

TOWN OF BROADUS

POWDER RIVER COUNTY, MONTANA

Fiscal Years Ended June 30, 2020 and June 30, 2021

**AUDIT REPORT  
REISSUED**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF BROADUS

POWDER RIVER COUNTY, MONTANA

Fiscal Years Ended June 30, 2020 and June 30, 2021

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TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2020

**TOWN COUNCIL**

Wanda Smith	Councilperson
Lori Turnbough	Councilperson
Cody Morris	Councilperson
Raymond Ragsdale	Public Works
Cassidy Zimmer	Public Works
Pete Wenzel	Councilperson

**TOWN OFFICIALS**

Lyman Amsden	Mayor
Peggy Fruit	Clerk

Fiscal Year Ended June 30, 2021

**TOWN COUNCIL**

Wanda Smith	Councilperson
Lori Turnbough	Councilperson
Cody Morris	Councilperson
Raymond Ragsdale	Public Works
Cassidy Zimmer	Public Works

**TOWN OFFICIALS**

Lyman Amsden	Mayor
Peggy Fruit	Clerk

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT**

Town Council  
Town of Broadus  
Powder River County  
Broadus, Montana

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Broadus, Powder River County, Montana as of and for the years ended June 30, 2020 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Broadus, Powder River County, Montana basic financial statements as listed in the table of contents.

**Summary of Opinions for Fiscal Year Ending June 30, 2020**

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	<b>Qualified</b>
Business-Type Activities	<b>Qualified</b>
General Fund – Governmental	<b>Qualified</b>
Insurance Fund – Governmental	<b>Unmodified</b>
Other Maintenance Fund – Governmental	<b>Unmodified</b>
Gas Tax Fund – Governmental	<b>Unmodified</b>
CIP #3 Fund – Governmental	<b>Unmodified</b>
Water Fund – Proprietary	<b>Unmodified</b>
Sewer Fund – Proprietary	<b>Qualified</b>
Solid Waste Fund – Proprietary	<b>Unmodified</b>
Aggregate Remaining Fund Information	<b>Qualified</b>

**Basis for Qualified Opinion on Governmental Activities for Fiscal Year Ended June 30, 2020**

The Town did not properly report restatements of \$29,365.

**Basis for Qualified Opinion on Business-Type Activities and Sewer Fund for Fiscal Year Ended June 30, 2020**

The Town did not record a due from other government in fiscal year 2019 leading revenues to be overstated in fiscal year 2020 by \$50,522. Additionally, the Town did not record accounts payable leading to an understatement of liabilities and expenses of \$34,365.

**Basis for Qualified Opinion on General Fund for Fiscal Year Ended June 30, 2020**

The Town did not properly report the Claims Clearing Fund with the General Fund leading to an understatement of \$9,732 of cash and warrants payable. Additionally, prior period adjustments of \$29,365 were improperly reported.

### **Basis for Qualified Opinion on Aggregate Remaining Fund Information for Fiscal Year Ended June 30, 2020**

The Town did not properly report the Claims Clearing Fund with the General Fund leading to an overstatement of \$9,732 of cash and warrants payable.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on Governmental Activities”, “Basis for Qualified Opinion on Business-Type Activities and Sewer Fund”, “Basis for Qualified Opinion on General Fund”, and the “Basis for Qualified Opinion on Aggregate Remaining Fund Information”, paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, General Fund, Sewer Fund, and the Aggregate Remaining Fund Information of the Town of Broadus, Powder River County, Montana, as of June 30, 2020, and the respective changes in financial position hereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions for Fiscal Year Ended June 30, 2020**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Insurance Fund, Other Maintenance Fund, Gas Tax Fund, CIP #3 Fund, Water Fund, and Solid Waste Fund of the Town of Broadus, Powder River County, Montana, as of and for the year ended June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Summary of Opinions for Fiscal Year Ending June 30, 2021**

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	<b>Unmodified</b>
Business-Type Activities	<b>Disclaimer</b>
General Fund – Governmental	<b>Qualified</b>
Insurance Fund – Governmental	<b>Unmodified</b>
Other Maintenance Fund – Governmental	<b>Unmodified</b>
Gas Tax Fund – Governmental	<b>Unmodified</b>
Special Gas Tax Fund – Governmental	<b>Disclaimer</b>
CIP #3 Fund – Governmental	<b>Unmodified</b>
Water Fund – Proprietary	<b>Qualified</b>
Sewer Fund – Proprietary	<b>Qualified</b>
Solid Waste Fund – Proprietary	<b>Unmodified</b>
Aggregate Remaining Fund Information	<b>Qualified</b>

### **Basis for Disclaimer of Opinion on the Business-Type Actives for Fiscal Year Ended June 30, 2021**

The Town reported a beginning Net Position that did not agree to the prior year by \$38,767. Accounts receivable was understated by \$27,191. Revenues were overstated by \$31,815. Depreciation expense was understated by \$38,167. Long-term liabilities were understated by \$230,500. Restatements of \$41,633 were improperly reported.

### **Basis for Disclaimer of Opinion on the Special Gas Tax Fund for Fiscal Year Ended June 30, 2021**

The Town did not properly report the Special Gas Tax Fund as a major fund and instead reported it with the Aggregate Remaining Fund Information.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the “Basis for Disclaimer of Opinion on the Business-Type Activities” and “Basis for Disclaimer of Opinion on the Special Gas Tax Fund” paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities of the Town of Broadus, Powder River County, Montana, as of June 30, 2021. Accordingly, we do not express an opinion on these financial statements.

### **Basis for Qualified Opinion on General Fund for Fiscal Year Ended June 30, 2021**

The Town did not properly report the Claims Clearing Fund with the General Fund leading to an understatement of \$106,593 of cash and warrants payable.

### **Basis for Qualified Opinion on Water Fund for Fiscal Year Ended June 30, 2021**

Revenues collected in advance were improperly reported as current year revenues leading to an overstatement of \$59,006. Restatements of \$13,589 were improperly reported.

### **Basis for Qualified Opinion on Sewer Fund for Fiscal Year Ended June 30, 2021**

Long-term liabilities related to the SRF-A Bond were not reported leading to an understatement of \$230,500 and restatements of \$28,044 were improperly reported.

### **Basis for Qualified Opinion on Aggregate Remaining Fund Information for Fiscal Year Ended June 30, 2021**

The Town did not properly report the Claims Clearing Fund with the General Fund leading to an overstatement of \$106,593 of cash and warrants payable. Additionally, the Town did not properly report the Special Gas Tax Fund as a major fund leading to an overstatement of assets, revenues, and expenditures of \$56,810, \$54,692, and \$4,206 respectively.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the “Basis for Disclaimer of Opinion on Business-Type Activities”, “Basis for Qualified Opinion on General Fund”, “Basis for Qualified Opinion on Water Fund”, “Basis for Qualified Opinion on Sewer Fund”, and the “Basis for Qualified Opinion on Road Fund” paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Other Maintenance Fund, Water Fund, Sewer Fund, and the Aggregate Remaining Fund Information of the Town of Broadus, Phillips County, Montana, as of June 30, 2021, and the respective changes in financial position hereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions for Fiscal Year Ended June 30, 2021**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Insurance Fund, Other Maintenance Fund, Gas Tax Fund, CIP #3 Fund, and Solid Waste fund of the Town of Broadus, Powder River County, Montana, as of and for the year ended June 20, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

The Town reported deficit cash balances in both fiscal years 2020 and 2021. As of June 30, 2020, a deficit cash balance was reported in the Sewer Fund of \$46,080. As of June 30, 2021, a deficit cash balance was reported in the Insurance Fund of \$7,456. 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 misstatements, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Broadus, Powder River County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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, misrepresentation, 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 judgement 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 Town of Broadus, Powder River County, Montana'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Broadus, Powder River County, Montana'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 budgetary comparison information, schedule of changes in the entity's total OPEB liability and related ratios, schedules of proportionate share of the net pension liability and the schedule of contributions 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 content. 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.

The Town of Broadus, Powder River County, Montana has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report August 23, 2023, on our consideration of the Town of Broadus, Powder River County, Montana'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 Town of Broadus, Powder River County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Broadus, Powder River County, Montana's internal control over financial reporting and compliance.

