CARBON COUNTY
RED LODGE, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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CARBON COUNTY

ORGANIZATION

June 30, 2022

BOARD OF COUNTY COMMISSIONERS

Bill Bullock	Presiding Officer
Scott Blain	Commissioner
Scott Miller	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.
CURT D. WYSS, CPA
CERTIFIED PUBLIC ACCOUNTANTS
ERNEST J. OLNESS, CPA
2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Carbon County
Red Lodge, Montana

Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Qualified Opinions:

In our opinion, except for the effects of the matter described in the second paragraph of the Basis for Qualified and Unmodified Opinions section of our report and except for the possible effects of the matter described in the third paragraph of the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the road fund and the aggregate remaining fund information of the government, as of June 30, 2022, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund (excluding the road fund) of the government as of June 30, 2022, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to the Qualified Opinions:

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 aggregate remaining fund information.

Emphasis of Matter

As described in Note 1 to the financial statements, the government adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, 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.

Olness & Associates, PC

Billings, Montana
March 24, 2023

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, 2022. 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 $1,291,690.
- During the year, our government had expenses that were $2,942,503 more than the $9,909,207 generated in tax and other general revenues.
- Total cost of all of programs increased $711,596.
- Total governmental revenues were $13,442,041 an decrease of 5.2% over the prior year. Governmental expenditures increased to $13,022,482, an increase of 6% over the prior year.
- The General fund reported an increase in fund balance this year of $147,960.
- 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.

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 as an agent for various local governments, special districts, and individuals.

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 and the Statement of Activities 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.

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 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.

Carbon County maintains individual governmental funds, and adopts an annual appropriated budget for them. The general, road, airport, emergency disaster, public safety, wind impact fee, PILT and ARPA 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.

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 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 $26,868,519, as of June 30, 2022. Net position increased $1,291,690. The increase was due to a settlement of a lawsuit, GASB Statement No. 68 adjustments and levying to pay debt principal.

Of the County's total net position, our net investment in capital assets accounts for $19,407,262 or 72% 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.

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

Carbon County's Schedule of Net Position

	2022	2021	Change
Current and other assets	$ 14,150,906	$ 11,139,292	$ 3,011,614
Capital assets	19,407,262	20,075,329	(668,067)
Total assets	33,558,168	31,214,621	2,343,547
Deferred outflows	1,288,741	1,670,842	(382,101)
Other liabilities	1,518,880	97,657	1,421,223
Long-term liabilities	4,410,875	6,769,312	(2,358,437)
Total liabilities	5,929,755	6,866,969	(937,214)
Deferred inflows	2,048,635	441,665	1,606,970
Net position:			
Net investment in capital assets	19,407,262	19,497,054	(89,792)
Restricted	5,715,772	5,108,134	607,638
Unrestricted	1,745,485	971,641	773,844
	$ 26,868,519	$ 25,576,829	$ 1,291,690

Carbon County's Schedule of Change in Net Position

	2022	2021	Change
Revenues:			
Program revenues:			
Charges for services	$ 1,081,905	$ 2,594,585	$ (1,512,680)
Operating grants and contributions	2,377,534	2,093,644	283,890
Capital grants and contributions	124,754	818,829	(694,075)
General revenues:			
Taxes	7,160,048	6,890,476	269,572
Intergovernmental	2,642,607	2,373,464	269,143
Interest	63,003	66,963	(3,960)
Miscellaneous	688,910	44,461	644,449
Gain on disposal of capital assets	4,639	63,821	(59,182)
Total revenues	14,143,400	14,946,243	(802,843)
Expenses:			
General government	3,226,180	3,309,682	(83,502)
Public safety	3,957,266	3,176,591	780,675
Public works	3,985,506	4,170,013	(184,507)
Public health	687,078	656,314	30,764
Social and economic services	254,535	153,507	101,028
Culture and recreation	512,945	419,386	93,559
Housing and community development	-	47,347	(47,347)
Other current charges	224,256	198,226	26,030
Interest	3,944	9,048	(5,104)
Total expenses	12,851,710	12,140,114	711,596
Change in net position	1,291,690	2,806,129	(1,514,439)
Net position, beginning	25,576,829	22,770,700	2,806,129
Net position, ending	$ 26,868,519	$ 25,576,829	$ 1,291,690

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, 2022, Carbon County's governmental funds reported combined fund balances of $12,287,294, an increase of $1,093,665 over the prior year. $1,852,000 is unassigned. The remaining $10,435,294 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, 2022, general fund fund balance was $1,857,737, an increase from the prior year of $147,960. 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, fund balance of the road fund was $1,199,487, an increase of $77,325 over the prior year.

The airport fund is a major fund in 2022 due to implementing GASB Statement No. 87, Leases. The airport has a significant number of hanger and land leases.

The emergency disaster fund was major in 2022 due to flooding that occurred in the middle of June 2022.

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 $1,219,929, a decrease of $562,678 over the prior year.

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. Ending fund balance was $4,447,779.

PILT fund revenues are spent at the discretion of the county commissioners. Transfers out of the PILT fund were made to assist with funding of programs or projects in other funds.

ARPA funds were used to prepare, prevent and respond to the Covid-19 pandemic.

General Fund Budgetary Highlights.
There were no significant General fund budget amendments this year. General fund expenditures were $495,636 less than the amount budgeted. Revenues received were $182,809 more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
Carbon County's net investment in capital assets as of June 30, 2022 was $19,407,262. This investment in capital assets includes land, buildings/improvements, machinery and equipment, and infrastructure. During fiscal year 2022, significant capital additions included road, bridge and sheriff equipment.

