

CARBON COUNTY
RED LODGE, MONTANA
FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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CARBON COUNTY

ORGANIZATION

June 30, 2020

BOARD OF COUNTY COMMISSIONERS

Scott Blain	Presiding Officer
Bill Bullock	Commissioner
Vacant	Commissioner

ELECTED OFFICIALS

Christine Stovall	Clerk and Recorder
Lori Lynde	County Treasurer/Superintendent
Josh McQuillan	County Sheriff/Coroner
Alex Nixon	County Attorney
Rochelle Loyning	Clerk of District Court
Kevin Nichols	Justice of the Peace
Michael Ellinghouse	Public Administrator

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, 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, 2020, 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 total 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 total 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, 2020, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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, 2020, 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.

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 Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Hess & Associates, PC

Billings, Montana
January 21, 2021

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

As 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, 2020. 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 \$3,594,143.
- During the year, our government had expenses that were \$2,521,623 more than the \$9,186,102 generated in tax and other general revenues.
- Total cost of all of programs increased \$960,987.
- Total governmental revenues were \$4,903,092 an increase of less than 47% over the prior year. This increase was due to the receipt of wind impact fees and CARES Act funds. Governmental expenditures increased to \$11,992,380, an increase of 7% over the prior year.
- The General fund reported an increase this year of \$201,578 in fund balance.
- There were no significant 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 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, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements (Statement of Net Position and Statement of Activities) report net position and changes in it. You can think of net position 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.

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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, emergency disaster COVID-19, public safety and wind impact 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, net position was \$22,770,700, as of June 30, 2020. Net position increased \$3,594,143. This increase was due to the wind impact fees CARES Act revenue and capital grants.

Of the County's total net position, our net investment in capital assets accounts for \$18,288,822 or 80% of the total. Capital assets reflect the County's net 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.

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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

Carbon County's Schedule of Net Position

	2020	2019	Change
Current and other assets	\$ 9,566,964	\$ 5,828,601	\$ 3,738,363
Capital assets	18,725,591	18,291,937	433,654
Total assets	28,292,555	24,120,538	4,172,017
Deferred outflows-pensions	1,129,189	1,422,243	(293,054)
Other liabilities	194,625	11,980	182,645
Long-term liabilities	5,575,426	5,072,834	502,592
Total liabilities	5,770,051	5,084,814	685,237
Deferred inflows-pensions	880,993	1,281,410	(400,417)
Net position (deficit):			
Net investment in capital assets	18,288,822	18,002,937	285,885
Restricted	4,867,092	4,321,260	545,832
Unrestricted (deficit)	(385,214)	(3,147,640)	2,762,426
	\$ 22,770,700	\$ 19,176,557	\$ 3,594,143

Carbon County's Schedule of Change in Net Position

	2020	2019	Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,506,270	\$ 955,462	\$ 3,550,808
Operating grants and contributions	1,420,963	793,846	627,117
Capital grants and contributions	188,533	770,612	(582,079)
General revenues:			
Taxes	6,350,031	5,923,917	426,114
Intergovernmental	2,545,864	2,416,942	128,922
Interest	144,907	126,594	18,313
Miscellaneous	97,859	35,778	62,081
Gain on disposal of capital assets	47,441	-	47,441
Total revenues	15,301,868	11,023,151	4,278,717
Expenses:			
General government	3,013,722	3,035,886	(22,164)
Public safety	3,217,858	2,942,223	275,635
Public works	4,136,594	3,747,087	389,507
Public health	601,825	364,875	236,950
Social and economic services	152,316	140,226	12,090
Culture and recreation	405,435	376,215	29,220
Other current charges	174,106	140,226	33,880
	5,869	-	5,869
Total expenses	11,707,725	10,746,738	960,987
Change in net position	3,594,143	276,413	3,317,730
Net position, beginning	19,176,557	18,900,144	276,413
Net position, ending	\$ 22,770,700	\$ 19,176,557	\$ 3,594,143

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 and deferred outflows, 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, 2020, Carbon County's governmental funds reported combined fund balances of \$9,252,374, an increase of \$3,581,237 over the prior year. \$1,476,257 is unassigned. The remaining \$7,776,117 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, 2020, the general fund fund balance was \$1,533,716, an increase from the prior year of \$201,578. The increase was due to conservative spending.

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 \$948,664, a decrease of \$234,733 over the prior year. Available fund balance was used to fund current year operations.

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 \$418,643, a decrease of \$59,348 over the prior year. Available fund balance was used to fund current year operations.

The emergency disaster COVID-19 fund accounts for resources accumulated from the federal and state government and payments made for COVID-19 mitigation.

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 \$751,759, an increase of \$751,759 over the prior year. The increase is attributable to a transfer from the emergency disaster COVID-19 fund.

The wind impact fee fund accounts for resources accumulated for and payments made from impact fees from the wind generation farm located in Carbon County. \$3,556,966 was collected in wind impact fees and resulted in an ending fund balance of \$2,828,944

General Fund Budgetary Highlights.

There were no significant General fund budget amendments this year. General fund expenditures were \$333,277 less than the amount budgeted. Revenues received were \$68,570 more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Carbon County's net investment in capital assets as of June 30, 2020 was \$18,288,822. This investment in capital assets includes land, buildings/improvements, machinery and equipment, and infrastructure. During fiscal year 2020, significant capital additions included road, bridge and sheriff equipment and various other improvements.

Long-term Debt

Compensated absences are a liability of the County for unpaid vacation and sick leave and compensatory time earned by 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, 2020 was \$542,986. Also, the County obtained a two loans for 911 and sheriff equipment upgrades. Additionally, the net pension liability required by GASB Statement 68 is also included in the government-wide financial statements.

THE GOVERNMENT'S FUTURE

Carbon County's financial status remains solid. Fiscal Year 2020 Cash Reserves for levied Funds were set around 29%. Reserves were set below the maximum level of 33% allowed by Montana State Law to help pay for the cost of detention facility planning and to account for Oil and Gas and Federal Mineral Royalty payments that remain roughly half of their historic levels. This loss in revenue has reduced County cash reserves over the last several years. Cash reserves in operating accounts have also been kept at lower levels to build capital improvement fund balances; capital improvement accounts had a cash balance of roughly \$317,000 as of June 2020.