*Derring, Downey and Associates, CPA's, P.C.*

August 23, 2023

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 273,918	\$ 316,528	\$ 590,446
Taxes and assessments receivable, net	17,247	-	17,247
Accounts receivable - net	-	50,189	50,189
Total current assets	<u>\$ 291,165</u>	<u>\$ 366,717</u>	<u>\$ 657,882</u>
Noncurrent assets			
Capital assets - land	\$ 2,540	\$ 37,180	\$ 39,720
Capital assets - construction in progress	-	770,237	770,237
Capital assets - depreciable, net	149,640	65,394	215,034
Total noncurrent assets	<u>\$ 152,180</u>	<u>\$ 872,811</u>	<u>\$ 1,024,991</u>
Total assets	<u>\$ 443,345</u>	<u>\$ 1,239,528</u>	<u>\$ 1,682,873</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 15,478	\$ 25,828	\$ 41,306
Total deferred outflows of resources	<u>\$ 15,478</u>	<u>\$ 25,828</u>	<u>\$ 41,306</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 458,823</u>	<u>\$ 1,265,356</u>	<u>\$ 1,724,179</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 43,567	\$ 11,035	\$ 54,602
Deficit cash	-	46,080	46,080
Current portion of long-term liabilities	-	567	567
Total current liabilities	<u>\$ 43,567</u>	<u>\$ 57,682</u>	<u>\$ 101,249</u>
Noncurrent liabilities			
Noncurrent portion of long-term capital liabilities	\$ 35,535	\$ 716,899	\$ 752,434
Net pension liability	91,110	152,036	243,146
Total noncurrent liabilities	<u>\$ 126,645</u>	<u>\$ 868,935</u>	<u>\$ 995,580</u>
Total liabilities	<u>\$ 170,212</u>	<u>\$ 926,617</u>	<u>\$ 1,096,829</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 9,419	\$ 15,717	\$ 25,136
Total deferred inflows of resources	<u>\$ 9,419</u>	<u>\$ 15,717</u>	<u>\$ 25,136</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 122,304	\$ 172,888	\$ 295,192
Restricted	82,369	-	82,369
Unrestricted	74,519	150,134	224,653
Total net position	<u>\$ 279,192</u>	<u>\$ 323,022</u>	<u>\$ 602,214</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 458,823</u>	<u>\$ 1,265,356</u>	<u>\$ 1,724,179</u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 193,177	\$ 513,967	\$ 707,144
Taxes and assessments receivable, net	15,246	-	15,246
Accounts receivable - net	-	20,870	20,870
Total current assets	<u>\$ 208,423</u>	<u>\$ 534,837</u>	<u>\$ 743,260</u>
Noncurrent assets			
Capital assets - land	\$ 2,540	\$ 37,180	\$ 39,720
Capital assets - construction in progress	-	550,940	550,940
Capital assets - depreciable, net	218,911	206,941	425,852
Total noncurrent assets	<u>\$ 221,451</u>	<u>\$ 795,061</u>	<u>\$ 1,016,512</u>
Total assets	<u>\$ 429,874</u>	<u>\$ 1,329,898</u>	<u>\$ 1,759,772</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 25,106	\$ 46,201	\$ 71,307
Total deferred outflows of resources	<u>\$ 25,106</u>	<u>\$ 46,201</u>	<u>\$ 71,307</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 454,980</u>	<u>\$ 1,376,099</u>	<u>\$ 1,831,079</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ (2,570)	\$ 1,879	\$ (691)
Deficit cash	7,456	-	7,456
Current portion of long-term liabilities	-	922	922
Total current liabilities	<u>\$ 4,886</u>	<u>\$ 2,801</u>	<u>\$ 7,687</u>
Noncurrent liabilities			
Noncurrent portion of long-term capital liabilities	\$ -	\$ 992,091	\$ 992,091
Noncurrent portion of compensated absences	33,949	12,476	46,425
Net pension liability	110,258	202,904	313,162
Total noncurrent liabilities	<u>\$ 144,207</u>	<u>\$ 1,207,471</u>	<u>\$ 1,351,678</u>
Total liabilities	<u>\$ 149,093</u>	<u>\$ 1,210,272</u>	<u>\$ 1,359,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 4,104	\$ 7,547	\$ 11,651
Total deferred inflows of resources	<u>\$ 4,104</u>	<u>\$ 7,547</u>	<u>\$ 11,651</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 191,574	\$ (197,030)	\$ (5,456)
Unrestricted	110,209	355,310	465,519
Total net position	<u>\$ 301,783</u>	<u>\$ 158,280</u>	<u>\$ 460,063</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 454,980</u>	<u>\$ 1,376,099</u>	<u>\$ 1,831,079</u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 53,646	\$ 12,439	\$ -	\$ (41,207)	\$ -	\$ (41,207)
Public safety	39,127	-	6,100	(33,027)	-	(33,027)
Public works	195,464	-	25,618	(169,846)	-	(169,846)
Public health	106	-	-	(106)	-	(106)
Culture and recreation	23,435	-	750	(22,685)	-	(22,685)
Miscellaneous	32,191	-	-	(32,191)	-	(32,191)
Total governmental activities	\$ 343,969	\$ 12,439	\$ 32,468	\$ (299,062)	\$ -	\$ (299,062)
Business-type activities:						
Water	\$ 135,821	\$ 163,791	\$ -	\$ -	\$ 27,970	\$ 27,970
Sewer	147,616	101,757	-	-	(45,859)	(45,859)
Solid Waste	62,145	46,480	-	-	(15,665)	(15,665)
Total business-type activities	\$ 345,582	\$ 312,028	\$ -	\$ -	\$ (33,554)	\$ (33,554)
Total primary government	\$ 689,551	\$ 324,467	\$ 32,468	\$ (299,062)	\$ (33,554)	\$ (332,616)
General Revenues:						
Property taxes for general purposes				\$ 146,979	\$ -	\$ 146,979
Licenses and permits				850	-	850
Miscellaneous				15,192	-	15,192
Interest/investment earnings				943	1,777	2,720
Unrestricted federal/state shared revenues				159,590	73,660	233,250
Transfers - net				-	(6,000)	(6,000)
Total general revenues, special items and transfers				\$ 323,554	\$ 69,437	\$ 392,991
Change in net position				\$ 24,492	\$ 35,883	\$ 60,375
Net position - beginning				\$ 296,950	\$ 318,687	\$ 615,637
Restatements				(42,250)	(31,548)	(73,798)
Net position - beginning - restated				\$ 254,700	\$ 287,139	\$ 541,839
Net position - end				\$ 279,192	\$ 323,022	\$ 602,214

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 47,380	\$ 18,365	\$ -	\$ (29,015)	\$ -	\$ (29,015)
Public safety	24,637	-	2,851	(21,786)	-	(21,786)
Public works	170,266	-	14,688	(155,578)	-	(155,578)
Culture and recreation	34,699	-	750	(33,949)	-	(33,949)
Miscellaneous	29,093	-	-	(29,093)	-	(29,093)
Total governmental activities	\$ 306,075	\$ 18,365	\$ 18,289	\$ (269,421)	\$ -	\$ (269,421)
Business-type activities:						
Water	\$ 165,131	\$ 161,093	\$ -	\$ -	\$ (4,038)	\$ (4,038)
Sewer	414,539	116,626	-	-	(297,913)	(297,913)
Solid Waste	69,090	42,877	-	-	(26,213)	(26,213)
Total business-type activities	\$ 648,760	\$ 320,596	\$ -	\$ -	\$ (328,164)	\$ (328,164)
Total primary government	\$ 954,835	\$ 338,961	\$ 18,289	\$ (269,421)	\$ (328,164)	\$ (597,585)
General Revenues:						
Property taxes for general purposes				\$ 161,917	\$ -	\$ 161,917
Licenses and permits				50	-	50
Interest/investment earnings				281	540	821
Unrestricted federal/state shared revenues				129,795	188,692	318,487
Total general revenues, special items and transfers				\$ 292,043	\$ 189,232	\$ 481,275
Change in net position				\$ 22,622	\$ (138,932)	\$ (116,310)
Net position - beginning				\$ 279,161	\$ 284,255	\$ 563,416
Restatements				-	12,957	12,957
Net position - beginning - restated				\$ 279,161	\$ 297,212	\$ 576,373
Net position - end				\$ 301,783	\$ 158,280	\$ 460,063

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>General</u>	<u>Insurance</u>	<u>Other Maintenance</u>	<u>Gas Tax</u>	<u>CIP #3</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 178,638	\$ 435	\$ 35,016	\$ 10,359	\$ 3,200	\$ 46,271	\$ 273,919
Taxes and assessments receivable, net	8,583	1,044	5,780	-	-	1,840	17,247
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 187,221</b>	<b>\$ 1,479</b>	<b>\$ 40,796</b>	<b>\$ 10,359</b>	<b>\$ 3,200</b>	<b>\$ 48,111</b>	<b>\$ 291,166</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 41,544	\$ -	\$ 3,941	\$ -	\$ -	\$ 200	\$ 45,685
Accrued payables	(603)	-	(1,514)	-	-	-	(2,117)
Total liabilities	\$ 40,941	\$ -	\$ 2,427	\$ -	\$ -	\$ 200	\$ 43,568
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - taxes and assessments	\$ 8,583	\$ 1,044	\$ 5,780	\$ -	\$ -	\$ 1,840	\$ 17,247
Total deferred inflows of resources	\$ 8,583	\$ 1,044	\$ 5,780	\$ -	\$ -	\$ 1,840	\$ 17,247
<b>FUND BALANCES</b>							
Restricted	\$ -	\$ 435	\$ 32,589	\$ 10,359	\$ -	\$ 41,903	\$ 85,286
Committed	-	-	-	-	3,200	4,168	7,368
Unassigned fund balance	137,697	-	-	-	-	-	137,697
Total fund balance	\$ 137,697	\$ 435	\$ 32,589	\$ 10,359	\$ 3,200	\$ 46,071	\$ 230,351
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 187,221</b>	<b>\$ 1,479</b>	<b>\$ 40,796</b>	<b>\$ 10,359</b>	<b>\$ 3,200</b>	<b>\$ 48,111</b>	<b>\$ 291,166</b>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>General</b>	<b>Insurance</b>	<b>Other Maintenance</b>	<b>Gas Tax</b>	<b>CIP</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 49,918	\$ -	\$ 23,627	\$ 14,855	\$ 4,405	\$ 100,372	\$ 193,177
Taxes and assessments receivable, net	7,104	865	5,459	-	-	1,818	15,246
Total assets	\$ 57,022	\$ 865	\$ 29,086	\$ 14,855	\$ 4,405	\$ 102,190	\$ 208,423
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>57,022</b>	<b>865</b>	<b>29,086</b>	<b>14,855</b>	<b>4,405</b>	<b>102,190</b>	<b>208,423</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ (646)	\$ -	\$ (1,924)	\$ -	\$ -	\$ -	\$ (2,570)
Deficit cash	-	7,456	-	-	-	-	7,456
Total liabilities	\$ (646)	\$ 7,456	\$ (1,924)	\$ -	\$ -	\$ -	\$ 4,886
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - taxes and assessments	\$ 7,104	\$ 865	\$ 5,459	\$ -	\$ -	\$ 1,818	\$ 15,246
Total deferred inflows of resources	\$ 7,104	\$ 865	\$ 5,459	\$ -	\$ -	\$ 1,818	\$ 15,246
<b>FUND BALANCES</b>							
Restricted	\$ -	\$ -	\$ 25,551	\$ 14,855	\$ -	\$ 94,998	\$ 135,404
Committed	-	-	-	-	4,405	5,374	9,779
Unassigned fund balance	50,564	(7,456)	-	-	-	-	43,108
Total fund balance	\$ 50,564	\$ (7,456)	\$ 25,551	\$ 14,855	\$ 4,405	\$ 100,372	\$ 188,291
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>57,022</b>	<b>865</b>	<b>29,086</b>	<b>14,855</b>	<b>4,405</b>	<b>102,190</b>	<b>208,423</b>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2020**

<b>Total fund balances - governmental funds</b>	\$	230,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		152,180
Other long-term assets are not available to pay current-period expenditures and, therefore, are not reported in the funds.		20,110
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(123,449)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u>279,192</u></b>