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 as of June 30, 2022 was $536,478. Additionally, the net pension liability required by GASB Statement No. 68 is also included in the government-wide financial statements.

THE GOVERNMENT'S FUTURE

Carbon County's financial status remains solid. Fiscal Year 2022 cash reserves for levied funds were set around 29%, a half percent decrease over the prior year. Reserves were set below the maximum level of 33% allowed by Montana State Law to fund capital improvement funds and to account for oil and gas payments that remain roughly half of their historic levels. This loss in revenue has reduced County cash reserves over the last several years although with the infusion of ARPA and LATCF revenues in 2022, the total cash balance increased $2,205,308 over the prior year. As noted above, cash reserves in operating accounts have been kept at lower levels to build capital improvement fund balances; capital improvement accounts had a cash balance of roughly $1,227,026 as of June 2022 a $762,676 increase over the prior fiscal year. $455,000 of that increase was due to the receipt of settlement proceeds from Industrial Communications and Electronics regarding the defunct Simulcast Radio System.

Our county-wide taxable valuation for fiscal year 2022 increased by 4.98% and our rural taxable valuation for road purposes increased by 4.8%. The revenues from Payment In Lieu of Taxes (PILT) increased $96,810. Federal mineral royalties and oil and gas production increased by $142,651 and $2,833 respectively from the previous year. Federal mineral royalty payments have started to increase and were back to their historical levels. Oil and gas revenues remain roughly half of their historic levels, about $399,000 lower than they were in the early 2000s. These funds are very valuable to help offset the cost of search and rescue operations, ambulance services, increases 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 2022-2023, we kept our mills at the maximum level allowed by state statue in order to cover the increasing costs of running a county government. We were able to make contributions to capital improvement funds for: vehicle replacements for the Bridger District Commissioner, Joliet District Commissioner, Sanitarian, Fire Warden/GIS Coordinator, DES Coordinator, Extension Agent, Public Health, Sheriff's Deputies; election equipment upgrades; upgrades for the administration building elevator; county attorney, justice court, extension and district court copier replacements; road department machinery and equipment; an expansion of the Bridger road shop; construction of a new sand shed for the Red Lodge road shop; funds for the future chip seal and striping of the Boyd Cooney road, fairgrounds bleacher upgrades; airport improvements including runway repairs; and Clerk and Recorder large format scanner/printer replacement. The County continues to build capital fund balances so capital expenditures are better planned and can be funded over multiple years rather than relying on fund cash balances to finance projects. Budgeted transfers to capital improvement funds totaled $269,687 in the 2022-2023 budget. The County has completed a capital improvement plan that should assist with future budgets, grant applications, and overall financial planning.

The County continues to evaluate our radio and dispatch equipment. The County has settled litigation with Industrial Communications regarding the defunct Simulcast Radio System and is evaluating how best to use settlement proceeds for the long-term maintenance of our radio system and enhancements to address coverage issues.

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 public 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 county governments. Counties have to be fiscally responsible to county taxpayers by protecting financial sources and our ability to serve the citizens of Carbon County.

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 2023 construction season.

With the influx of funding from the American Rescue Plan Act (ARPA) and Local Agency and Tribal Consistency (LATCF) Funds, Carbon County was able to purchase the old Cedar Wood Villa building. Commissioners will begin planning for the remodel of the building early in 2023 to reconsolidate as many County offices as possible into one location.

In June 2022, the County experienced a catastrophic flood event. Both bridges on East Side road and the bridge on Meeteetse Trail over Rock Creek were a total loss. A number of other bridges, roadways, culverts, and the Edgar sewer lagoon received significant damage and repairs are ongoing. Carbon County is working with Federal, State, and local partners to continue flood recovery efforts. In addition to repairing damaged infrastructure, Carbon County has pushed for State involvement in prevention efforts to avert likely flooding in the spring of 2023. With State and Federal bureaucracies, efforts to remove the large volume of flood debris still in the Clarks Fork River and Rock Creek have been stalled. There are concerns that the debris coupled with significant channel changes will result in flooding even with normal runoff.

CARBON COUNTY
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
Cash and equivalents	$ 9,331,067
Investments	3,191,007
Receivables:	
Taxes and assessments	154,767
Governments	1,010,569
Leases	187,492
Inventories	183,040
Prepaids	92,964
Capital assets:	
Land and construction in progress	598,879
Capital assets, net of accumulated depreciation	18,808,383
Total assets	33,558,168
DEFERRED OUTFLOWS OF RESOURCES	
Pension plans	1,288,741
LIABILITIES	
Accounts payable-vendors	547,175
Unearned revenues	971,705
Long-term liabilities:	
Due within one year:	
Compensated absences	68,853
Due in more than one year:	
Compensated absences	467,625
Net pension liability	3,874,397
Total liabilities	5,929,755
DEFERRED INFLOWS OF RESOURCES	
Leases	189,965
Pension plans	1,858,670
Total deferred inflows of resources	2,048,635
NET POSITION	
Net investment in capital assets	19,407,262
Restricted for:	
General government	316,047
Public safety	1,575,411
Public works	2,288,152
Public health	55,472
Social and economic	62,369
Culture and recreation	143,917
Housing and community development	3,257
Capital projects	1,271,147
Unrestricted	1,745,485
Total net position	$ 26,868,519

See notes to basic financial statements.