Our county-wide taxable valuation for fiscal year 2020 increased by 6% and our rural taxable valuation for road purposes increased by 6.9%. The revenues from Payment In Lieu of Taxes (PILT) increased \$35,122. Federal Mineral Royalties and Oil & Gas Production increased by \$30,255 and \$34,989 respectively from the previous year. Although Oil and Gas Revenues and Federal Mineral Royalties increased, this is still roughly \$580,000 lower than historic levels. These funds are very valuable to help offset the cost of Search and

CARBON COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Rescue Operations, Ambulance services, increase in public safety expenses, salaries/benefits, 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 2020-2021, we kept our mills at the maximum level allowed by state statute in order to cover the increasing costs of running a county government. We were able to make contributions to Capital Improvement Funds for: the future vehicle replacements for the Red Lodge District Commissioner, Red Lodge Road Foreman, Sanitarian, and Geographic Information Systems (GIS) Manager; the future replacement of election equipment; building planning for the possible construction of a detention center and remodel of the Court House; future overlays for the Red Lodge and Bridger Airport runways; improvements to buildings at the Fairgrounds; future Sheriff's Office vehicle replacements; and the future replacement of a large format copier and scanner. The County hopes to build capital fund balances so capital improvements can be funded over multiple years rather than relying on fund cash balances to finance projects. Budgeted transfers to Capital Improvement Funds totaled \$251,000 in the 2020-2021 budget. The County has completed a Capital Improvement Plan that should assist with future budgets, grant applications, and overall financial planning.

With inmate housing in both Yellowstone and Gallatin counties being limited, it has become necessary to house prisoners farther away in Broadwater County and Custer County. Commissioners are evaluating constructing a detention facility in Carbon County. They are in discussions with Stillwater, Sweet Grass, and other surrounding counties regarding the possibility of contracting for prisoner beds to help with the cost of operating the facility. Commissioners hope to have the bond measure election in the Spring of 2021; the bond measure was originally planned for Summer 2020, but was postponed due to the COVID-19 pandemic.

The County continues to evaluate our Radio and Dispatch Equipment. The Capital Improvement Plan prioritized expanding radio coverage with upgrades to the microwave link on the Rock Creek Tower and adding towers in Warren and Roscoe. In the 2021 Fiscal Year the County is upgrading its Computer Aided Dispatch (CAD) software and is looking at grant funding to purchase call handling software.

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 citizens.

We continue to study bridges and replace as needed and as funding allows. A Treasure State Endowment Program (TSEP) grant will fund replacement of the Chance Road Bridge; grant match funds for this project will be supplied by the State Off-System Bridge program and the State of Montana expects construction in the 2022 or 2023 construction season. We are also looking into funding opportunities to replace the north and south East Side Road Bridges which have been flagged as failing by the Montana Department of Transportation. Carbon County anticipates applying for a Federal Lands Access Program (FLAP) Grant to replace these bridges and to make improvements to East Side Road.

The Montana Department of Transportation has completed pavement on the remaining lanes of the US 212/310 Realignment project between Rockvale and Laurel. With all four lanes built out, Carbon County expects continued growth on the north end of the County.

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

The Pryor Mountain Wind Project (FKA Mud Springs et al. Wind Project) was purchased by PacifiCorp in May 2019. The County has entered into a Wind Impact Fee Agreement totaling 1% of the project's total cost. The County has received Impact Fee payments totaling \$4,060,000. Per the Interlocal Agreement with the Bridger School District, they have received \$961,611 of the Impact Fee. Commissioners also negotiated a Road and Bridge Preparation fee with PacifiCorp for 0.50% of the project's total cost estimated to be \$2,030,000. Roughly \$690,000 was allocated to replace the Pryor Mountain Road Bridge over Bridger Creek in the Spring of 2020. Commissioners passed a Wind Impact Fee Use Plan March 12, 2020 that restricts expenditures of the principle amount of the fee (interest proceeds may be used for special projects as authorized by Commissioner Resolution). PacifiCorp expects the project to be operational in early 2021. With the addition of the Wind Project, PacifiCorp is the third highest tax payer in Carbon County.

CARBON COUNTY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Cash and equivalents	\$ 5,380,911
Investments	2,902,539
Receivables:	
Taxes and assessments	119,965
Governments	789,558
Inventories	141,709
Prepalds	232,282
Capital assets:	
Land and construction in progress	281,535
Capital assets, net of accumulated depreciation	<u>18,444,056</u>
Total assets	<u>28,292,555</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension plans	<u>1,129,189</u>
 LIABILITIES	
Accounts payable-vendors	194,625
Long-term liabilities:	
Due within one year:	
Compensated absences:	69,919
Notes payable	155,247
Due in more than one year:	
Notes payable	281,522
Compensated absences:	473,067
Net pension liability	<u>4,595,671</u>
Total liabilities	<u>5,770,051</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension plans	<u>880,993</u>
 NET POSITION (DEFICIT)	
Net investment in capital assets	18,288,822
Restricted for:	
General government	295,910
Public safety	2,074,588
Public works	1,878,273
Public health	98,922
Social and economic	67,013
Culture and recreation	118,322
Housing and community development	3,223
Capital projects	330,841
Unrestricted (deficit)	<u>(385,214)</u>
Total net position	<u>\$ 22,770,700</u>

CARBON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 3,013,722	\$ 3,819,207	\$ 55,069	\$ 14,117	\$ 874,671
Public safety	3,217,858	534,502	296,249	85,067	(2,302,040)
Public works	4,136,594	130,418	255,254	89,349	(3,661,573)
Public health	601,825	20,234	805,821	-	224,230
Social and economic services	152,316	1,909	846	-	(149,561)
Culture and recreation	405,435	-	7,724	-	(397,711)
Other current charges	174,106	-	-	-	(174,106)
Interest on long-term debt	5,869	-	-	-	(5,869)
Total	11,707,725	4,506,270	1,420,963	188,533	(5,591,959)
General revenues:					
Property taxes					6,350,031
Intergovernmental					2,545,864
Investment earnings					144,907
Miscellaneous					97,859
Gain on disposal of capital assets					47,441
Total general revenues					9,186,102
Change in net position					3,594,143
Net position - beginning					19,176,557
Net position - ending					\$ 22,770,700