See accompanying Notes to the Financial Statements



**Town of Broadus, Powder River County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2021**

<b>Total fund balances - governmental funds</b>	\$ 188,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	221,450
Other long-term assets are not available to pay current-period expenditures and, therefore, are not reported in the funds.	26,592
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(134,550)
<b>Total net position - governmental activities</b>	<u><u>\$ 301,783</u></u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<u>General</u>	<u>Insurance</u>	<u>Other Maintenance</u>	<u>Gas Tax</u>	<u>CIP #3</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes and assessments	\$ 71,928	\$ 8,905	\$ 51,494	\$ -	\$ -	\$ 2,942	\$ 135,269
Licenses and permits	850	-	-	-	-	-	850
Intergovernmental	153,299	8,010	-	13,644	-	15,100	190,053
Charges for services	12,439	-	-	-	-	-	12,439
Miscellaneous	-	-	-	-	-	15,191	15,191
Investment earnings	456	3	198	35	11	239	942
Total revenues	<u>\$ 238,972</u>	<u>\$ 16,918</u>	<u>\$ 51,692</u>	<u>\$ 13,679</u>	<u>\$ 11</u>	<u>\$ 33,472</u>	<u>\$ 354,744</u>
<b>EXPENDITURES</b>							
General government	\$ 43,959	\$ -	\$ -	\$ -	\$ -	\$ 2,502	\$ 46,461
Public safety	39,127	-	-	-	-	-	39,127
Public works	43,302	-	53,954	1,319	-	23,232	121,807
Public health	106	-	-	-	-	-	106
Culture and recreation	22,359	-	-	-	-	1,076	23,435
Miscellaneous	4,144	21,631	-	-	-	6,415	32,190
Capital outlay	37,479	-	-	3,600	-	600	41,679
Total expenditures	<u>\$ 190,476</u>	<u>\$ 21,631</u>	<u>\$ 53,954</u>	<u>\$ 4,919</u>	<u>\$ -</u>	<u>\$ 33,825</u>	<u>\$ 304,805</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 48,496</u>	<u>\$ (4,713)</u>	<u>\$ (2,262)</u>	<u>\$ 8,760</u>	<u>\$ 11</u>	<u>\$ (353)</u>	<u>\$ 49,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 2,400
Transfers out	(2,400)	-	-	-	-	-	(2,400)
Total other financing sources (uses)	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 46,096</u>	<u>\$ (4,713)</u>	<u>\$ (2,262)</u>	<u>\$ 8,760</u>	<u>\$ 1,211</u>	<u>\$ 847</u>	<u>\$ 49,939</u>
Fund balances - beginning	\$ 120,966	\$ 5,148	\$ 34,851	\$ 1,599	\$ 1,989	\$ 45,224	\$ 209,777
Restatements	(29,365)	-	-	-	-	-	(29,365)
Fund balances - beginning, restated	<u>\$ 91,601</u>	<u>\$ 5,148</u>	<u>\$ 34,851</u>	<u>\$ 1,599</u>	<u>\$ 1,989</u>	<u>\$ 45,224</u>	<u>\$ 180,412</u>
Fund balance - ending	<u>\$ 137,697</u>	<u>\$ 435</u>	<u>\$ 32,589</u>	<u>\$ 10,359</u>	<u>\$ 3,200</u>	<u>\$ 46,071</u>	<u>\$ 230,351</u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<u>General</u>	<u>Insurance</u>	<u>Other Maintenance</u>	<u>Gas Tax</u>	<u>CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes and assessments	\$ 80,071	\$ 9,647	\$ 55,112	\$ -	\$ -	\$ 19,089	\$ 163,919
Licenses and permits	50	-	-	-	-	-	50
Intergovernmental	76,723	7,411	-	-	-	58,294	142,428
Charges for services	3,677	-	-	14,688	-	-	18,365
Investment earnings	165	-	39	17	5	56	282
Total revenues	<u>\$ 160,686</u>	<u>\$ 17,058</u>	<u>\$ 55,151</u>	<u>\$ 14,705</u>	<u>\$ 5</u>	<u>\$ 77,439</u>	<u>\$ 325,044</u>
<b>EXPENDITURES</b>							
General government	\$ 44,079	\$ -	\$ -	\$ -	\$ -	\$ 1,386	\$ 45,465
Public safety	24,637	-	-	-	-	-	24,637
Public works	51,164	-	44,743	10,209	-	21,814	127,930
Culture and recreation	33,562	-	-	-	-	1,137	34,699
Miscellaneous	4,145	24,949	-	-	-	-	29,094
Capital outlay	87,832	-	17,445	-	-	-	105,277
Total expenditures	<u>\$ 245,419</u>	<u>\$ 24,949</u>	<u>\$ 62,188</u>	<u>\$ 10,209</u>	<u>\$ -</u>	<u>\$ 24,337</u>	<u>\$ 367,102</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (84,733)</u>	<u>\$ (7,891)</u>	<u>\$ (7,037)</u>	<u>\$ 4,496</u>	<u>\$ 5</u>	<u>\$ 53,102</u>	<u>\$ (42,058)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 2,400
Transfers out	<u>(2,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,400)</u>
Total other financing sources (uses)	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (87,133)</u>	<u>\$ (7,891)</u>	<u>\$ (7,037)</u>	<u>\$ 4,496</u>	<u>\$ 1,205</u>	<u>\$ 54,302</u>	<u>\$ (42,058)</u>
Fund balances - beginning	\$ 137,697	\$ 435	\$ 32,588	\$ 10,359	\$ 3,200	\$ 46,070	\$ 230,349
Fund balance - ending	<u>\$ 50,564</u>	<u>\$ (7,456)</u>	<u>\$ 25,551</u>	<u>\$ 14,855</u>	<u>\$ 4,405</u>	<u>\$ 100,372</u>	<u>\$ 188,291</u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

Amounts reported for *governmental activities* in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$	49,939
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		41,679
- Depreciation expense		(45,185)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		11,711
The change in compensated absences is shown as an expense in the Statement of Activities		(1,263)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(34,394)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		2,005
<b>Change in net position - Statement of Activities</b>	<b>\$</b>	<u><u>24,492</u></u>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

Amounts reported for *governmental activities* in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$ (42,058)
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	105,277
- Depreciation expense	(36,007)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred inflows)	(2,002)
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The change in compensated absences is shown as an expense in the Statement of Activities	1,585
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Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	(9,830)
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State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	5,657
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<b>Change in net position - Statement of Activities</b>	<b>\$ <u>22,622</u></b>
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See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 261,733	\$ -	\$ 54,795	\$ 316,528
Accounts receivable - net	27,074	16,754	6,361	50,189
Total current assets	\$ 288,807	\$ 16,754	\$ 61,156	\$ 366,717
Noncurrent assets:				
Capital assets - land	\$ 4,900	\$ 32,280	\$ -	\$ 37,180
Capital assets - construction in progress	-	770,237	-	770,237
Capital assets - depreciable, net	57,387	5,350	2,656	65,393
Total noncurrent assets	\$ 62,287	\$ 807,867	\$ 2,656	\$ 872,810
Total assets	\$ 351,094	\$ 824,621	\$ 63,812	\$ 1,239,527
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pensions	\$ 11,217	\$ 8,736	\$ 5,875	\$ 25,828
Total deferred outflows of resources	\$ 11,217	\$ 8,736	\$ 5,875	\$ 25,828
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 362,311</b>	<b>\$ 833,357</b>	<b>\$ 69,687</b>	<b>\$ 1,265,355</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 9,326	\$ 1,392	\$ 317	\$ 11,035
Accrued payables	916	(1,225)	876	567
Deficit cash	-	46,080	-	46,080
Total current liabilities	\$ 10,242	\$ 46,247	\$ 1,193	\$ 57,682
Noncurrent liabilities:				
Noncurrent portion of long-term liabilities	\$ -	\$ 699,923	\$ -	\$ 699,923
Noncurrent portion of compensated absences	5,659	5,659	5,658	16,976
Net pension liability	66,025	51,426	34,585	152,036
Total noncurrent liabilities	\$ 71,684	\$ 757,008	\$ 40,243	\$ 868,935
Total liabilities	\$ 81,926	\$ 803,255	\$ 41,436	\$ 926,617
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	\$ 6,826	\$ 5,316	\$ 3,575	\$ 15,717
Total deferred inflows of resources	\$ 6,826	\$ 5,316	\$ 3,575	\$ 15,717
<b>NET POSITION</b>				
Net investment in capital assets	\$ 62,287	\$ 107,944	\$ 2,656	\$ 172,887
Unrestricted	211,272	(83,158)	22,020	150,134
Total net position	\$ 273,559	\$ 24,786	\$ 24,676	\$ 323,021
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 362,311</b>	<b>\$ 833,357</b>	<b>\$ 69,687</b>	<b>\$ 1,265,355</b>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 320,554	\$ 160,831	\$ 32,582	\$ 513,967
Accounts receivable - net	14,031	5,183	1,657	20,871
Total current assets	\$ 334,585	\$ 166,014	\$ 34,239	\$ 534,838
Noncurrent assets:				
Capital assets - land	\$ 4,900	\$ 32,280	\$ -	\$ 37,180
Capital assets - construction in progress	-	550,940	-	550,940
Capital assets - depreciable, net	57,167	9,059	140,714	206,940
Total noncurrent assets	\$ 62,067	\$ 592,279	\$ 140,714	\$ 795,060
Total assets	\$ 396,652	\$ 758,293	\$ 174,953	\$ 1,329,898
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	\$ 21,251	\$ 15,959	\$ 8,991	\$ 46,201
Total deferred outflows of resources	\$ 21,251	\$ 15,959	\$ 8,991	\$ 46,201
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 417,903</b>	<b>\$ 774,252</b>	<b>\$ 183,944</b>	<b>\$ 1,376,099</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,265	\$ 200	\$ -	\$ 1,465
Accrued payables	152	(1,013)	1,783	922
Total current liabilities	\$ 1,417	\$ (813)	\$ 1,783	\$ 2,387
Noncurrent liabilities:				
Deposits payable	\$ 414	\$ -	\$ -	\$ 414
Noncurrent portion of long-term capital liabilities	-	852,633	139,458	992,091
Noncurrent portion of compensated absences	4,159	4,159	4,158	12,476
Net pension liability	93,329	70,088	39,487	202,904
Total noncurrent liabilities	\$ 97,902	\$ 926,880	\$ 183,103	\$ 1,207,885
Total liabilities	\$ 99,319	\$ 926,067	\$ 184,886	\$ 1,210,272
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	\$ 3,471	\$ 2,607	\$ 1,469	\$ 7,547
Total deferred inflows of resources	\$ 3,471	\$ 2,607	\$ 1,469	\$ 7,547
<b>NET POSITION</b>				
Net investment in capital assets	\$ 62,068	\$ (260,354)	\$ 1,256	\$ (197,030)
Unrestricted	253,045	105,932	(3,667)	355,310
Total net position	\$ 315,113	\$ (154,422)	\$ (2,411)	\$ 158,280
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 417,903</b>	<b>\$ 774,252</b>	<b>\$ 183,944</b>	<b>\$ 1,376,099</b>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 163,791	\$ 101,757	\$ 46,480	\$ 312,028
Total operating revenues	\$ 163,791	\$ 101,757	\$ 46,480	\$ 312,028
<b>OPERATING EXPENSES</b>				
Personal services	\$ 76,700	\$ 75,310	\$ 53,328	\$ 205,338
Supplies	17,921	6,620	4,678	29,219
Purchased services	32,631	62,408	3,016	98,055
Depreciation	8,570	3,279	1,122	12,971
Total operating expenses	\$ 135,822	\$ 147,617	\$ 62,144	\$ 345,583
Operating income (loss)	\$ 27,969	\$ (45,860)	\$ (15,664)	\$ (33,555)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ 1,453	\$ 71,446	\$ 761	\$ 73,660
Interest revenue	1,445	1	331	1,777
Total non-operating revenues (expenses)	\$ 2,898	\$ 71,447	\$ 1,092	\$ 75,437
Income (loss) before contributions and transfers	\$ 30,867	\$ 25,587	\$ (14,572)	\$ 41,882
Transfers out	(3,000)	(3,000)	-	(6,000)
Change in net position	\$ 27,867	\$ 22,587	\$ (14,572)	\$ 35,882
Net Position - Beginning of the year	\$ 245,476	\$ 33,413	\$ 39,798	\$ 318,687
Restatements	216	(31,214)	(550)	(31,548)
Net Position - Beginning of the year - Restated	\$ 245,692	\$ 2,199	\$ 39,248	\$ 287,139
Net Position - End of the year	\$ 273,559	\$ 24,786	\$ 24,676	\$ 323,021