CARBON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:					
General government	$ 3,226,180	$ 336,106	$ 157,111	$ -	$ (2,732,963)
Public safety	3,957,266	610,636	370,801	92,554	(2,883,275)
Public works	3,985,506	112,259	1,434,268	32,200	(2,406,779)
Public health	687,078	21,804	351,133	-	(314,141)
Social and economic services	254,535	1,100	2,852	-	(250,583)
Culture and recreation	512,945	-	61,369	-	(451,576)
Other current charges	224,256	-	-	-	(224,256)
Interest on long-term debt	3,944	-	-	-	(3,944)
Total	$ 12,851,710	$ 1,081,905	$ 2,377,534	$ 124,754	(9,267,517)
General revenues:					
Property taxes					7,160,048
Intergovernmental					2,642,607
Investment earnings					63,003
Miscellaneous					38,910
Gain on disposal of capital assets					4,639
Total general revenues					9,909,207
Change in net position before special item					641,690
Special item: Settlement					650,000
Change in net position					1,291,690
Net position - beginning					25,576,829
Net position - ending					$ 26,868,519

CARBON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Road	Airport	Emergency Disaster	Public Safety	Wind Impact Fee	PILT	ARPA	Total Nonmajor Funds	Total Governmental Funds
ASSETS										
Cash and cash equivalents	$ 1,244,758	$ 808,156	$ 27,752	$ -	$ 872,073	$ 3,314,349	$ 122,540	$ 631,958	$ 2,309,481	$ 9,331,067
Investments	425,678	276,371	9,491	-	298,228	1,133,430	41,906	216,115	789,788	3,191,007
Receivables:										
Taxes and assessments	30,255	26,862	1,112	9	36,194	-	-	-	60,335	154,767
Governments	48,162	21,229	45,568	617,107	79,294	-	-	-	199,209	1,010,569
Leases	18,060	-	169,432	-	-	-	-	-	-	187,492
Due from other funds	202,846	-	-	-	-	-	-	-	-	202,846
Inventories	-	122,599	-	-	-	-	-	-	60,441	183,040
Prepaid items	-	-	-	-	-	-	-	-	92,964	92,964
Total assets	$ 1,969,759	$ 1,255,217	$ 253,355	$ 617,116	$ 1,285,789	$ 4,447,779	$ 164,446	$ 848,073	$ 3,512,218	$ 14,353,752
LIABILITIES										
Accounts payable-vendors	$ 64,141	$ 28,868	$ 46,192	$ 371,780	$ 29,666	$ -	$ -	$ -	$ 6,528	$ 547,175
Due to o her funds	-	-	-	202,846	-	-	-	-	-	202,846
Unearned revenues	-	-	-	-	-	-	-	844,263	127,442	971,705
Total liabilities	64,141	28,868	46,192	574,626	29,666	-	-	844,263	133,970	1,721,726
DEFERRED INFLOWS OF RESOURCES										
Leases	17,626	-	172,339	-	-	-	-	-	-	189,965
Unavailable revenue - taxes and assessments	30,255	26,862	1,112	9	36,194	-	-	-	60,335	154,767
Total deferred inflows of resources	47,881	26,862	173,451	9	36,194	-	-	-	60,335	344,732
FUND BALANCES (DEFICITS)										
Nonspendable:										
Prepaids	-	-	-	-	-	-	-	-	92,964	92,964
Inventory	-	122,599	-	-	-	-	-	-	60,441	183,040
Restricted for:										
General government	-	-	-	-	-	-	-	-	308,843	308,843
Public safety	-	-	-	-	1,219,929	-	-	-	312,950	1,532,879
Public works	-	1,076,888	33,712	42,481	-	-	-	-	882,885	2,035,966
Public health	-	-	-	-	-	-	-	-	55,240	55,240
Social and economic services	-	-	-	-	-	-	-	-	60,808	60,808
Culture and recreation	-	-	-	-	-	-	-	-	91,236	91,236
Housing and community development	-	-	-	-	-	-	-	-	3,257	3,257
Capital projects	-	-	-	-	-	-	-	-	1,227,027	1,227,027
Committed for:										
General government	-	-	-	-	-	4,447,779	164,446	3,810	227,999	4,844,034
Unassigned	1,857,737	-	-	-	-	-	-	-	(5,737)	1,852,000
Total fund balances (deficits)	1,857,737	1,199,487	33,712	42,481	1,219,929	4,447,779	164,446	3,810	3,317,913	12,287,294
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 1,969,759	$ 1,255,217	$ 253,355	$ 617,116	$ 1,285,789	$ 4,447,779	$ 164,446	$ 848,073	$ 3,512,218	$ 14,353,752

See notes to basic financial statements.

CARBON COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances, governmental funds	$ 12,287,294
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.	19,407,262
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.	154,767
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	1,288,741
Deferred inflows of resources related to pensions	(1,858,670)
Some liabilities (such as compensated absences and the net pension liability) are not due and payable in the current period and, therefore, are not reported in the funds.	(4,410,875)
Net position of governmental activities	$ 26,868,519