CARBON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Road	Bridge	Emergency Disaster COVID-19	Public Safety	Wind Impact Fee	Total Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 676,230	\$ 534,919	\$ 247,989	\$ -	\$ 1,011,771	\$ 1,803,524	\$ 1,106,478	\$ 5,380,911
Investments	384,481	304,136	140,997	-	575,257	1,025,420	472,248	2,902,539
Receivables:								
Taxes and assessments	24,432	22,148	14,096	-	28,778	-	30,511	119,965
Governments	38,712	-	-	621,424	28,000	-	101,422	789,558
Due from other funds	444,156	-	-	-	-	-	-	444,156
Inventories	-	109,609	32,100	-	-	-	-	141,709
Prepaid items	-	-	-	-	154,214	-	78,068	232,282
Total assets	\$ 1,568,011	\$ 970,812	\$ 435,182	\$ 621,424	\$ 1,796,020	\$ 2,828,944	\$ 1,788,727	\$ 10,011,120
LIABILITIES								
Accounts payable-vendors	\$ 9,863	\$ -	\$ 2,443	\$ 176,521	\$ 6,798	\$ -	\$ -	\$ 194,625
Due to other funds	-	-	-	444,156	-	-	-	444,156
Total liabilities	9,863	-	2,443	619,677	6,798	-	-	638,781
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes and assessments	24,432	22,148	14,096	-	28,778	-	30,511	119,965
FUND BALANCES (DEFICITS)								
Nonspendable:								
Prepays	-	-	-	-	154,214	-	78,068	232,282
Inventory	-	109,609	32,100	-	-	-	-	141,709
Restricted for:								
General government	-	-	-	-	-	-	290,057	290,057
Public safety	-	-	-	-	1,608,230	-	197,027	1,805,257
Public works	-	839,055	386,543	-	-	-	467,184	1,692,782
Public health	-	-	-	-	-	-	98,894	98,894
Social and economic services	-	-	-	-	-	-	65,767	65,767
Culture and recreation	-	-	-	-	-	-	110,747	110,747
Housing and community development	-	-	-	-	-	-	3,223	3,223
Capital projects	-	-	-	-	-	-	330,841	330,841
Committed for:								
General government	-	-	-	1,747	-	2,828,944	173,867	3,004,558
Unassigned	1,533,716	-	-	-	-	-	(57,459)	1,476,257
Total fund balances (deficits)	1,533,716	948,664	418,643	1,747	1,762,444	2,828,944	1,758,216	9,252,374
Total liabilities, deferred inflows resources and fund balances (deficits)	\$ 1,568,011	\$ 970,812	\$ 435,182	\$ 621,424	\$ 1,798,020	\$ 2,828,944	\$ 1,788,727	\$ 10,011,120

See notes to basic financial statements.

CARBON COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances, governmental funds	\$ 9,252,374
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.	18,725,591
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.	119,965
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,129,189
Deferred inflows of resources related to pensions	(880,993)
Some liabilities (such as compensated absences, notes payable and the net pension liability) are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,575,426)</u>
Net position of governmental activities	<u>\$ 22,770,700</u>

CARBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Road	Bridge	Emergency Disaster COVID-19	Public Safety	Wind Impact Fee	Total Nonmajor Funds	Total Governmental Funds
REVENUES								
Taxes/assessments	\$ 1,855,666	\$ 1,357,423	\$ 701,858	\$ -	\$ 1,433,591	\$ -	\$ 1,297,918	\$ 6,646,456
Fines and forfeitures	47,509	-	-	-	-	-	5,077	52,586
Licenses and permits	26,143	3,972	-	-	825	-	4,500	35,440
Intergovernmental	493,363	336,280	51,806	621,424	111,571	-	2,510,012	4,124,236
Charges for services	244,024	16,500	-	-	189,607	3,556,966	140,241	4,147,338
Investment earnings	94,748	14,593	-	-	-	32,071	3,495	144,907
Miscellaneous	17,249	5,628	-	5,000	63,791	-	15,815	107,483
Total revenues	2,778,702	1,734,376	753,464	626,424	1,799,385	3,589,037	3,977,058	15,258,446
EXPENDITURES								
Current:								
General government	2,506,128	-	-	-	-	-	303,355	2,809,483
Public safety	201,556	-	-	-	2,110,291	-	682,675	2,994,522
Public works	46,658	1,649,346	828,794	-	-	-	585,680	3,110,478
Public health	256,235	-	-	210,341	-	-	122,013	588,589
Social and economic services	58,043	-	-	-	-	-	90,758	148,801
Culture and recreation	134	-	-	-	-	-	393,438	393,572
Other current charges	172,420	-	-	-	-	-	1,686	174,106
Debt service:								
Principal	-	-	-	-	151,943	-	-	151,943
Interest and other charges	-	-	-	-	5,869	-	-	5,869
Capital outlay	77,859	392,342	686,687	-	109,150	-	348,979	1,615,017
Total expenditures	3,319,033	2,041,688	1,515,481	210,341	2,377,253	-	2,528,584	11,992,380
Excess (deficiency) of revenues over expenditures	(540,331)	(307,312)	(762,017)	416,083	(577,868)	3,589,037	1,448,474	3,266,066
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	-	-	-	-	299,712	-	-	299,712
Insurance recoveries	500	-	-	-	9,959	-	-	10,459
Sale of capital assets	-	-	-	-	-	-	5,000	5,000
Transfers in	842,909	82,579	702,669	5,000	1,052,956	-	575,205	3,261,318
Transfers out	(101,500)	(10,000)	-	(419,336)	(33,000)	(760,093)	(1,937,389)	(3,261,318)
Total other financing sources (uses)	741,909	72,579	702,669	(414,336)	1,329,627	(760,093)	(1,357,184)	315,171
Net change in fund balances	201,578	(234,733)	(59,348)	1,747	751,759	2,828,944	91,290	3,581,237
Fund balances - beginning	1,332,138	1,183,397	477,991	-	1,010,685	-	1,666,926	5,671,137
Fund balances - ending	\$ 1,533,716	\$ 948,664	\$ 418,643	\$ 1,747	\$ 1,762,444	\$ 2,828,944	\$ 1,758,216	\$ 9,252,374

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, 2020

Net change in fund balances - total governmental funds	\$ 3,581,237
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which capital outlay (\$1,615,017) exceeded depreciation (\$1,245,304) in the current period.	369,713
The net effect of various transactions involving capital assets (i.e., sales, donations, contributions, insurance and trade-ins) is to increase net position.	42,441
Donated capital assets	21,500
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.	(25,519)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure. In contrast, the Statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which long-term debt issued exceeded debt principal repaid.	(147,769)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	(220,092)
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>(27,368)</u>
Change in net position of governmental activities	<u>\$ 3,594,143</u>

CARBON COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 6,855,056	\$ 1,553,106
Investments	3,897,541	-
Taxes and assessments receivable	-	387,548
	<u>10,752,597</u>	<u>\$ 1,940,654</u>
LIABILITIES		
Accounts payable	-	\$ 71,177
Due to special districts	-	1,181,496
Due to state	-	345,576
Due to schools	-	211,471
Due to cities/towns	-	130,934
	<u>-</u>	<u>\$ 1,940,654</u>
NET POSITION		
Held in trust for external investment pool participants	<u>\$ 10,752,597</u>	

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2020

	<u>External Investment Trust Fund</u>
ADDITIONS	
Contributions	\$ 8,701,069
Investment earnings:	
Interest	<u>163,475</u>
Total additions	<u>8,864,544</u>
DEDUCTIONS	
Distributions to participants	<u>7,755,733</u>
Change in net position	1,108,811
Net position - beginning	<u>9,643,786</u>
Net position - ending	<u>\$ 10,752,597</u>

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).