See accompanying Notes to the Financial Statements



**Town of Broadus, Powder River County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 161,093	\$ 116,626	\$ 42,877	\$ 320,596
Total operating revenues	\$ 161,093	\$ 116,626	\$ 42,877	\$ 320,596
<b>OPERATING EXPENSES</b>				
Personal services	\$ 114,840	\$ 67,839	\$ 45,508	\$ 228,187
Supplies	8,265	5,233	4,108	17,606
Purchased services	33,503	320,248	1,650	355,401
Depreciation	8,523	1,759	16,360	26,642
Total operating expenses	\$ 165,131	\$ 395,079	\$ 67,626	\$ 627,836
Operating income (loss)	\$ (4,038)	\$ (278,453)	\$ (24,749)	\$ (307,240)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ 59,007	\$ 129,686	\$ -	\$ 188,693
Interest revenue	390	74	75	539
Debt service interest expense	-	(19,460)	(1,464)	(20,924)
Total non-operating revenues (expenses)	\$ 59,397	\$ 110,300	\$ (1,389)	\$ 168,308
Change in net position	\$ 55,359	\$ (168,153)	\$ (26,138)	\$ (138,932)
Net Position - Beginning of the year	\$ 273,343	\$ (14,313)	\$ 25,225	\$ 284,255
Restatements	(13,589)	28,044	(1,498)	12,957
Net Position - Beginning of the year - Restated	\$ 259,754	\$ 13,731	\$ 23,727	\$ 297,212
Net Position - End of the year	\$ 315,113	\$ (154,422)	\$ (2,411)	\$ 158,280

See accompanying Notes to the Financial Statements

**Town of Broadus**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**Fiscal Year Ended June 30, 2020**

**Business - Type Activities**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 155,543	\$ 91,333	\$ 45,803	\$ 292,679
Cash payments to suppliers	(46,857)	(72,640)	(6,713)	(126,210)
Cash payments to employees	(70,138)	(74,047)	(52,066)	(196,251)
Net cash provided (used) by operating activities	<u>\$ 38,548</u>	<u>\$ (55,354)</u>	<u>\$ (12,976)</u>	<u>\$ (29,782)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(1,650)	(770,237)	(2,535)	(774,422)
Proceeds from sales of capital assets	10,864	625	810	12,299
Principal paid on debt	(34,958)	-	-	(34,958)
Proceeds from bonds, loans and advances	-	708,535	4,011	712,546
Net cash provided (used) by capital and related financing activities	<u>\$ (25,744)</u>	<u>\$ (61,077)</u>	<u>\$ 2,286</u>	<u>\$ (84,535)</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers from (to) other funds	\$ (3,000)	\$ (3,000)	-	\$ (6,000)
Advances from (to) other funds	-	4,669	3,113	7,782
Subsidies from taxes and other governments	1,453	71,446	761	73,660
Net cash provided (used) from non-capital financing activities	<u>\$ (1,547)</u>	<u>\$ 73,115</u>	<u>\$ 3,874</u>	<u>\$ 75,442</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 1,445	\$ 1	\$ 331	\$ 1,777
Net cash provided (used) by investing activities	<u>\$ 1,445</u>	<u>\$ 1</u>	<u>\$ 331</u>	<u>\$ 1,777</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 12,702</b>	<b>\$ (43,315)</b>	<b>\$ (6,485)</b>	<b>\$ (37,098)</b>
<b>Cash and cash equivalents at beginning</b>	<u>249,030</u>	<u>(2,764)</u>	<u>61,279</u>	<u>307,545</u>
<b>Cash and cash equivalents at end</b>	<u><u>\$ 261,732</u></u>	<u><u>\$ (46,079)</u></u>	<u><u>\$ 54,794</u></u>	<u><u>\$ 270,447</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 27,969	\$ (45,859)	\$ (15,665)	\$ (33,555)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	8,570	3,279	1,122	12,971
Net pension expense	5,298	-	-	5,298
Changes in assets and liabilities:				
Accounts receivable	(8,247)	(10,424)	(677)	(19,348)
Accounts payable	3,831	(2,717)	145	1,259
Compensated absences	1,263	1,262	1,263	3,788
Intergovernmental payables	(136)	(895)	836	(195)
Net cash provided (used) by operating activities	<u>\$ 38,548</u>	<u>\$ (55,354)</u>	<u>\$ (12,976)</u>	<u>\$ (29,782)</u>

See accompanying notes to the financial statements

**Town of Broadus**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**Fiscal Year Ended June 30, 2021**

**Business - Type Activities**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 173,787	\$ 128,198	\$ 47,581	\$ 349,566
Cash payments to suppliers	(49,829)	(326,673)	(6,076)	(382,578)
Cash payments to employees	(116,340)	(69,128)	(46,100)	(231,568)
Net cash provided (used) by operating activities	<u>\$ 7,618</u>	<u>\$ (267,603)</u>	<u>\$ (4,595)</u>	<u>\$ (264,580)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	\$ (8,192)	\$ -	\$ (153,122)	\$ (161,314)
Principal paid on debt	-	-	(11,024)	(11,024)
Interest paid on debt	-	(19,459)	(1,464)	(20,923)
Proceeds from bonds, loans and advances	-	387,718	148,635	536,353
Net cash provided (used) by capital and related financing activities	<u>\$ (8,192)</u>	<u>\$ 368,259</u>	<u>\$ (16,975)</u>	<u>\$ 343,092</u>
<b>Cash flows from non-capital financing activities:</b>				
Subsidies from taxes and other governments	\$ 59,006	\$ 129,686	\$ -	\$ 188,692
Net cash provided (used) from non-capital financing activities	<u>\$ 59,006</u>	<u>\$ 129,686</u>	<u>\$ -</u>	<u>\$ 188,692</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 390	\$ 74	\$ 76	\$ 540
Net cash provided (used) by investing activities	<u>\$ 390</u>	<u>\$ 74</u>	<u>\$ 76</u>	<u>\$ 540</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 58,822	\$ 230,416	\$ (21,494)	\$ 267,744
<b>Cash and cash equivalents at beginning</b>	261,733	(46,080)	54,795	270,448
<b>Cash and cash equivalents at end</b>	<u>\$ 320,555</u>	<u>\$ 184,336</u>	<u>\$ 33,301</u>	<u>\$ 538,192</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (4,038)	\$ (278,453)	\$ (24,749)	\$ (307,240)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	8,523	1,759	16,360	26,642
Changes in assets and liabilities:				
Accounts receivable	13,044	11,571	4,704	29,319
Customer deposits	414	-	-	414
Accounts payable	(8,061)	(1,192)	(317)	(9,570)
Compensated absences	(1,500)	(1,500)	(1,500)	(4,500)
Intergovernmental payables	(764)	212	907	355
Net cash provided (used) by operating activities	<u>\$ 7,618</u>	<u>\$ (267,603)</u>	<u>\$ (4,595)</u>	<u>\$ (264,580)</u>

See accompanying notes to the financial statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

		<u><b>Custodial Funds</b></u>
		<u><b>Custodial Funds</b></u>
<b>ASSETS</b>		
Cash and short-term investments	\$	11,903
Total assets	\$	<u>11,903</u>
<b>LIABILITIES</b>		
Warrants payable	\$	9,732
Accounts payable		1,433
Due to others		738
Total liabilities	\$	<u>11,903</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<b>\$</b>	<b><u><u>11,903</u></u></b>

See accompanying Notes to the Financial Statements

**Town of Broadus, Powder River County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

		<u><b>Custodial Funds</b></u>
		<u><b>Custodial Funds</b></u>
<b>ASSETS</b>		
Cash and short-term investments	\$	108,081
Total assets	\$	<u>108,081</u>
<b>LIABILITIES</b>		
Warrants payable	\$	106,593
Due to others		1,488
Total liabilities	\$	<u>108,081</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<b>\$</b>	<b><u>108,081</u></b>

See accompanying Notes to the Financial Statements

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**New Accounting Pronouncements**

GASB No. 75 *Accounting and Financial Report for Postemployment Benefits Other than Pension (OPEB)*, is effective for years beginning after June 15, 2017 with early implementation encouraged. The statement fully amends the previously issued GASB No. 45 *Accounting and Financial Report for Postemployment Benefits Other than Pension*. GASB 75 established standards for recognition and measurement of the liabilities, deferred outflows and inflows of resources, and expense/expenditures related to OPEB. Different distinctions are made regarding the particular requirements depending upon whether the OPEB plans are administered through a trust that meets criteria identified in the statement. The statement also identifies the methods and assumptions required in projecting benefit payments, discounting those payments to actuarial present value, and applying that present value to periods of employee service in the Town. The disclosure requirements for OPEB plans is defined in this statement, that includes further detail on the Town's plan and benefits provided, the assumptions used in the valuations, sensitivity analysis, and number of employees in the plan. Lastly, it increased the required supplementary information requiring 10 most recent fiscal years summarizing sources of change in OPEB liability, its components, and other related ratios. These changes are similar to pension GASB No. 68 that became effective in the prior fiscal year.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2019. The Statement establishes accounting and financial reporting standards for fiduciary activities through defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension (and other employee benefit) trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The Town has implemented this pronouncement in the current fiscal year.