CARBON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General	Road	Airport	Emergency Disaster	Public Safety	Wind Impact Fee	PILT	ARPA	Total Nonmajor Funds	Total Governmental Funds
REVENUES										
Taxes/assessments	$ 2,075,142	$ 1,414,428	$ 49,812	$ 36	$ 1,617,231	$ -	$ -	$ -	$ 2,279,278	$ 7,435,927
Fines and forfeitures	53,868	-	-	-	-	-	-	-	3,464	57,332
Licenses and permits	39,869	4,947	-	-	-	-	-	-	1,815	46,631
Intergovernmental	684,257	371,793	48,730	617,107	193,287	-	1,391,877	287,340	1,504,464	5,098,855
Charges for services	310,714	-	9,776	-	183,612	-	-	-	189,780	693,882
Investment earnings	30,944	4,278	2,175	-	-	20,777	373	3,810	646	63,003
Miscellaneous	20,793	1,069	7,177	-	3,114	-	-	-	14,258	46,411
Total revenues	3,215,587	1,796,515	117,670	617,143	1,997,244	20,777	1,392,250	291,150	3,993,705	13,442,041
EXPENDITURES										
Current:										
General government	2,927,903	-	-	-	-	-	923	-	323,922	3,252,748
Public safety	181,125	-	-	617,732	2,372,536	-	47,840	51,545	522,241	3,793,019
Public works	88,534	1,529,428	83,527	-	-	-	-	126,968	1,235,691	3,064,148
Public health	355,532	-	-	-	-	-	-	-	326,348	681,880
Social and economic services	56,164	-	-	-	-	-	-	102,230	100,418	258,812
Culture and recreation	1,265	-	-	-	-	-	-	6,597	492,018	499,880
Other current charges	221,915	-	-	-	-	-	-	-	2,341	224,256
Debt service:										
Principal	-	-	-	-	281,275	-	-	-	-	281,275
Interest and o her charges	-	-	-	-	3,944	-	-	-	-	3,944
Capital outlay	27,432	501,475	-	-	148,546	-	22,400	-	262,667	962,520
Total expenditures	3,859,870	2,030,903	83,527	617,732	2,806,301	-	71,163	287,340	3,265,646	13,022,482
Excess (deficiency) of revenues over expenditures	(644,283)	(234,388)	34,143	(589)	(809,057)	20,777	1,321,087	3,810	728,059	419,559
OTHER FINANCING SOURCES (USES)										
Insurance recoveries	-	5,842	-	-	-	-	-	-	4,912	10,754
Sale of capital assets	13,352	-	-	-	-	-	-	-	-	13,352
Transfers in	814,087	496,371	-	-	105,079	-	-	-	713,885	2,129,422
Transfers out	(50,410)	(190,500)	(58,810)	-	(38,000)	-	(1,306,443)	-	(485,259)	(2,129,422)
Total other financing sources (uses)	777,029	311,713	(58,810)	-	67,079	-	(1,306,443)	-	233,538	24,106
Net change in fund balances before special item	132,746	77,325	(24,667)	(589)	(741,978)	20,777	14,644	3,810	961,597	443,665
SPECIAL ITEM										
Settlement	15,214	-	-	-	179,000	-	-	-	455,786	650,000
Net change in fund balances	147,960	77,325	(24,667)	(589)	(562,978)	20,777	14,644	3,810	1,417,383	1,093,665
Fund balances - beginning	1,709,777	1,122,162	58,379	43,070	1,782,907	4,427,002	149,802	-	1,900,530	11,193,629
Fund balances - ending	$ 1,857,737	$ 1,199,487	$ 33,712	$ 42,481	$ 1,219,929	$ 4,447,779	$ 164,446	$ 3,810	$ 3,317,913	$ 12,287,294

See notes to basic financial statements.

CARBON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ 1,093,665
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 depreciation ($1,357,074) exceeded capital outlay ($962,520) in the current period.	(394,554)
The net effect of various transactions involving capital assets (i.e., sales, donations, contributions, insurance and trade-ins) is to decrease net position.	(8,713)
Donated capital assets	32,200
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.	9,761
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 of debt principal repaid.	281,275
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	237,204
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	40,852
Change in net position of governmental activities	$ 1,291,690

CARBON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	Custodial Funds		
	External Investment Pool	Other	Total
ASSETS			
Cash and cash equivalents	$ 10,114,938	$ 1,357,024	$ 11,471,962
Investments	3,459,073	-	3,459,073
Taxes and assessments receivable	-	450,377	450,377
Equity position in external investment pool	-	13,574,011	13,574,011
Total assets	13,574,011	15,381,412	28,955,423
LIABILITIES			
Accounts payable	-	286,433	286,433
Total liabilities	-	286,433	286,433
NET POSITION			
Restricted for:			
Pool participants	13,574,011	-	13,574,011
Individuals, organizations and other governments	-	15,094,979	15,094,979
Total net position	$ 13,574,011	$ 15,094,979	$ 28,668,990

CARBON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	Custodial Funds		
	External Investment Pool	Other	Total
ADDITIONS:			
Contributions from pool participants	$ 2,105,939	$ -	$ 2,105,939
Property taxes billed for other governments	-	18,889,666	18,889,666
Interest	-	83,621	83,621
Collections on behalf of state	-	2,024,887	2,024,887
Federal, state and local sources	-	17,228,084	17,228,084
Total additions	2,105,939	38,226,258	40,332,197
DEDUCTIONS:			
Distributions to pool participants	14,965,802	-	14,965,802
Distributions to other governments	-	8,714,004	8,714,004
Distributions to others	-	68,112	68,112
Payments made on behalf of school districts	-	37,996,132	37,996,132
Payments made on behalf of special districts	-	4,165,889	4,165,889
Total deductions	14,965,802	50,944,137	65,909,939
Net increase in fiduciary net position	(12,859,863)	(12,717,879)	(25,577,742)
Net position - beginning	26,433,874	27,812,858	54,246,732
Net position - ending	$ 13,574,011	$ 15,094,979	$ 28,668,990

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2022, the government implemented the provisions of GASB Statement No. 87, Leases. This Statement was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The government's significant accounting policies are described below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Fiduciary activities are only reported in the fund financial statements. Governmental activities are supported by taxes, intergovernmental revenues, and other nonexchange transactions. While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements incorporate data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental 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.