The government's significant accounting policies are described below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (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 with exception of interfund services provided and used. 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.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 emergency disaster COVID-19 fund accounts for resources accumulated from the federal and state government and payments made for COVID-19 mitigation.

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

The wind impact fee fund accounts for resources accumulated for and payments made from impact fees from the wind generation farm located in Carbon County.

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 investment pool is not registered with the SEC. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 52% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. The pool does not include any involuntary participants.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

The government does not charge an administrative fee to participants in the pool.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

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 applicable governmental or business-type activities column 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 for machinery and equipment, \$10,000 for building and improvements and \$25,000 for infrastructure. The asset must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of 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:

<u>Assets</u>	<u>Years</u>
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.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The government has one item that meets this criterion: pension plans.

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.

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.

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

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The 911 Grant (\$38) and Health Preparedness (\$1,005) funds had deficit fund equity as of June 30, 2020. The deficits are a carryover from the prior year. The deficits are expected to be eliminated through a transfer from the General fund. Additionally, the Homeland Security (\$56,416) fund had a deficit unassigned fund balance, which is offset by nonspendable fund balance of \$55,440. Overall, the fund had a deficit fund balance of \$976. The deficit is expected to be eliminated through a transfer from the General fund.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 8,283,450
Fiduciary funds	<u>12,305,703</u>
	<u>\$ 20,589,153</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2020, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,500	\$ -	\$ 2,500
Cash in banks:			
Demand deposits	9,673,631	-	9,673,631
Time deposits	-	6,900,080	6,900,080
Savings deposits	(664,677)	-	(664,677)
Repurchase agreement	290,009	-	290,009
Short-term Investment Program (STIP)	<u>4,387,610</u>	-	<u>4,387,610</u>
	<u>\$ 13,689,073</u>	<u>\$ 6,900,080</u>	<u>\$ 20,589,153</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, 2020, \$9,671,844 of the government's bank balance of \$17,082,220 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>\$ 9,671,844</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, 2020, exceeded the amount required by state statute.

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Fair value measurements are as follows at June 30, 2020:

	Fair Value
State Short-Term Investment Program (STIP)	\$ 4,389,484

The government had no investments categorized as Level 1, 2 or 3 inputs.

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

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

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

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

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreement	\$ -	\$ -	\$ 290,009	\$ 290,009	\$ 290,009
Uncategorized: STIP				4,387,610	4,389,484
				\$ 4,677,619	\$ 4,679,493

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2020:

	Internal	External	Total
Net position - beginning of year	\$ 6,647,828	\$ 9,643,786	\$ 16,291,614
Contributions from participants	4,911,157	8,701,069	13,612,226
Investment earnings	151,899	163,475	315,374
Distributions to participants	(1,874,328)	(7,755,733)	(9,630,061)
Net position - end of year	\$ 9,836,556	\$ 10,752,597	\$ 20,589,153

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated				
Land	\$ 173,317	\$ -	\$ -	\$ 173,317
Construction-in-progress	85,374	69,312	(46,468)	108,218
Total capital assets, not being depreciated	<u>258,691</u>	<u>69,312</u>	<u>(46,468)</u>	<u>281,535</u>
Capital assets, being depreciated				
Buildings/improvements	4,602,596	27,165	-	4,629,761
Machinery and equipment	9,545,399	937,642	(521,417)	9,961,624
Infrastructure	12,437,897	779,466	-	13,217,363
Total capital assets, being depreciated	<u>26,585,892</u>	<u>1,744,273</u>	<u>(521,417)</u>	<u>27,808,748</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,488,473)	(127,639)	-	(1,616,112)
Machinery and equipment	(5,120,635)	(699,072)	433,258	(5,386,449)
Infrastructure	(1,943,538)	(418,593)	-	(2,362,131)
Total accumulated depreciation	<u>(8,552,646)</u>	<u>(1,245,304)</u>	<u>433,258</u>	<u>(9,364,692)</u>
Total capital assets, being depreciated, net	<u>18,033,246</u>	<u>498,969</u>	<u>(88,159)</u>	<u>18,444,056</u>
Capital assets, net	<u>\$ 18,291,937</u>	<u>\$ 568,281</u>	<u>\$ (134,627)</u>	<u>\$ 18,725,591</u>

Depreciation expense was charged as follows:

General government	\$ 65,943
Public safety	233,935
Public works	932,943
Social and economic services	1,044
Culture and recreation	11,439
Total depreciation	<u>\$ 1,245,304</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2020, consisted of the Disaster Emergency COVID-19 fund owing the General fund \$444,156. The loan was made to cover a deficit cash balance and is expected to be repaid in fiscal year 2021.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
General	\$ 842,909	\$ (101,500)	\$ 741,409
Road	82,579	(10,000)	72,579
Bridge	702,669	-	702,669
Emergency disaster COVID-19	5,000	(419,336)	(414,336)
Public safety	1,052,956	(33,000)	1,019,956
Wind impact fee	-	(760,093)	(760,093)
Total nonmajor funds	<u>575,205</u>	<u>(1,937,389)</u>	<u>(1,362,184)</u>
	<u>\$ 3,261,318</u>	<u>\$ (3,261,318)</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

Notes from direct borrowings currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2020
911 upgrades-2019	\$ 289,000	3 yrs	2.35%	\$ 137,057
Pro-Suite server-2020	299,712	5 yrs	2.65%	299,712
				<u>\$ 436,769</u>

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 155,247	\$ 9,295	\$ 164,542
2022	97,742	6,494	104,236
2023	59,754	4,477	64,231
2024	61,348	2,883	64,231
2025	62,678	1,247	63,925
	<u>\$ 436,769</u>	<u>\$ 24,396</u>	<u>\$ 461,165</u>

Notes from direct borrowings include a provision on payment default. Payment default is if the borrower fails to make any payment due under the note. If there is a payment default, the full amount of the note becomes due immediately. The loan are secured by a lien on the equipment.