**Modified Opinions**

There are multiple opinion modifications for the financial statements presented June 30, 2020 as follows:

- The Governmental Activities was qualified due to improperly reporting restatements of \$29,365. Restatements in the accounting system did not agree to the amounts reported in the financials and did not have support.

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

- Business-Type Activities and the Sewer Fund were qualified due to not reporting a due from other government that related to fiscal year 2019 which caused an overstatement of revenues in fiscal year 2020 of \$50,522. The Town also did not report accounts payable for fiscal year 2019 or fiscal year 2020 resulting in expenditures to be understated by \$34,365.
- The General Fund was qualified due to an understatement of cash and warrants payable of \$9,732 due to not properly combining the claims clearing fund as this is an unrestricted fund. The General Fund also improperly reported restatements of \$29,365. Restatements in the accounting system did not agree to the amounts reported in the financials and did not have support.
- The Aggregate Remaining Fund Information was qualified due to an overstatement of cash and warrants payable of \$9,732 due to not properly combining the claims clearing fund with the General Fund.

There are multiple opinion modifications for the financial statements presented June 30, 2021 as follows:

- The Business-Type activities was disclaimed due to there being a lack of sufficient appropriate audit evidence to support the amounts reports as errors were noted related to the beginning Net position did not agree to the prior year ending Net Position by \$38,767, accounts receivable was understated by \$27,191, revenues were overstated by \$31,815, depreciation expense was understated by \$38,167, long-term liabilities were understated by \$230,500, restatements of \$41,633 were improperly reported.
- The General Fund was qualified due to an understatement of cash and warrants payable of \$106,593 due to not properly combining the claims clearing fund as this is an unrestricted fund.
- The Other Maintenance Fund was qualified due to reporting a debit balance or opposite balance of accounts payable of \$1,924.
- The Water Fund was qualified due to overstating revenues that pertained to fiscal year 2022 by \$59,006 instead of reporting the revenues as a liability. Additionally, restatements which had no support and did not agree to the accounting records were reported of \$13,589.
- The Sewer Fund was qualified due to understating the long-term liabilities related the SRF-A Bond of \$230,500.
- The Aggregate Remaining Fund information was qualified due to an overstatement of cash and warrants payable of \$106,593 due to not properly combining the claims clearing fund with the General Fund. Additionally, the Town should have reported the Special Gas Tax Fund as major fund leading to an overstatement of assets, revenues, and expenditures of \$56,810, \$54,692, and \$4,206 respectively.

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**Financial Reporting Entity**

In determining the financial reporting entity, the Town complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the Town appointed a voting majority of the component unit's board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the Town complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Town.

*Primary Government*

The Town is a political subdivision of the State of Montana governed by an elected Mayor duly elected by the registered voters of the Town. The Town is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria; (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

**Basis of Presentation, Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements:**

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the Town except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the Town at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Town charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.



TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

*Measurement Focus and Basis of Accounting*

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the 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 Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

**Fund Financial Statements**

*Basis of Presentation*

Fund financial statements of the reporting Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The Town reports the following major governmental funds in both Fiscal Years 2020 and 2021:

*General Fund* – This is the Town’s primary operating fund and it accounts for all financial resources of the Town except those required to be accounted for in other funds.

*Insurance Fund* – This fund is for personal property, liability insurance and surety bonds.

*Other Maintenance Fund* – This fund is used for equipment purchases used on streets, and labor on streets.

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

*Gas Apportionment Fund* – This fund is used for supplies and materials needed for street maintenance.

*CIP #3 Fund* – This fund is used for equipment purchases for Public Works.

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**Major Funds:**

The Town reports the following major proprietary funds:

*Water Fund* – An enterprise fund that accounts for the activities of the Town's water distribution operations.

*Sewer Fund* – An enterprise fund that accounts for the activities of the Town's sewer collection and treatment operations and includes the storm sewer system.

*Solid Waste Fund* – An enterprise fund that accounts for the activities of the Town's solid waste service.

TOWN OF BROADUS  
 POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2020 and June 30, 2021

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

*Custodial Funds* – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the Town in a custodial capacity. This fund primarily consist reporting of resources held by the Town as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2020, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 100
Cash in banks:	
Demand deposits	344,160
Time deposits	212,009
Total	<u>\$ 556,269</u>

Composition of cash, deposits and investments at fair value on June 30, 2021, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 100
Cash in banks:	
Demand deposits	595,291
Time deposits	212,378
Total	<u>\$ 807,769</u>

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**Cash equivalents**

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The Town's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, time deposits, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the Town's cash management pool to be cash equivalents.

**Credit Risk**

As a means of limiting exposure to credit risk, the Town is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments 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.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, city, or town that is not invested as authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**Custodial Credit Risk**

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 other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2020 and June 30, 2021, the government's bank balances were exposed to custodial credit risk as follows:

	June 30, 2020
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 462,009
- Uninsured and Uncollateralized Deposits	63,151
Total deposits and investments	<u>\$ 525,160</u>

	June 30, 2021
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 462,378
- Uninsured and Uncollateralized Deposits	359,614
Total deposits and investments	<u>\$ 821,992</u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for the Town's deposits at June 30, 2020 and at June 30, 2021, exceeded the amount required by State statutes.

**NOTE 3. RECEIVABLES**

**Tax Receivables**

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

TOWN OF BROADUS  
 POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2020 and June 30, 2021

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. CAPITAL ASSETS**

The Town's assets are capitalized at historical cost or estimated historical cost. The Town's policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	30 – 50 years
Improvements Other than Buildings	10 – 40 years
Machinery and Equipment	5 – 60 years
Sewer Lines and Pump Stations	30-50 years
Treatment Plant	30-50 years
Water Pump Station	15-25 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Town has included the value of all infrastructure into the 2020-2021 Basic Financial Statements.

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A summary of changes in governmental capital assets at June 30, 2020 was as follows:

Governmental activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Adjustments</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 2,540	\$ -	\$ -	\$ 2,540
Total capital assets not being depreciated	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,540</u>
Other capital assets:				
Buildings	\$ 73,966	\$ -	\$ -	\$ 73,966
Improvements other than buildings	10,684	-	-	10,684
Machinery and equipment	413,806	-	(8,391)	405,415
Infrastructure	122,497	37,184	-	159,681
Total other capital assets at historical cost	<u>\$ 620,953</u>	<u>\$ 37,184</u>	<u>\$ (8,391)</u>	<u>\$ 649,746</u>
Less: accumulated depreciation	<u>(454,922)</u>	<u>(45,184)</u>	<u>-</u>	<u>(500,106)</u>
Total	<u>\$ 168,571</u>	<u>\$ (8,000)</u>	<u>\$ (8,391)</u>	<u>\$ 152,180</u>

A summary of changes in governmental capital assets at June 30, 2021 was as follows:

Governmental activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:			
Land	\$ 2,540	\$ -	\$ 2,540
Total capital assets not being depreciated	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ 2,540</u>
Other capital assets:			
Buildings	\$ 73,966	\$ -	\$ 73,966
Improvements other than buildings	10,684	15,812	26,496
Machinery and equipment	405,415	5,499	410,914
Infrastructure (Utility Systems)	159,681	83,966	243,647
Less: accumulated depreciation	<u>(500,106)</u>	<u>(36,006)</u>	<u>(536,112)</u>
Total	<u>\$ 154,720</u>	<u>\$ 69,271</u>	<u>\$ 221,451</u>

Governmental activities depreciation expense was charged to functions at June 30, 2020 as follows:

Governmental Activities:	
Public works	\$ <u>45,184</u>
Total governmental activities depreciation expense	\$ <u>45,184</u>



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Governmental activities depreciation expense was charged to functions at June 30, 2021 as follows:

Governmental Activities:	
Public works	\$ <u>36,006</u>
Total governmental activities depreciation expense	\$ <u>36,006</u>

A summary of changes in business-type capital assets at June 30, 2020 was as follows:

Business-type activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>		Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 37,180	\$ -	\$ -	\$ 37,180
Construction in progress	-	770,237	-	770,237
Total capital assets not being depreciated	\$ 37,180	\$ 770,237	\$ -	\$ 807,417
Other capital assets:				
Buildings	\$ 4,986	\$ -	\$ -	\$ 4,986
Improvements other than buildings	129,853	-	-	129,853
Machinery and equipment	204,929	2,535	-	207,464
Infrastructure	598,296	1,649	-	599,945
Total other capital assets at historical cost	\$ 938,064	\$ 4,184	\$ -	\$ 942,248
Less: accumulated depreciation	(863,884)	(12,970)	-	(876,854)
Total	\$ 111,360	\$ 761,451	\$ -	\$ 872,811

A summary of changes in business-type capital assets at June 30, 2021 was as follows:

Business-type activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:					
Land	\$ 37,180	\$ -	\$ -	\$ -	\$ 37,180
Construction in progress	770,237	-	-	(219,297)	550,940
Total capital assets not being depreciated	\$ 807,417	\$ -	\$ -	\$ (219,297)	\$ 588,120
Other capital assets:					
Buildings	\$ 4,986	\$ -	\$ -	\$ -	\$ 4,986
Improvements other than buildings	129,853	-	-	41,437	171,290
Machinery and equipment	207,464	5,887	-	-	213,351
Infrastructure (Utility Systems)	599,945	156,699	(1,266)	-	755,378
Total other capital assets at historical cost	\$ 942,248	\$ 162,586	\$ (1,266)	\$ 41,437	\$ 1,145,005
Less: accumulated depreciation	(876,854)	(26,642)	-	-	(903,496)
Total	\$ 872,811	\$ 135,944	\$ (1,266)	\$ (177,860)	\$ 829,629

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**NOTE 5. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide, and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2019	Balance June 30, 2020	Due Within One Year
Contracted debt	\$ 29,876	\$ 29,876	\$ 29,876
Total	<u>\$ 29,876</u>	<u>\$ 29,876</u>	<u>\$ 29,876</u>

Business-type Activities:

	Balance July 1, 2019	Additions	Balance June 30, 2020	Due Within One Year
Revenue bonds	\$ -	\$ 699,923	\$ 699,923	\$ 38,000
Total	<u>\$ -</u>	<u>\$ 699,923</u>	<u>\$ 699,923</u>	<u>\$ 38,000</u>

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2020	Balance June 30, 2021	Due Within One Year
Contracted debt	\$ 29,876	\$ 29,876	\$ 29,876
Total	<u>\$ 29,876</u>	<u>\$ 29,876</u>	<u>\$ 29,876</u>

Business-type Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Revenue bonds	\$ 699,923	\$ 414,478	\$ (261,768)	\$ 852,633	\$ 38,000
Contracted debt	-	150,482	(11,024)	139,458	24,976
Total	<u>\$ 699,923</u>	<u>\$ 564,960</u>	<u>\$ (272,792)</u>	<u>\$ 992,091</u>	<u>\$ 62,976</u>

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In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

*Revenue Bonds* - The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2021</u>
SRF B – 20480	3/18/20	2.50%	20yrs	1/1/40	\$ 945,000	Varies	\$ 469,423	\$ 852,633
SRF A – 20479	3/18/20	2.50%	20yrs	1/1/40	<u>230,500</u>	Varies	<u>230,500</u>	<u>-</u>
Totals					<u>\$1,175,000</u>		<u>\$ 699,923</u>	<u>\$ 852,633</u>

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The most significant covenants are summarized in detail below:

The Town is to maintain a reserve account for the sewer bond equal one-half the maximum principal and interest payments due in any fiscal year. This amount was calculated to be \$64,836 for both Fiscal Year 2020 and 2021. The Town reported \$0 of restricted cash in both Fiscal Years. The Town is not in compliance with this requirement for June 30, 2020 or June 30, 2021.

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 37,000	\$ 7,098
2023	38,000	16,748
2024	114,437	15,234
2025	40,000	13,790
2026	41,000	13,110
2027	42,000	12,430
2028	43,000	11,720
2029	44,000	11,000
2030	45,000	10,270
2031	46,000	9,510
2032	48,000	8,740
2033	48,000	7,940
2034	50,000	7,110
2035	51,000	6,270
2036	52,000	5,400
2037	54,000	4,520
2038	55,000	3,610
2039	4,196	1,460
<b>Total</b>	<b>\$ <u>852,633</u></b>	<b>\$ <u>165,960</u></b>

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2020 and June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2021</u>
Skid Steer Loan (1)	2/28/18	3.25%	NA	NA	\$ 29,876	\$ 29,876	\$ 29,876
Garbage Truck Loan (2)	6/15/21	4.49%	7yrs	3/1/28	150,482	-	139,458
Total					<u>\$ 180,358</u>	<u>\$ 29,876</u>	<u>\$ 169,344</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

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Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2022	\$ 26,797	\$ 4,804
2023	38,597	3,622
2024	15,439	4,885
2025	21,146	3,829
2026	22,106	2,869
2027	23,109	1,866
2028	22,140	816
Total	<u>\$ 169,334</u>	<u>\$ 22,691</u>

**NOTE 6. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the Town. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits Provided.* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

*Employees covered by benefit terms.* At June 30, 2020 and June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	4
Total employees	5

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Total OPEB Liability

The Town’s total OPEB liability of \$1,213 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

The Town’s total OPEB liability of \$1,280 at June 30, 2021, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2020 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.10%
Average salary increase (Consumer Price Index)	2.54%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2020	5.20%
2021	5.10%
2022	5.70%
2023	5.60%
2024	5.50%
2025	5.70%
2026	5.80%
2027	5.60%
2028	5.60%
2029	5.60%
2030 and after	5.60%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2017 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 68, No. 7, June 24, 2019.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

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Changes in the Total OPEB Liability

Balance at 6/30/2019	\$ _____ -
Changes for the year:	
Service Cost	\$ 67
Restatement	<u>1,146</u>
Net Changes	\$ <u>1,213</u>
Balance at 6/30/2020	\$ <u>1,213</u>
Balance at 6/30/2020	\$ <u>1,212</u>
Changes for the year:	
Service Cost	<u>68</u>
Net Changes	<u>68</u>
Balance at 6/30/2020	\$ <u>1,280</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability \$	\$ 1,258	\$ 1,213	\$ 1,159

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 1,073	\$ 1,213	\$ 1,378

*\*Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

In fiscal year ending June 30, 2021, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2020 calculated liability per valuation completed on June 30, 2020.

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*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$67. For the year ended June 30, 2021, the Town recognized an OPEB expense of \$68. The Town does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since Town records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

**NOTE 7. NET PENSION LIABILITY**

As of June 30, 2020, the Town reported the following balances as its proportionate share of PERS, pension amounts:

Town's Proportionate Share Associated With:	PERS
Net Pension Liability	\$ 243,146
Deferred outflows of resources*	\$ 37,660
Deferred inflows of resources	\$ 25,136
Pension expense	\$ 38,242

\*Deferred outflows for PERS, are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$12,861 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2020.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

**Public Employee's Retirement System – Defined Benefit Retirement Plan**

**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due.



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Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

### **Plan Descriptions**

The PERS-Defined Benefit Retirement Plan (PERS) 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 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

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 contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

### **Summary of Benefits**

Service retirement:

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service;
  - Age 65, regardless of membership service; or
  - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service;
  - Age 70, regardless of membership service.

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Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
  - Age 50, 5 years of membership service; or
  - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
  - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) 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:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

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Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**Contributions**

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

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

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Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Local Government</u>	
	<u>Employer</u>	<u>State</u>
2020	8.670%	0.100%
2019	8.570%	0.100%
2018	8.470%	0.100%
2017	8.370%	0.100%
2016	8.270%	0.100%
2015	8.170%	0.100%
2014	8.070%	0.100%
2012 – 2013	7.070%	0.100%
2010 – 2011	7.070%	0.100%
2008 – 2009	6.935%	0.100%
2000 - 2007	6.800%	0.100%

1. Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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4. Non-Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$33,615,000.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana NPLS for June 30, 2020, and 2019, are displayed below. The Town proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Town recorded a liability of \$243,146 and the Town's proportionate share was 0.011632 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 243,146	\$ 202,881	0.011632%	0.009721%	0.001911%
State of Montana Proportionate Share associated with Employer	78,823	67,640	0.003771%	0.003241%	0.000530%
<b>Total</b>	<b>\$ 321,969</b>	<b>\$ 270,521</b>	<b>0.015403%</b>	<b>0.012962%</b>	<b>0.002441%</b>

*Changes in actuarial assumptions and methods:*

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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*Changes in benefit terms:*

There were no changes in benefit terms since the previous measurement date.

*Changes in proportionate share:*

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

*Pension Expense:*

At June 30, 2020, the Town recognized a Pension Expense of \$32,891 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$178 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town. Additionally, the Town recognized grant revenue of \$5,173 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 32,891	\$ 9,657
State of Montana Proportionate Share associated with the Employer	178	4,514
State of Montana State Appropriation for the Employer	5,173	-
Total	\$ 38,242	\$ 14,171

*Recognition of Beginning Deferred Outflow*

At June 30, 2020, the Town recognized a beginning deferred outflow of resources for the employers fiscal year 2019 contributions of \$16,507.

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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2020, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,529	\$ 11,441
Actual vs. Expected Investment Earnings	2,948	-
Changes in Assumptions	10,322	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	13,695
Employer contributions subsequent to the measurement date - FY20*	12,861	-
Total	<u>\$ 37,660</u>	<u>\$ 25,136</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ 6,243
2021	\$ (10,322)
2022	\$ 1,097
2023	\$ 2,646
Thereafter	<u>\$ -</u>

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**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the following table.



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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.0%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.0%	2.17%
Private Equity	12.00%	10.53%
Real Estate	<u>8.00%</u>	5.65%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the General Fund. The interest was contributed monthly and the severance tax was contributed quarterly. 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 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 346,332	\$ 243,146	\$ 153,911

**PERS Disclosure for the defined contribution plan**

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

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As of June 30, 2021, the Town reported the following balances as its proportionate share of PERS, pension amounts:

Town's Proportionate Share Associated With:	<u>PERS</u>
Net Pension Liability	\$ 313,162
Deferred outflows of resources*	\$ 66,718
Deferred inflows of resources	\$ 11,648
Pension expense	\$ 60,985

\*Deferred outflows for PERS, are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$12,861 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

**Summary of Significant Accounting Policies**

The Town's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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**Plan Descriptions**

The PERS-Defined Benefit Retirement Plan (PERS) 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 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

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 defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

**Summary of Benefits**

Service retirement:

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service;
  - Age 65, regardless of membership service; or
  - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service;
  - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
  - Age 50, 5 years of membership service; or
  - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
  - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) 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:

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- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
  - b. No service credit for second employment;
  - c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - a. The same retirement as prior to the return to service;
  - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

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**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member’s benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**Contributions**

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

**Special Funding:** The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

**Not Special Funding:** Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Local Government</u>	
	<u>Employer</u>	<u>State</u>
2021	8.770%	0.100%
2020	8.670%	0.100%
2019	8.570%	0.100%
2018	8.470%	0.100%
2017	8.370%	0.100%
2016	8.270%	0.100%
2015	8.170%	0.100%
2014	8.070%	0.100%
2012 – 2013	7.070%	0.100%
2010 – 2011	7.070%	0.100%
2008 – 2009	6.935%	0.100%
2000 - 2007	6.800%	0.100%

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- 1 Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
4. Non-Employer Contributions
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    - iii. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2021, and 2020, are displayed below. The Town proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Town recorded a liability of \$313,162 and the Town’s proportionate share was 0.011870 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 313,162	\$ 243,146	0.011870%	0.011632%	0.000238%
State of Montana Proportionate Share associated with Employer	98,246	78,823	0.003724%	0.003771%	-0.000047%
<b>Total</b>	<b>\$ 411,408</b>	<b>\$ 321,969</b>	<b>0.015594%</b>	<b>0.015403%</b>	<b>0.000191%</b>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

*Changes in benefit terms:*

There were no changes in benefit terms since the previous measurement date.