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 airport fund accounts for resources accumulated from property taxes and grants and payments made for the operations of the airport.

The emergency disaster fund accounts for resources accumulated from a 2 mill property tax levy and state and federal grants and payments made related to emergencies.

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.

The PILT fund accounts for payments in lieu of taxes received from the federal government. Payments from the fund are at the discretion of the board of commissioners.

The ARPA fund accounts for resources accumulated from the American Rescue Plan Act and payments made for general government services.

Additionally, the government reports the following fund type:

The fiduciary funds consist of the external investment pool and custodial funds. The external investment pool accounts for the external portion of the investment pool administered by the county and includes assets held for other local governments. Custodial funds account for assets held by the government as an agent for various local governments, special districts, and individuals. Included are funds for property taxes, shared revenues and other financial resources for schools, special districts, and other local and state governments.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated. Transfers between funds are eliminated in the government-wide financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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. 49% of the investment pool belongs to these districts.

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

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

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

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

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

Receivables

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

Inventories and Prepaid Items

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

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 for machinery and equipment, $10,000 for building and improvements and $25,000 for infrastructure and an estimated useful life in excess of one year.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the government are depreciated/amortized using the straight-line method over the following estimated useful lives:

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

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pensions.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has two items that qualify for reporting in this category: leases and pensions.

In the governmental funds, deferred inflow of resources is for revenues that are not considered available and leases. 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. Lease revenue is recognized over the life of the lease.

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

- Committed fund balance represents amounts that can be used only for the specific purposes determined by of the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.

- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the commissioners administrative assistant to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The 911 Grant ($4,403) and Homeland Security Grant ($1,334) funds had deficit fund equity as of June 30, 2022. The deficits are a carryover from the prior year. The deficits are 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	$ 12,522,074
Fiduciary funds	14,931,035
	$ 27,453,109

Total carrying value of cash, cash equivalents and investments as of June 30, 2022, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	$ 2,754	$ -	$ 2,754
Cash in banks:			
Demand deposits	12,352,162	-	12,352,162
Time deposits	-	5,200,080	5,200,080
Savings deposits	178,933	-	178,933
Brokers:			
U.S. Government securities	-	1,450,000	1,450,000
Money markets	250,000	-	250,000
Repurchase agreement	259,999	-	259,999
Short-term Investment Program (STIP)	7,759,181	-	7,759,181
	$ 20,803,029	$ 6,650,080	$ 27,453,109

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, 2022, $13,270,706 of the government's bank balance of $18,909,913 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	$ 13,270,706

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, 2022, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2022:

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. Government securities	$ 1,386,243	$ 1,386,243	$ -	$ -
Total debt securities	1,386,243	$ 1,386,243	$ -	$ -
State Short-Term Investment Program (STIP)	7,746,821			
	$ 9,133,064			

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

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

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

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

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

	Custodial Credit Risk Category 1	2	3	Carrying Amount	Fair Value
Repurchase agreement	$ -	$ -	$ 259,999	$ 259,999	$ 259,999
U.S. Government securities	500,000	-	950,000	1,450,000	1,386,243
	$ 500,000	$ -	$ 1,209,999	1,709,999	1,646,242
Uncategorized:					
STIP				7,759,181	7,746,821
				$ 9,469,180	$ 9,393,063

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2022:

	Internal	External	Total
Net position - beginning of year	$ 12,111,983	$ 26,433,874	$ 38,545,857
Contributions from participants	1,725,264	2,022,352	3,747,616
Investment earnings	59,794	83,587	143,381
Distributions to participants	(17,943)	(14,965,802)	(14,983,745)
Net position - end of year	$ 13,879,098	$ 13,574,011	$ 27,453,109

Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 527,836	$ -	$ -	$ 527,836
Construction-in-progress	81,933	28,000	(38,890)	71,043
Total capital assets, not being depreciated	609,769	28,000	(38,890)	598,879
Capital assets, being depreciated				
Buildings/improvements	4,822,672	-	-	4,822,672
Machinery and equipment	11,441,883	1,007,110	(45,448)	12,403,545
Infrastructure	13,217,363	-	-	13,217,363
Total capital assets, being depreciated	29,481,918	1,007,110	(45,448)	30,443,580
Less accumulated depreciation for:				
Buildings/improvements	(1,747,433)	(136,833)	-	(1,884,266)
Machinery and equipment	(5,772,547)	(789,029)	35,235	(6,526,341)
Infrastructure	(2,793,378)	(431,212)	-	(3,224,590)
Total accumulated depreciation	(10,313,358)	(1,357,074)	35,235	(11,635,197)
Total capital assets, being depreciated, net	19,168,560	(349,964)	(10,213)	18,808,383
Capital assets, net	$ 19,778,329	$ (321,964)	$ (49,103)	$ 19,407,262

Depreciation expense was charged as follows:

General government	$ 70,449
Public safety	286,277
Public works	977,631
Public health	6,720
Social and economic services	2,214
Culture and recreation	13,783
Total depreciation	$ 1,357,074

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2022, consisted of the following:

	Due from funds	Due to funds
General	$ 202,846	$ -
Emergency disaster	-	(202,846)
	$ 202,846	$ (202,846)

The balance of $202,846 due to the general fund from the emergency disaster fund resulted from a loan to cover a deficit cash balance. The balance will be repaid in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
General	$ 814,087	$ (50,410)	$ 763,677
Road	496,371	(190,500)	305,871
Airport	-	(58,810)	(58,810)
Public safety	105,079	(38,000)	67,079
PILT	-	(1,306,443)	(1,306,443)
Total nonmajor funds	713,885	(485,259)	228,626
	$ 2,129,422	$ (2,129,422)	$ -

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

Leases

The government leases a building and land to a third parties. The leases range from 5 to 40 years. The government recognized $15,056 in lease revenue and $3,247 in interest revenue during the year related to these leases. As of June 30, 2022, the government's receivable for lease payments was $187,492. Also, the government has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was $189,965.