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Notes payable	\$ 289,000	\$ 299,712	\$ (151,943)	\$ 436,769	\$ 155,247
Compensated absences	515,618	27,368	-	542,986	69,919
Total long-term liabilities	<u>\$ 804,618</u>	<u>\$ 327,080</u>	<u>\$ (151,943)</u>	<u>\$ 979,755</u>	<u>\$ 225,166</u>

NOTE 4. OTHER INFORMATION

Risk Management

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

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

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$168,000, primarily for equipment.

In March 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". The outbreak, known now as COVID-19, has had a significant impact worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the government continues to monitor the situation and evaluate its potential impact. No impairments were recorded as of the statement of net position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the government's financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimable at this time.

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

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

Tax Abatements

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

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

For the fiscal year ended June 30, 2020, there were no abated property taxes because the first year of abated property taxes will be fiscal year 2022.

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

Retirement Plans

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA) The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

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

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2) if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

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

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

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%.

Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

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

Sheriff's Retirement System

SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5 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.

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

Second Retirement applies to retirement system members re-employed in a SRS position on or after July 1, 2017. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member a) is not awarded service credit for the period of reemployment; b) is refunded the accumulated contributions associated with the period of reemployment; c) starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and d) does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member: is awarded service credit for the period of reemployment. Starting the first month following termination of service, the member receives the same retirement benefit previously paid to the member and a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date. The member does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA on the initial retirement benefit in January immediately following second retirement, and on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

a disability benefit.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.67% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

Members contribute 10.495% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 13.115% of each member's compensation. The rate increased from 10.115% to 13.115% on July 1, 2018.

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

At June 30, 2020, the government recorded a liability of \$3,792,177 (PERS) and \$803,494 (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, 2020	
	PERS	SRS
Employer proportionate share	\$ 3,792,177	\$ 803,494
State of Montana proportionate share associated with employer	1,233,829	-
Total	\$ 5,026,006	\$ 803,494

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 for PERS and SRS. The government's proportion of the net pension liability was based on the government's contributions received by PERS and SRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2020, the government's proportion was .1814 and .9634 percent for PERS and SRS, respectively.

For the year ended June 30, 2020, the government recognized \$528,342 (PERS) and \$62,501 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$83,764 (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 \$612,106 and \$62,501 for PERS and SRS, respectively.

At June 30, 2020, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 179,816	\$ 178,437	\$ 51,754	\$ 971
Changes in actuarial assumptions	160,989	-	251,516	433,842
Difference between projected and actual investment earnings	45,980	-	15,531	-
Changes in the proportion and differences between actual and expected contributions	-	267,743	52,852	-
Employer contributions subsequent to measurement date	263,597	-	107,154	-
	<u>\$ 650,382</u>	<u>\$ 446,180</u>	<u>\$ 478,807</u>	<u>\$ 434,813</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2021	\$ 51,454	\$ (41,378)
2022	(169,220)	(74,520)
2023	17,104	29,001
2024	41,267	23,737

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2019 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	7.65%	7.65%
Salary increases	3.50%	3.50%
Inflation	2.75%	2.75%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS and SRS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of 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. 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, 2019, and are summarized in the following table:

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	3.0%	0.00%
Domestic equity	36.0%	2.12%
Foreign equity	18.0%	1.26%
Fixed income	23.0%	0.50%
Private equity	12.0%	1.27%
Real estate	8.0%	0.46%
	<u>100.0%</u>	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.65%. 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 governments. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2120. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS and SRS net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability-PERS	\$ 5,448,278	\$ 3,792,177	\$ 2,400,433
Net pension liability-SRS	1,425,567	803,494	293,583

Future Implementation of GASB Pronouncements

GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following pronouncements are affected:

- Statement No. 84, Fiduciary Activities, reporting periods beginning after December 15, 2019
- Statement No. 87, Leases, fiscal years beginning after December 15, 2020, and all reporting periods thereafter
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, reporting periods beginning after December 15, 2020

CARBON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

- Statement No. 90, Majority Equity Interests, reporting periods beginning after December 15, 2019
- Statement No. 91, Conduit Debt Obligations, reporting periods beginning after December 15, 2021
- Statement No. 92, Omnibus 2020, Paragraphs 6–10 and 12 Various, but no later than reporting periods beginning after June 15, 2021; Paragraphs 6 and 7—fiscal years beginning after June 15, 2021; paragraphs 8, 9 and 12 - reporting periods beginning after June 15, 2021; Paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021
- Statement No. 93, Replacement of Interbank Offered Rates, Paragraphs 13 and 14 Except for Paragraph 11b and Paragraphs 13 and 14, reporting periods beginning after June 15, 2020; Paragraph 11b (removal of LIBOR as appropriate benchmark interest rate) - reporting periods ending after December 31, 2021; Paragraphs 13 and 14 - fiscal years beginning after June 15, 2021

Statement No. 96, Subscription-Based Information Technology Arrangements provides accounting and financial reporting guidance for subscription-based information technology arrangements used by state and local governments. Statement 96 is effective for fiscal years beginning after June 15, 2022.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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, 2020