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*Changes in proportionate share:*

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the Town recognized a Pension Expense of \$44,918 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$16,067 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town.

	<u>Pension Expense as of 6/30/21</u>	<u>Pension Expense as of 6/30/20</u>
Employer Proportionate Share	\$ 44,918	\$ 32,891
State of Montana Proportionate Share associated with the Employer	16,067	5,351
Total	<u>\$ 60,985</u>	<u>\$ 38,242</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the Town recognized a beginning deferred outflow of resources for the employers fiscal year 2020 contributions of \$12,861.



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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,055	\$ 8,954
Actual vs. Expected Investment Earnings	27,117	-
Changes in Assumptions	21,685	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	2,694
Employer contributions subsequent to the measurement date - FY21*	12,861	-
Total	<u>\$ 66,718</u>	<u>\$ 11,648</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ 7,213
2022	\$ 18,747
2023	\$ 9,475
2024	\$ 6,775
Thereafter	<u>\$ -</u>

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**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the General Fund. The interest was contributed monthly and the severance tax was contributed quarterly. 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 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 431,048	\$ 313,162	\$ 214,137

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**PERS Disclosure for the defined contribution plan**

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

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 POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2020 and June 30, 2021

**NOTE 8. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. The Town categorizes fund balance of the governmental funds into the following categories:

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of council. This is the government’s highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The Town considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Restricted Fund Balance FY 2020**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Comp Insurance	\$ 435	General Government administration and services
Other Maintenance	32,589	Repairs and maintenance
Gas Tax	10,359	Road repair, maintenance and supplies
<u>All Other Aggregate</u>	5,682	General Government administration and services
	27,796	Repairs and maintenance
	2,102	Law Enforcement, emergency services and supplies
	<u>6,323</u>	Road repair, maintenance and supplies
Total	\$ <u>85,286</u>	

**Committed Fund Balance FY 2020**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
CIP #3	\$ 3,200	Constructions and/or capital asset purchases
<u>All Other Aggregate</u>	<u>4,168</u>	Constructions and/or capital asset purchases
Total	\$ <u>7,368</u>	

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**Restricted Fund Balance FY 2021**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Other Maintenance	\$ 25,551	Repairs and maintenance
Gas Tax	14,855	Road repair, maintenance and supplies
<u>All Other Aggregate</u>	5,299	General Government administration and services
	30,034	Road repair, maintenance and supplies
	2,855	Law Enforcement, emergency services and supplies
	<u>56,810</u>	Road repair, maintenance and supplies
Total	<u>\$ 135,404</u>	

**Committed Fund Balance FY 2021**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
CIP #3	\$ 4,405	Constructions and/or capital asset purchases
<u>All Other Aggregate</u>	<u>5,374</u>	Constructions and/or capital asset purchases
Total	<u>\$ 9,779</u>	

**NOTE 9. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>
Insurance	\$ (7,456)	Deficit cash balance from transferring out more money than the fund had
Sewer	\$ (154,422)	Improper reporting of Net Investment in capital assets

**NOTE 10. RESTATEMENTS**

During the 2020 fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>
General	\$ (29,365)
Water	216
Sewer	(31,214)
Solid Waste	(549)

During the 2021 fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>
Water	\$ (13,589)
Sewer	28,044
Solid Waste	(1,498)

TOWN OF BROADUS  
POWDER RIVER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2020 and June 30, 2021

**NOTE 11. SERVICES PROVIDED FROM OTHER GOVERNMENTS**

**County Provided Services**

The Town is provided various financial services by Powder River County. The County also serves as cashier and treasurer for the Town for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections received by the County on behalf of the Town are accounted for in an agency fund in the Town's name and are periodically remitted to the Town by the County Treasurer. No service charges have been recorded by the Town or the County.

**NOTE 12. INTERLOCAL AGREEMENT**

The Town of Broadus and Powder River County have entered into an agreement whereby the County will provide law enforcement services for the Town and the Town will contribute \$1,750 per month, totaling \$21,000 per year.

**NOTE 13. RISK MANAGEMENT**

Insurance Pools:

The Town participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

In 1986, the Town joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3,750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Insurance Authority.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

**General**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH FINAL</u>
			<u>(BUDGETARY</u>	<u>BUDGET</u>
<b>RESOURCES (INFLOWS):</b>			<b>(BASIS) See Note A</b>	
Taxes and assessments	\$ 87,700	\$ 87,700	\$ 71,928	\$ (15,772)
Licenses and permits	1,375	1,375	850	(525)
Intergovernmental	128,796	128,796	153,299	24,503
Charges for services	150	150	12,439	12,289
Investment earnings	600	600	456	(144)
Amounts available for appropriation	<u>\$ 218,621</u>	<u>\$ 218,621</u>	<u>\$ 238,972</u>	<u>\$ 20,351</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 46,685	\$ 46,685	\$ 43,959	\$ 2,726
Public safety	27,100	27,100	39,126	(12,026)
Public works	59,100	59,100	43,302	15,798
Public health	150	150	106	44
Culture and recreation	30,850	30,850	22,360	8,490
Miscellaneous	5,000	5,000	4,144	856
Capital outlay	112,190	112,190	37,479	74,711
Total charges to appropriations	<u>\$ 281,075</u>	<u>\$ 281,075</u>	<u>\$ 190,476</u>	<u>\$ 90,599</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (2,400)	\$ (2,400)	\$ (2,400)	\$ -
Total other financing sources (uses)	<u>\$ (2,400)</u>	<u>\$ (2,400)</u>	<u>\$ (2,400)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 46,096</u>	
Fund balance - beginning of the year			\$ 120,966	
Restatements			<u>(29,365)</u>	
Fund balance - beginning of the year - restated			\$ 91,601	
Fund balance - end of the year			<u>\$ 137,697</u>	



**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 87,800	\$ 87,800	\$ 80,071	\$ (7,729)
Licenses and permits	1,600	1,600	50	(1,550)
Intergovernmental	73,750	73,750	76,723	2,973
Charges for services	4,000	4,000	3,677	(323)
Investment earnings	600	600	165	(435)
Amounts available for appropriation	\$ 167,750	\$ 167,750	\$ 160,686	\$ (7,064)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 47,970	\$ 47,970	\$ 44,079	\$ 3,891
Public safety	65,800	65,800	24,637	41,163
Public works	50,700	50,700	51,163	(463)
Public health	150	150	-	150
Culture and recreation	34,300	34,300	33,563	737
Miscellaneous	4,500	4,500	4,145	355
Capital outlay	47,200	47,200	87,832	(40,632)
Total charges to appropriations	\$ 250,620	\$ 250,620	\$ 245,419	\$ 5,201
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (2,400)	\$ (2,400)	\$ (2,400)	\$ -
Total other financing sources (uses)	\$ (2,400)	\$ (2,400)	\$ (2,400)	\$ -
Net change in fund balance			\$ (87,133)	
Fund balance - beginning of the year			\$ 137,697	
Fund balance - end of the year			\$ 50,564	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Insurance</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 10,450	\$ 10,450	\$ 8,904	\$ (1,546)
Intergovernmental	5,632	5,632	8,010	2,378
Investment earnings	15	15	3	(12)
Amounts available for appropriation	\$ 16,097	\$ 16,097	\$ 16,917	\$ 820
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Miscellaneous	\$ 21,200	\$ 21,200	\$ 21,631	\$ (431)
Total charges to appropriations	\$ 21,200	\$ 21,200	\$ 21,631	\$ (431)
Net change in fund balance			\$ (4,714)	
Fund balance - beginning of the year			\$ 5,148	
Fund balance - end of the year			\$ 434	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

<b>Insurance</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	
			<b>(BUDGETARY</b>	<b>WITH FINAL</b>
			<b>BASIS) See Note A</b>	<b>BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 10,450	\$ 10,450	\$ 9,647	\$ (803)
Intergovernmental	12,540	12,540	7,411	(5,129)
Investment earnings	15	15	-	(15)
Amounts available for appropriation	\$ 23,005	\$ 23,005	\$ 17,058	\$ (5,947)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Miscellaneous	\$ 23,200	\$ 23,200	\$ 24,949	\$ (1,749)
Total charges to appropriations	\$ 23,200	\$ 23,200	\$ 24,949	\$ (1,749)
<b>OTHER FINANCING SOURCES (USES)</b>				
Net change in fund balance			\$ (7,891)	
Fund balance - beginning of the year			\$ 435	
Fund balance - end of the year			\$ (7,456)	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Other Maintenance</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>WITH FINAL</b>
			<b>(BUDGETARY</b>	<b>BUDGET</b>
			<b>BASIS) See Note A</b>	
<b>RESOURCES (INFLOWS):</b>				
Miscellaneous	\$ 54,200	\$ 54,200	\$ 51,494	\$ (2,706)
Investment earnings	140	140	198	58
Amounts available for appropriation	\$ 54,340	\$ 54,340	\$ 51,692	\$ (2,648)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public health	\$ 79,500	\$ 79,500	\$ 53,955	\$ 25,545
Total charges to appropriations	\$ 79,500	\$ 79,500	\$ 53,955	\$ 25,545
Net change in fund balance			\$ (2,263)	
Fund balance - beginning of the year			\$ 34,851	
Fund balance - end of the year			\$ 32,588	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Other Maintenance</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 54,275	\$ 54,275	\$ 55,112	\$ 837
Investment earnings	200	200	39	(161)
Amounts available for appropriation	\$ 54,475	\$ 54,475	\$ 55,151	\$ 676
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 48,000	\$ 48,000	\$ 44,743	\$ 3,257
Capital outlay	29,400	29,400	17,445	11,955
Total charges to appropriations	\$ 77,400	\$ 77,400	\$ 62,188	\$ 15,212
Net change in fund balance			\$ (7,037)	
Fund balance - beginning of the year			\$ 32,589	
Fund balance - end of the year			\$ 25,552	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Gas Tax</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 13,644	\$ (1,356)
Investment earnings	20	20	35	15
Amounts available for appropriation	<u>\$ 15,020</u>	<u>\$ 15,020</u>	<u>\$ 13,679</u>	<u>\$ (1,341)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 2,000	\$ 2,000	\$ 1,320	\$ 680
Conservation of natural resources	-	-	3,600	(3,600)
Capital outlay	12,000	12,000	-	12,000
Total charges to appropriations	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 4,920</u>	<u>\$ 9,080</u>
Net change in fund balance			<u>\$ 8,759</u>	
Fund balance - beginning of the year			\$ 1,599	
Fund balance - end of the year			<u>\$ 10,358</u>	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