Long-Term Debt

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Notes payable	$ 281,275	$ -	$ (281,275)	$ -	$ -
Compensated absences	577,330	-	(40,852)	536,478	68,853
Total long-term liabilities	$ 858,605	$ -	$ (322,127)	$ 536,478	$ 68,853

NOTE 4. OTHER INFORMATION

Risk Management

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

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.

Contingencies

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

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

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, 2022, the government abated property taxes totaling $1,791,063 for qualifying businesses and individuals.

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

Retirement Plans

Plan Descriptions

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

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

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

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

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

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

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% 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 is calculated using HAC and service credit at early retirement and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

Second retirement applies to retirement system members re-employed in a SRS position on or after July 1, 2017. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member 1). is not awarded service credit for the period of reemployment; 2). is refunded the accumulated contributions associated with the period of reemployment; 3). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and 4). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member is awarded service credit for the period of reemployment. Starting the first month following termination of service, the member receives the same retirement benefit previously paid to the member and a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date. The member does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA on the initial retirement benefit in January immediately following second retirement, and on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

Member and Employer Contributions

Public Employees Retirement System

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

Employers contributed 8.87% 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, 2017.

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

At June 30, 2022, the government recorded a liability of $3,177,614 (PERS) and $696,783 (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, 2022	
	PERS	SRS
Employer proportionate share	$ 3,177,614	$ 696,783
State of Montana proportionate share associated with employer	936,186	-
Total	$ 4,113,800	$ 696,783

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 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, 2020, through June 30, 2021, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2022, the government's proportion was .1752 and .9566 percent for PERS and SRS, respectively.

For the year ended June 30, 2022, the government recognized $150,443 (PERS) and $34,192 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of $269,083 (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 $419,526 and $34,192 for PERS and SRS, respectively.

At June 30, 2022, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 33,911	$ 23,003	$ 90,209	$ -
Changes in actuarial assumptions	470,664	-	263,917	-
Difference between projected and actual investment earnings	-	1,287,284	-	470,966
Changes in the proportion and differences between actual and expected contributions	-	77,417	8,201	-
Employer contributions subsequent to measurement date	297,291	-	124,548	-
	$ 801,866	$ 1,387,704	$ 486,875	$ 470,966

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, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2023	$ (29,804)	$ 7,799
2024	(131,480)	2,546
2025	(310,912)	(21,056)
2026	(410,933)	(97,928)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2021 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	7.06%	7.06%
Salary increases	3.50%	3.50%
Inflation	2.40%	2.40%

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 rate of return for both PERS and SRS was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	PERS and SRS Target Asset Allocation	PERS and SRS Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

Discount Rate

Public Employees Retirement System
The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. 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 7.06%. 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 2124. 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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

	1% Decrease (6.06%)	Current Discount Rate (7.06%)	1% Increase (8.06%)
Net pension liability-PERS	$ 5,043,967	$ 3,177,614	$ 1,612,177
Net pension liability-SRS	1,471,725	696,783	64,353

PERS Disclosure for the Defined Contribution Plan

The government contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled $1,103,889.

Future Implementation of GASB Pronouncements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements addresses issues related to public-private and public-public partnerships, and provides guidance for accounting and financial reporting for availability payment arrangements. Statement 94 is effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter.

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, and all reporting periods thereafter.

GASB Statement No. 99, Omnibus 2022. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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, 2022

	Budgeted Amounts				
	Original	Final	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
REVENUES					
Taxes/assessments	$ 1,995,071	$ 1,995,071	$ 2,075,142	$ -	$ 2,075,142
Fines and forfeitures	50,000	50,000	53,868	-	53,868
Licenses and permits	24,950	24,950	39,869	-	39,869
Intergovernmental	380,207	380,207	415,174	269,083	684,257
Charges for services	256,467	256,467	310,714	-	310,714
Investment earnings	40,000	40,000	30,944	-	30,944
Miscellaneous	17,000	17,000	20,793	-	20,793
Total revenues	2,763,695	2,763,695	2,946,504	269,083	3,215,587
EXPENDITURES					
Current:					
General government	3,075,466	3,075,466	2,795,998	131,905	2,927,903
Public safety	174,196	174,196	146,844	34,281	181,125
Public works	15,000	15,000	10,500	78,034	88,534
Public health	466,633	466,633	334,786	20,746	355,532
Social and economic services	65,320	65,320	53,312	2,852	56,164
Culture and recreation	-	-	-	1,265	1,265
Other current charges	213,800	213,800	221,915	-	221,915
Capital outlay	80,418	80,418	27,432	-	27,432
Total expenditures	4,090,833	4,090,833	3,590,787	269,083	3,859,870
Excess (deficiency) of revenues over expenditures	(1,327,138)	(1,327,138)	(644,283)	-	(644,283)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	5,000	5,000	-	-	-
Sale of capital assets	-	-	13,352	-	13,352
Transfers in	824,885	824,885	814,087	-	814,087
Transfers out	(46,000)	(46,000)	(50,410)	-	(50,410)
Total other financing sources (uses)	783,885	783,885	777,029	-	777,029
Net change in fund balances before special items	(543,253)	(543,253)	132,746	-	132,746
SPECIAL ITEM - Settlement	-	-	15,214	-	15,214
Net change in fund balance	$ (543,253)	$ (543,253)	147,960	-	147,960
Fund balance - beginning			1,709,777	-	1,709,777
Fund balance - ending			$ 1,857,737	$ -	$ 1,857,737