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES					
Taxes/assessments	\$ 1,832,775	\$ 1,832,775	\$ 1,855,666	\$ -	\$ 1,855,666
Fines and forfeitures	48,000	48,000	47,509	-	47,509
Licenses and permits	18,450	18,450	26,143	-	26,143
Intergovernmental	429,082	429,082	409,599	83,764	493,363
Charges for services	215,061	215,061	244,024	-	244,024
Investment earnings	60,000	60,000	94,748	-	94,748
Miscellaneous	23,000	23,000	17,249	-	17,249
Total revenues	<u>2,626,368</u>	<u>2,626,368</u>	<u>2,694,938</u>	<u>83,764</u>	<u>2,778,702</u>
EXPENDITURES					
Current:					
General government	2,716,447	2,710,447	2,464,230	41,898	2,506,128
Public safety	221,540	221,540	189,050	12,506	201,556
Public works	15,000	15,000	20,364	26,294	46,658
Public health	282,370	288,370	254,149	2,086	256,235
Social and economic services	56,074	56,074	57,197	846	58,043
Culture and recreation	-	-	-	134	134
Other current charges	159,400	159,400	172,420	-	172,420
Capital outlay	117,715	117,715	77,859	-	77,859
Total expenditures	<u>3,568,546</u>	<u>3,568,546</u>	<u>3,235,269</u>	<u>83,764</u>	<u>3,319,033</u>
Excess (deficiency) of revenues over expenditures	<u>(942,178)</u>	<u>(942,178)</u>	<u>(540,331)</u>	<u>-</u>	<u>(540,331)</u>
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	5,000	5,000	500	-	500
Transfers in	764,727	764,727	842,909	-	842,909
Transfers out	<u>(90,500)</u>	<u>(101,500)</u>	<u>(101,500)</u>	<u>-</u>	<u>(101,500)</u>
Total other financing sources (uses)	<u>679,227</u>	<u>668,227</u>	<u>741,909</u>	<u>-</u>	<u>741,909</u>
Net change in fund balance	<u>\$ (262,951)</u>	<u>\$ (273,951)</u>	<u>201,578</u>	<u>-</u>	<u>201,578</u>
Fund balance - beginning			<u>1,332,138</u>	<u>-</u>	<u>1,332,138</u>
Fund balance - ending			<u>\$ 1,533,716</u>	<u>\$ -</u>	<u>\$ 1,533,716</u>

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 1,360,763	\$ 1,360,763	\$ 1,357,423
Licenses and permits	7,500	7,500	3,972
Intergovernmental	336,283	336,283	336,260
Charges for services	-	-	16,500
Investment earnings	6,700	6,700	14,593
Miscellaneous	11,500	21,500	5,628
Total revenues	<u>1,722,746</u>	<u>1,732,746</u>	<u>1,734,376</u>
EXPENDITURES			
Current:			
Public works	1,691,270	1,771,270	1,649,346
Capital outlay	446,000	446,000	392,342
Total expenditures	<u>2,137,270</u>	<u>2,217,270</u>	<u>2,041,688</u>
Excess (deficiency) of revenues over expenditures	<u>(414,524)</u>	<u>(484,524)</u>	<u>(307,312)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	33,610	103,610	82,579
Transfers out	(10,000)	(10,000)	(10,000)
Total other financing sources (uses)	<u>23,610</u>	<u>93,610</u>	<u>72,579</u>
Net change in fund balance	<u>\$ (390,914)</u>	<u>\$ (390,914)</u>	<u>(234,733)</u>
Fund balance - beginning			<u>1,183,397</u>
Fund balance - ending			<u>\$ 948,664</u>

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Bridge Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 699,386	\$ 699,386	\$ 701,858
Intergovernmental	41,682	41,682	51,606
Charges for services	2,800	2,800	-
Total revenues	<u>743,868</u>	<u>743,868</u>	<u>753,464</u>
EXPENDITURES			
Current:			
Public works	941,520	941,520	828,794
Capital outlay	-	690,093	686,687
Total expenditures	<u>941,520</u>	<u>1,631,613</u>	<u>1,515,481</u>
Excess (deficiency) of revenues over expenditures	<u>(197,652)</u>	<u>(887,745)</u>	<u>(762,017)</u>
OTHER FINANCING SOURCES			
Transfers in	45,670	735,763	702,669
Total other financing sources	<u>45,670</u>	<u>735,763</u>	<u>702,669</u>
Net change in fund balance	<u>\$ (151,982)</u>	<u>\$ (151,982)</u>	<u>(59,348)</u>
Fund balance - beginning			<u>477,991</u>
Fund balance - ending			<u>\$ 418,643</u>

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Emergency Disaster COVID-19 Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ -	\$ 648,776	\$ 621,424
Miscellaneous	-	5,000	5,000
Total revenues	<u>-</u>	<u>653,776</u>	<u>626,424</u>
EXPENDITURES			
Current:			
Public health	-	229,000	210,341
Total expenditures	<u>-</u>	<u>229,000</u>	<u>210,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>424,776</u>	<u>416,083</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	5,000
Transfers out	-	(451,263)	(419,336)
Total other financing sources (uses)	<u>-</u>	<u>(446,263)</u>	<u>(414,336)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (21,487)</u>	1,747
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ 1,747</u>

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,428,791	\$ 1,428,791	\$ 1,433,591
Licenses and permits	6,500	-	825
Intergovernmental	101,127	101,127	111,571
Charges for services	197,400	197,400	189,607
Miscellaneous	6,000	32,500	63,791
Total revenues	<u>1,739,818</u>	<u>1,759,818</u>	<u>1,799,385</u>
EXPENDITURES			
Current:			
Public safety	2,373,370	2,393,370	2,110,291
Debt service:			
Principal	151,717	151,717	151,943
Interest and other charges	6,095	6,095	5,869
Capital outlay	110,500	260,356	109,150
Total expenditures	<u>2,641,682</u>	<u>2,811,538</u>	<u>2,377,253</u>
Excess (deficiency) of revenues over expenditures	<u>(901,864)</u>	<u>(1,051,720)</u>	<u>(577,868)</u>
OTHER FINANCING SOURCES (USES)			
Long term debt issued	-	299,712	299,712
Insurance recoveries	-	-	9,959
Transfers in	714,620	714,620	1,052,956
Transfers out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>
Total other financing sources (uses)	<u>681,620</u>	<u>981,332</u>	<u>1,329,627</u>
Net change in fund balance	<u>\$ (220,244)</u>	<u>\$ (70,388)</u>	751,759
Fund balance - beginning			<u>1,010,685</u>
Fund balance - ending			<u>\$ 1,762,444</u>

CARBON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY COMPARISON INFORMATION
For the Year Ended June 30, 2020

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 and SRS.

A schedule of revenues, expenditures and changes in fund balance-budget to actual is not required to be presented for the wind impact fee fund. Section 15-24-3007, (4), MCA, states that the fund must be financially administered as a nonbudgeted fund under the provisions of Title 7, chapter 6, part 40.

