have issued our report thereon dated December 30, 2009. The report on 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. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the government's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the government's financial statements that is more than inconsequential will not be prevented or detected by the government's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (Findings 09-1 through 09-3)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-3.

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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)

This report is intended solely for the information and use of the management, others within the entity, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oliver & Associates, PC

December 30, 2009

OLNESS & ASSOCIATES, P. C.

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

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Carbon County, Montana (the government) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The government's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the government's management. Our responsibility is to express an opinion on the government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the government's compliance with those requirements.

In our opinion, the government complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the government is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

This report is intended solely for the information and use of the management, others within the entity, the Montana Department of Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Olson & Associates, PC

December 30, 2009

CARBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the basic financial statements noted? yes no

FEDERAL AWARDS:

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

	<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
	14.228	Community Development Block Grant-States Program

Dollar threshold used to distinguish between type A and type B programs? yes no

Auditee qualified as low-risk auditee? yes no

FINDINGS - FINANCIAL STATEMENT AUDIT

09-1. Financial Reporting

Internal control is a process - affected by those charged with governance, management, and other personnel—designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term financial reporting in this instance relates to the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles. Employees and management have the necessary qualifications and training to fulfill their assigned daily functions, however; the present design of the internal control system as it relates to financial reporting, as defined above, does not provide for the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles.

09-2. Segregation of Duties

Smaller entities often have fewer employees, which may limit the extent to which segregation of duties is practicable. However, for key areas, even in a very small entity, it can be practicable to implement some degree of segregation of duties or other form of unsophisticated, but effective controls. Examples of segregation of duties include reporting, reviewing and approving reconciliations and approval and control of documents.

CARBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

09-3. Bidding

During fiscal year 2009, the county purchased asphalt for the Joliet road shop. This purchase was in excess of \$50,000 and the purchase was not formally advertised for bid. Section 7-5-2301, MCA, states that advertised bids are required if the county enters into any contract for the purchase of any vehicle, road machinery or other machinery, apparatus, appliances, equipment, materials or supplies or for construction, repair, or maintenance in excess of \$50,000. We recommend contemplated purchases in excess of \$50,000 be advertised for bid.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings and questioned costs related to federal award programs.

CARBON COUNTY
PRIOR YEAR AUDIT FINDINGS - FINANCIAL STATEMENT AUDIT

<u>Prior Year Audit Findings</u>	<u>Status</u>
08-1. Financial Reporting	Continued Disclosure
08-2. Segregation of Duties	Continued Disclosure
08-3. Segregate Mail Cash Receipts Duties	Implemented
08-4. Sheriff Gamishment Account	Implemented
08-5. Protested Taxes	Implemented
08-6. Bidding	Not Implemented