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,534,288	$ 1,414,288	$ 1,414,428
Licenses and permits	5,000	5,000	4,947
Intergovernmental	340,576	340,576	371,793
Investment earnings	5,000	5,000	4,278
Miscellaneous	2,000	2,000	1,069
Total revenues	1,886,864	1,766,864	1,796,515
EXPENDITURES			
Current:			
Public works	1,887,060	1,767,060	1,529,428
Capital outlay	627,000	627,000	501,475
Total expenditures	2,514,060	2,394,060	2,030,903
Excess (deficiency) of revenues over expenditures	(627,196)	(627,196)	(234,388)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	-	5,842
Transfers in	554,391	554,391	496,371
Transfers out	(148,976)	(148,976)	(190,500)
Total other financing sources (uses)	405,415	405,415	311,713
Net change in fund balance	$ (221,781)	$ (221,781)	77,325
Fund balance - beginning			1,122,162
Fund balance - ending			$ 1,199,487

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Airport Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 49,979	$ 49,979	$ 49,812
Intergovernmental	2,939	49,131	48,730
Charges for services	18,000	18,000	9,776
Investment earnings	-	-	2,175
Miscellaneous	-	-	7,177
Total revenues	70,918	117,110	117,670
EXPENDITURES			
Current:			
Public works	55,115	101,307	83,527
Total expenditures	55,115	101,307	83,527
Excess (deficiency) of revenues over expenditures	15,803	15,803	34,143
OTHER FINANCING USES			
Transfers out	(60,000)	(60,000)	(58,810)
Total other financing uses	(60,000)	(60,000)	(58,810)
Net change in fund balance	$ (44,197)	$ (44,197)	(24,667)
Fund balance - beginning			58,379
Fund balance - ending			$ 33,712

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Emergency Disaster Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ -	$ -	$ 36
Intergovernmental	-	574,662	617,107
Total revenues	-	574,662	617,143
EXPENDITURES			
Current:			
Public safety	43,071	617,733	617,732
Total expenditures	43,071	617,733	617,732
Net change in fund balance	$ (43,071)	$ (43,071)	(589)
Fund balance - beginning			43,070
Fund balance - ending			$ 42,481

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,623,181	$ 1,623,181	$ 1,617,231
Intergovernmental	175,802	175,802	193,287
Charges for services	172,340	172,340	183,612
Miscellaneous	7,000	7,000	3,114
Total revenues	1,978,323	1,978,323	1,997,244
EXPENDITURES			
Current:			
Public safety	2,623,360	2,623,360	2,372,536
Debt service:			
Principal	281,275	281,275	281,275
Interest and other charges	3,500	3,500	3,944
Capital outlay	202,500	202,500	148,546
Total expenditures	3,110,635	3,110,635	2,806,301
Excess (deficiency) of revenues over expenditures	(1,132,312)	(1,132,312)	(809,057)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	5,000	5,000	-
Transfers in	107,867	107,867	105,079
Transfers out	(38,000)	(38,000)	(38,000)
Total other financing sources (uses)	74,867	74,867	67,079
Net change in fund balances before special item	(1,057,445)	(1,057,445)	(741,978)
SPECIAL ITEM - Settlement	179,000	179,000	179,000
Net change in fund balance	$ (878,445)	$ (878,445)	(562,978)
Fund balance - beginning			1,782,907
Fund balance - ending			$ 1,219,929

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Intergovernmental	$ 1,250,000	$ 1,250,000	$ 1,391,877
Investment earnings	-	-	373
Total revenues	1,250,000	1,250,000	1,392,250
EXPENDITURES			
Current:			
General government	923	923	923
Public safety	67,550	67,550	47,840
Capital outlay	22,400	22,400	22,400
Total expenditures	90,873	90,873	71,163
Excess (deficiency) of revenues over expenditures	1,159,127	1,159,127	1,321,087
OTHER FINANCING USES			
Transfers out	(1,306,443)	(1,306,443)	(1,306,443)
Total other financing uses	(1,306,443)	(1,306,443)	(1,306,443)
Net change in fund balance	$ (147,316)	$ (147,316)	14,644
Fund balance - beginning			149,802
Fund balance - ending			$ 164,446

See notes to required supplementary information-budgetary comparison information.

CARBON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARPA Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Intergovernmental	$ 1,809,335	$ 1,809,335	$ 287,340
Investment earnings	-	-	3,810
Total revenues	1,809,335	1,809,335	291,150
EXPENDITURES			
Current:			
Public safety	43,700	43,700	51,545
Public works	105,000	105,000	126,968
Public health	200,000	200,000	-
Social and economic services	45,000	45,000	102,230
Culture and recreation	46,000	46,000	6,597
Housing and community development	20,000	20,000	-
Capital outlay	1,349,635	1,349,635	-
Total expenditures	1,809,335	1,809,335	287,340
Net change in fund balance	$ -	$ -	3,810
Fund balance - beginning			-
Fund balance - ending			$ 3,810

See notes to required supplementary information-budgetary comparison information.