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

<u>Public Employees Retirement System:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 263,597	\$ 257,449	\$ 237,697	\$ 218,281	\$ 237,041	\$ 207,452
Contributions in relation to the contractually required contributions	<u>263,597</u>	<u>257,449</u>	<u>237,697</u>	<u>218,281</u>	<u>237,041</u>	<u>207,452</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 3,013,784	\$ 2,990,469	\$ 2,811,785	\$ 2,608,707	\$ 2,734,189	\$ 2,383,462
Contributions as a percentage of employer's covered payroll	8.75%	8.61%	8.45%	8.37%	8.67%	8.70%
<u>Sheriffs' Retirement System:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 107,154	\$ 101,861	\$ 97,443	\$ 69,926	\$ 68,230	\$ 59,005
Contributions in relation to the contractually required contributions	<u>107,154</u>	<u>101,861</u>	<u>97,443</u>	<u>69,926</u>	<u>68,230</u>	<u>59,005</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 817,034	\$ 773,454	\$ 729,328	\$ 691,314	\$ 658,298	\$ 581,680
Contributions as a percentage of employer's covered payroll	13.12%	13.17%	13.36%	10.11%	10.36%	10.14%

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

CARBON COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES AND SHERIFFS' RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.1814%	0.1706%	0.2102%	0.2283%	0.2042%	0.2092%
Employer's proportionate share of the net pension liability associated with the employer	\$ 3,792,177	\$ 3,561,595	\$ 4,094,392	\$ 3,888,105	\$ 2,854,942	\$ 2,606,889
State of Montana's proportionate share of the net pension liability associated with the employer	1,233,829	1,191,836	56,724	47,508	35,068	31,834
Total	\$ 5,026,006	\$ 4,753,431	\$ 4,151,116	\$ 3,935,613	\$ 2,890,010	\$ 2,638,723
Employer's covered payroll	\$ 2,990,469	\$ 2,811,785	\$ 2,608,707	\$ 2,734,189	\$ 2,383,462	\$ 2,390,737
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	126.81%	126.67%	156.95%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
Sheriffs' Retirement System:	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.9634%	0.9400%	0.9240%	0.9325%	0.8548%	0.8535%
Employer's proportionate share of the net pension liability associated with the employer	\$ 803,494	\$ 706,621	\$ 703,114	\$ 1,638,233	\$ 824,056	\$ 355,222
State of Montana's proportionate share of the net pension liability associated with the employer	-	-	-	-	-	-
Total	\$ 803,494	\$ 706,621	\$ 703,114	\$ 1,638,233	\$ 824,056	\$ 355,222
Employer's covered payroll	\$ 773,454	\$ 729,328	\$ 691,314	\$ 658,298	\$ 581,680	\$ 552,013
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

CARBON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2020

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

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

Lump-sum Payouts:

- Lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.

Sheriffs' Retirement System

Changes of Benefit Terms:

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

2017:

1. Increase in SRS Employee and Employer Contributions, effective July 1, 2017:
 - SRS employee contributions increase 1.25% from 9.245% to 10.495%.
 - SRS employer additional contributions increase 3%, from 0.58% to 3.58%, for a total employer contributions rate of 13.115%.
 - SRS employee contributions will return to 9.245% and SRS employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

Second Retirement Benefit - for SRS:

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

CARBON COUNTY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2020

3. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - Is awarded service credit for the period of reemployment;
 - Starting the first month following termination of service, receives:
 - I. The same retirement benefit previously paid to the member, and
 - II. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - I. On the initial retirement benefit in January immediately following second retirement, and
 - II. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
4. A member who returns to covered service is not eligible for a disability benefit.

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

Changes in actuarial assumptions and other inputs:

Method and assumptions used in calculations of actuarially determined contributions:

	PERS and SRS
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years (PERS) and 21 years (SRS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

OTHER SUPPLEMENTARY INFORMATION

CARBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass-through Grantor's Number	Program/Award Amount	Balance			Returned to Grantor/ Other	Balance June 30, 2020	Amount Provided to Subrecipients
				July 1, 2019	Receipts	Expenditures			
U.S. Department of Justice:									
Passed through the Montana Board of Crime Control:									
Crime Victim Assistance	16.575	16-V08-92373	\$ 57,167	\$ (11,909)	\$ 31,385	\$ 19,476	\$ -	\$ -	\$ -
Crime Victim Assistance	16.575	19-V01-92420	107,359	-	22,798	34,934	-	(12,136)	-
Total U.S. Department of Justice				(11,909)	54,183	54,410	-	(12,136)	-
U.S. Department of Homeland Security:									
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:									
Homeland Security Grant Program	97.067	EMW-2016-SS-00006	181,866	(28,246)	28,246	-	-	-	-
Homeland Security Grant Program	97.067	EMW-2018-SS-00021	48,038	(7,763)	41,623	40,273	-	(6,413)	-
Homeland Security Grant Program	97.067	EMW-2017-SS-00009	119,695	-	32,801	64,255	-	(31,454)	-
Subtotal				(36,009)	102,670	104,528	-	(37,867)	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-08-MT-4508	30,556	-	-	30,555	-	(30,555)	-
Subtotal				-	-	30,555	-	(30,555)	-
Disaster Grants - Public Assistance (Presidentially Pre-Disaster Mitigation)	97.047	PDMC-PL-08-MT-2016-004	25,000	-	-	24,388	-	(24,388)	-
Subtotal				-	-	24,388	-	(24,388)	-
Emergency Management Performance Grants	97.042	EMD-2018-EP-00005-S01	50,011	(7,585)	7,585	-	-	-	-
Emergency Management Performance Grants	97.042	EMD-2018-EP-00005-S01	13,750	-	12,688	12,688	-	-	-
Emergency Management Performance Grants	97.042	19-20 EMPG Carbon	46,155	-	39,388	46,155	-	(6,767)	-
Subtotal				(7,585)	59,661	58,843	-	(6,767)	-
Total U.S. Department of Homeland Security				(43,594)	162,331	218,314	-	(99,577)	-
U.S. Department of Health and Human Services:									
Passed through the Montana Department of Public Health and Human Services:									
Maternal and Child Health Services									
Block Grant to the States	93.994	19-07-5-01-005-0	10,236	(1,706)	5,118	3,412	-	-	3,412
Maternal and Child Health Services									
Block Grant to the States	93.994	20-25-5-01-005-0	8,134	-	3,254	4,681	-	(1,627)	4,861
Subtotal				(1,706)	8,372	8,293	-	(1,627)	8,293
Immunization Cooperative Agreements	93.268	19-07-4-31-104-0	6,833	(1,708)	1,708	-	-	-	-
Immunization Cooperative Agreements	93.268	20-07-4-31-104-0	6,879	-	5,159	6,879	-	(1,720)	6,879
Subtotal				(1,708)	6,867	6,879	-	(1,720)	6,879
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	20-07-6-11-006-0	38,147	-	19,073	19,073	-	-	19,073
Subtotal				-	19,073	19,073	-	-	19,073
Provider Relief Fund	93.498	N/A	118,760	-	58,380	-	-	58,380	-
Subtotal				-	58,380	-	-	58,380	-
Public Health Emergency Preparedness	93.069	19-07-6-11-006-0	74,177	(18,544)	18,544	-	-	-	-
Public Health Emergency Preparedness	93.069	20-07-6-11-006-0	41,002	-	30,750	40,998	(4)	(10,252)	40,998
Public Health Emergency Preparedness	93.069	20-07-6-11-059-0	17,250	-	12,936	17,250	-	(4,314)	17,250
Subtotal				(18,544)	62,230	58,248	(4)	(14,566)	58,248
Total U.S. Department of Health and Human Services				(21,958)	154,922	92,493	(4)	40,467	92,493
U.S. Department of the Treasury:									
Passed through the Montana Department of Administration:									
Coronavirus Relief Fund	21.019	N/A	590,869	-	-	590,869	-	(590,869)	-
Total U.S. Department of the Treasury				-	-	590,869	-	(590,869)	-
U.S. Election Assistance Commission:									
Passed through the Montana Secretary of State:									
Help America Vote Act Requirements Payments	90.401	N/A	14,117	-	14,117	14,117	-	-	-
Help America Vote Act Requirements Payments	90.401	N/A	25,818	-	-	-	-	-	-
Total U.S. Election Assistance Commission				-	14,117	14,117	-	-	-
U.S. Department of Agriculture:									
Passed through the Montana Department of Administration:									
Schools and Roads - Grants to States	10.665	N/A	20,505	-	20,505	20,505	-	-	-
Subtotal				-	20,505	20,505	-	-	-