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

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

Public Employees Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 297,291	$ 271,478	$ 263,992	$ 257,449	$ 237,697	$ 218,281	$ 237,041	$ 207,452
Contributions in relation to the contractually required contributions	297,291	271,478	263,992	257,449	237,697	218,281	237,041	207,452
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 3,351,637	$ 3,095,532	$ 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	8.87%	8.77%	8.76%	8.61%	8.45%	8.37%	8.67%	8.70%

Sheriffs' Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 124,548	$ 114,018	$ 107,534	$ 101,861	$ 97,443	$ 69,926	$ 68,230	$ 59,005
Contributions in relation to the contractually required contributions	124,548	114,018	107,534	101,861	97,443	69,926	68,230	59,005
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 949,664	$ 869,372	$ 817,028	$ 773,454	$ 729,328	$ 691,314	$ 658,298	$ 581,680
Contributions as a percentage of employer's covered payroll	13.11%	13.11%	13.16%	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:	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.1752%	0.1796%	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	$ 3,177,614	$ 4,737,855	$ 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	936,186	1,491,769	1,233,829	1,191,836	56,724	47,508	35,068	31,834
Total	$ 4,113,800	$ 6,229,624	$ 5,026,006	$ 4,753,431	$ 4,151,116	$ 3,935,613	$ 2,890,010	$ 2,638,723
Employer's covered payroll	$ 3,095,532	$ 3,013,784	$ 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	102.65%	157.21%	126.81%	126.67%	156.95%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

Sheriffs' Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.9566%	0.9623%	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	$ 696,783	$ 1,172,852	$ 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	$ 696,783	$ 1,172,852	$ 803,494	$ 706,621	$ 703,114	$ 1,638,233	$ 824,056	$ 355,222
Employer's covered payroll	$ 869,372	$ 817,028	$ 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	80.15%	143.55%	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	75.92%	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.

See notes to required supplementary information-pension plan information.

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS:

- Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds:

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

Interest Credited to Member Accounts:

- The interest 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 rather than the present value of the member's benefit.
-

Disabled PERS Defined Contribution (DC) Members:

- PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Sheriffs' Retirement System

Changes of Benefit Terms:

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

2017:

Increase in SRS Employee and Employer Contributions, effective July 1, 2017:

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

Second Retirement Benefit - for SRS:

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

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

- A member who returns to covered service is not eligible for a disability benefit.

Refunds:

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

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

OLNESS & ASSOCIATES, P. C.
CURT D. WYSS, CPA
CERTIFIED PUBLIC ACCOUNTANTS
ERNEST J. OLNESS, CPA
2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

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 Commissioners
Carbon County
Red Lodge, Montana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carbon County, Montana (the government) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 24, 2023. The report included an explanatory paragraph to describe a change in accounting principles. Also, the report on the governmental activities was qualified because management has not recorded the total other post-employment benefit (OPEB) liability and related expense. Additionally, the report on the governmental activities, the road and the aggregate remaining fund information 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.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 through 2022-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 2022-005 to be a significant deficiency.

Report on Compliance and Other Matters

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

The Government’s Response to Findings

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

Purpose of this Report

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

Olness & Associates, PC

Billings, Montana
March 24, 2023

2022-001. 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. 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.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

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

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

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

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

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

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

2022-003. 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, 2022.

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.

Response: 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.

2022-004. IMPROVE INTERNAL CONTROLS OVER PAYROLL

Criteria: Proper internal controls over payroll allows for accurate and timely processing.

Condition: During our testwork over payroll, we noted examples where employer and employee PERS was not withheld from employees when it should have been, the 2022 2nd quarter 941 payroll report was not accurate and the 2022 1st and 2nd quarter worker's compensation reports included the same payroll on both reports.

Cause: Review procedures did not identify the errors.

Effect: Employer and employee amounts are owed to PERS and worker's compensation owes the county approximately $4,000.

Recommendation: The government should review and improve it's internal controls over payroll and payroll processing.

Response: Payroll procedure manuals have been updated to require quarterly wage base calculations for all quarterly liabilities. Procedures were also updated to specify that 941 reporting shall be completed after each payment cycle, including special bonus cycles. Updates procedures also specify that quarterly reporting to Workers Compensation should be run on quarter dates (as the invoice dates generated by State Fund's system overlap).

2022-005. YEAR-END INVENTORY NOT CONDUCTED

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

Condition: The government did not conduct year-end inventories of materials and supply inventory in the road and bridge departments.

Cause: Personnel were unavailable to conduct an inventory due to a flood.

Effect: The audit opinion is qualified for the governmental activities, the road fund and the aggregate remaining fund information.

Recommendation: We recommend that materials and supplies inventory items purchased out of the road and bridge funds be inventoried at year-end, dollar costs assigned and the general ledger updated.

Response: At fiscal year end, the Carbon County road department was heavily involved in repairing damage to infrastructure from the 500-year flood we had in the middle of June. When the subject of inventory was raised latter in July, Commissioners were concerned that trying to assess inventory at year end with the significant amount of materials used since then would have resulted in a very inaccurate inventory count. Carbon County will return to regular inventory procedures for 2023.

CARBON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

2021-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2022-001 for the year ended June 30, 2022.

2021-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2022-002 for the year ended June 30, 2022.

2021-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2022-003 for the year ended June 30, 2022.

2021-004. EQUIPMENT PURCHASES NOT BID

Status: This finding has been resolved.