CARBON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass- through Grantor's Number	Program/ Award Amount	Balance			Returned to Grantor/ Other	Balance June 30, 2020	Amount Provided to Subrecipients
				July 1, 2019	Receipts	Expenditures			
Passed through the Montana Department of Natural Resources and Conservation:									
Cooperative Forestry Assistance	10.664	VFA-19-341	6,000	(6,000)	6,000	-	-	-	-
Cooperative Forestry Assistance	10.664	RFC-20-340	6,000	-	-	6,000	-	(6,000)	-
Subtotal				(6,000)	6,000	6,000	-	(6,000)	-
Total U.S. Department of Agriculture				(6,000)	26,505	26,505	-	(6,000)	-
<u>U.S. Department of the Interior:</u>									
Passed through the Montana Historical Society - State Historic Preservation Office:									
Historic Preservation Fund Grants-in-Aid	15.904	MT-19-015	5,500	-	5,500	5,500	-	-	5,500
Total U.S. Department of the Interior				-	5,500	5,500	-	-	5,500
Total Federal Awards				\$ (83,461)	\$ 417,558	\$ 1,002,208	\$ (4)	\$ (668,115)	\$ 97,993

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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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, 2020, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated January 21, 2021. 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 total other post-employment benefit (OPEB) liability and related expense.

Internal Control over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 questioned costs. 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.

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)

Purpose of this Report

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

O'neal & Associates, PC

Billings, Montana
January 21, 2021

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Carbon County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the government's major federal program for the year ended June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the government's compliance.

Opinion on Each Major Federal Program

In our opinion, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005 that we consider to be material weaknesses.

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

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

O'Leary & Associates, PC

Billings, Montana
January 21, 2021

CARBON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2020

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? √ yes no
- Significant deficiencies identified? yes √ none reported

Noncompliance material to the financial statements noted? yes √ no

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? yes √ no

FINDINGS - FINANCIAL STATEMENT AUDIT

2020-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Effect: Transactions could be mishandled.

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

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

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.

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

CARBON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

2020-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements and Schedule of Expenditures of Federal Awards (SEFA) in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements and SEFA.

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

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements and SEFA; 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 and SEFA, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements and SEFA.

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

2020-003. TOTAL OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

Condition: The government did not record the total other post-employment benefit (OPEB) liability and related expense (GASB Statement No. 75) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the total OPEB liability and related expense as of and for the year ended June 30, 2020.

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 total OPEB liability and related expense.

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

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TREASURY:

2020-004. CORONAVIRUS RELIEF FUND, CFDA 21.019: GRANT PERIOD - YEAR ENDED JUNE 30, 2020

Finding 2020-001 applies to this federal award program.

2020-005. CORONAVIRUS RELIEF FUND, CFDA 21.019: GRANT PERIOD - YEAR ENDED JUNE 30, 2020

Finding 2020-002 applies to this federal award program.

CARBON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2020-001 for the year ended June 30, 2020.

2019-002. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2020-002 for the year ended June 30, 2020.

2019-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2020-003 for the year ended June 30, 2020.

2019-004. BIDDING

Status: This finding has been resolved.

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

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

CARBON COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2020

FINDINGS - FINANCIAL STATEMENT AUDIT

2020-001. SEGREGATION OF DUTIES

Name of contact person: Angela Newell, Administrative Officer

Corrective Action: Segregation of duties is an area that Carbon County is continually trying to improve on. Processing accounts payable, payroll, and tax collections are segregated from those performing the reconciliations of these functions. Management will continue to monitor this area and implement effective controls.

Proposed Completion Date: Ongoing

2020-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: Angela Newell, Administrative Officer

Corrective Action: 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 statements. The cost versus the benefits of hiring qualified staff to prepare GAAP financial statements and footnote disclosures is not cost effective. At this time, the County does not have the space for financial resources for such staff. Management will continue to monitor the cost and benefits of adding staff with these qualifications.

Proposed Completion Date: Ongoing

2020-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Name of contact person: Angela Newell, Administrative Officer

Corrective Action: Carbon County has consulted with actuarial firms regarding an actuarial valuation for the total OPEB. The Board of County Commissioners has determined that likely the amount of liability Carbon County would incur from this valuation would not be significant and the expense involved in determining the liability is excessive. Carbon County does not provide financial contributions to any plans that retirees participate in. Management will continue to monitor the cost and benefits of determining the OPEB liability.

Proposed Completion Date: Ongoing

FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TREASURY:

2020-004. CORONAVIRUS RELIEF FUND, CFDA 21.019, GRANT PERIOD - YEAR ENDED JUNE 30, 2020

Finding 2020-001 applies to this federal award program.

2020-005. CORONAVIRUS RELIEF FUND, CFDA 21.019, GRANT PERIOD - YEAR ENDED JUNE 30, 2020

Finding 2020-002 applies to this federal award program.