Gas Tax				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	\$ 13,650	\$ 13,650	\$ 14,688	\$ 1,038
Investment earnings	40	40	17	(23)
Amounts available for appropriation	\$ 13,690	\$ 13,690	\$ 14,705	\$ 1,015
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 22,000	\$ 22,000	\$ 10,209	\$ 11,791
Total charges to appropriations	\$ 22,000	\$ 22,000	\$ 10,209	\$ 11,791
Net change in fund balance			\$ 4,496	
Fund balance - beginning of the year			\$ 10,359	
Fund balance - end of the year			\$ 14,855	

**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**  
**For the Fiscal Year ended June 30, 2020**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<u>General</u>	<u>Insurance</u>	<u>Other Maintenance</u>	<u>Gas Tax</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 238,972	\$ 16,917	\$ 51,692	\$ 13,679
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 238,972</u>	<u>\$ 16,917</u>	<u>\$ 51,692</u>	<u>\$ 13,679</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 190,476	\$ 21,631	\$ 53,955	\$ 4,920
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 190,476</u>	<u>\$ 21,631</u>	<u>\$ 53,955</u>	<u>\$ 4,920</u>



**Town of Broadus, Powder River County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2021**

**Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures**

	<u>General</u>	<u>Comp Insurance</u>	<u>Other Maintenance</u>	<u>Gas Tax</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 160,686	\$ 17,058	\$ 55,151	\$ 14,705
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 160,686</u>	<u>\$ 17,058</u>	<u>\$ 55,151</u>	<u>\$ 14,705</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 245,419	\$ 24,949	\$ 62,188	\$ 10,209
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 245,419</u>	<u>\$ 24,949</u>	<u>\$ 62,188</u>	<u>\$ 10,209</u>

**Town of Broadus, Powder River County, Montana**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF CHANGES IN THE**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For Fiscal Year Ended June 30, 2020**

	2021	2020
<b>Total OPEB liability</b>		
Service Cost	\$ 68	\$ 67
Net change in total OPEB liability	68	67
Total OPEB Liability - beginning	1,213	-
Restatement	-	1,146
Total OPEB Liability - ending	\$ 1,281	\$ 1,213
Covered-employee payroll	\$ 191,928	\$ 191,928
Total OPEB liability as a percentage of covered -employee payroll	1%	1%

*\*The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

**Town of Broadus, Powder River County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Years Ended June 30, 2020 and June 30, 2021**

	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.011870%	0.011632%	0.009721%	0.013890%	0.014419%	0.013890%	0.013740%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 313,162	\$ 243,146	\$ 202,881	\$ 270,534	\$ 245,608	\$ 194,159	\$ 171,206
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 98,246	\$ 78,823	\$ 67,640	\$ 3,231	\$ 3,001	\$ 2,385	\$ 2,091
Total	<u>\$ 411,408</u>	<u>\$ 321,969</u>	<u>\$ 270,521</u>	<u>\$ 273,765</u>	<u>\$ 248,609</u>	<u>\$ 196,544</u>	<u>\$ 173,297</u>
Employer's covered payroll	\$ 199,161	\$ 191,928	\$ 159,860	\$ 172,312	\$ 172,716	\$ 162,094	\$ 155,541
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.24%	126.69%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

**Town of Broadus, Powder River County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020 and June 30, 2021**

	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contributions in relation to the contractually required contributions	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 207,486	\$ 199,161	\$ 191,928	\$ 159,860	\$ 172,312	\$ 172,716	\$ 162,094
Contributions as a percentage of covered payroll	8.86%	8.76%	8.60%	8.47%	8.37%	8.36%	8.24%

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

**Town of Broadus, Powder River County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Years ended June 30, 2020 and June 30, 2021**

**Public Employees' Retirement System of Montana (PERS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

*Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013*

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

*Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013*

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

*Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454*

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**2015 Legislative Changes**

*General Revisions - House Bill 101, effective January 1, 2016*

**Second Retirement Benefit - for PERS**

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
  - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment;
  - Start same benefit amount the month following termination; and
  - GABA starts again in the January immediately following second retirement.

**Town of Broadus, Powder River County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Years ended June 30, 2020 and June 30, 2021**

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
  - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
  - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
  - Refund of member’s contributions from second employment, plus regular interest (currently 2.5%);
  - No service credit for second employment
  - Start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
  - Member receives same retirement benefit as prior to return to service;
  - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

*Revise DC Funding Laws - House Bill 107, effective July 1, 2015*

**Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP**

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

**Town of Broadus, Powder River County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Years ended June 30, 2020 and June 30, 2021**

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

Town Council  
Town of Broadus  
Powder River County  
Broadus, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Broadus, Powder River County, Montana, as of and for the Years ended June 30, 2020 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Broadus's basic financial statements and have issued our report thereon dated August 23, 2023.

**Modified Opinions**

There are multiple opinion modifications for the financial statements presented June 30, 2020 as follows:

- The Governmental Activities was qualified due to improperly reporting restatements of \$29,365. Restatements in the accounting system did not agree to the amounts reported in the financials and did not have support.
- Business-Type Activities and the Sewer Fund were qualified due to not reporting a due from other government that related to fiscal year 2019 which caused an overstatement of revenues in fiscal year 2020 of \$50,522. The Town also did not report accounts payable for fiscal year 2019 or fiscal year 2020 resulting in expenditures to be understated by \$34,365.
- The General Fund was qualified due to an understatement of cash and warrants payable of \$9,732 due to not properly combining the claims clearing fund as this is an unrestricted fund. The General Fund also improperly reported restatements of \$29,365. Restatements in the accounting system did not agree to the amounts reported in the financials and did not have support.
- The Aggregate Remaining Fund Information was qualified due to an overstatement of cash and warrants payable of \$9,732 due to not properly combining the claims clearing fund with the General Fund.



There are multiple opinion modifications for the financial statements presented June 30, 2021 as follows:

- The Business-Type activities was disclaimed due to there being a lack of sufficient appropriate audit evidence to support the amounts reports as errors were noted related to the beginning Net position did not agree to the prior year ending Net Position by \$38,767, accounts receivable was understated by \$27,191, revenues were overstated by \$31,815, depreciation expense was understated by \$38,167, long-term liabilities were understated by \$230,500, restatements of \$41,633 were improperly reported.
- The General Fund was qualified due to an understatement of cash and warrants payable of \$106,593 due to not properly combining the claims clearing fund as this is an unrestricted fund.
- The Other Maintenance Fund was qualified due to reporting a debit balance or opposite balance of accounts payable of \$1,924.
- The Water Fund was qualified due to overstating revenues that pertained to fiscal year 2022 by \$59,006 instead of reporting the revenues as a liability. Additionally, restatements which had no support and did not agree to the accounting records were reported of \$13,589.
- The Sewer Fund was qualified due to understating the long-term liabilities related the SRF-A Bond of \$230,500.
- The Aggregate Remaining Fund information was qualified due to an overstatement of cash and warrants payable of \$106,593 due to not properly combining the claims clearing fund with the General Fund. Additionally, the Town should have reported the Special Gas Tax Fund as Major Fund leading to an overstatement of assets, revenues, and expenditures of \$56,810, \$54,692, and \$4,206 respectively.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Broadus, Powder River County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Broadus, Powder River County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Broadus's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2020/2021-001 through 2020/2021-006.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies as identified as item(s) 2020/2021-007 through 2020/2021-010.

**2020/2021-001            Accounting System Basis of Accounting**

**Condition:**

The accounting system for the Business-Type funds are not being kept on the full accrual basis of accounting.

**Context:**

We expected the accounting system to agree to the Annual Financial Report (AFR), however, when we reviewed the Town's accounting records, we noted items related to capital assets and long-term debt did not agree to the financials.

**Criteria:**

Per Governmental Accounting Standards Board (GASB) Statement No. 34, the Proprietary fund financial statements are required to report on the accrual basis of accounting, additionally, Montana Code Annotated (MCA) 7-6-611 & 2-7-504 requires local governments to follow the prescribed methods and details of accounting based on BARS.

**Effect:**

The accounting system for the proprietary funds did not properly classify capital assets and instead reported them as expenses, and did not properly classify long-term debt liabilities and the related proceeds and reported them as revenues. These were both reported correctly in the AFR which leads us to believe the financials are being converted to full accrual outside of the accounting system.

**Cause:**

The proprietary funds are maintained on the modified accrual basis of accounting in the accounting system.

**Recommendation:**

We recommend the Town maintain the proprietary funds in the accrual basis of accounting in the accounting system.

**2020/2021-002            Supporting Documentation for Disbursements**

**Condition:**

The Town could not provide supporting documentation for a portion of expenditures in both fiscal years 2020 and 2021.

**Context:**

We selected a sample of transactions during our testing on disbursements. In fiscal year 2020, the Town could not provide documentation for 10 claims which totaled \$193,995. In fiscal year 2021, the Town could not provide documentation for 15 claims which totaled \$354,027. Additionally, the Town manually calculates payroll and the related deductions. We recalculated a sample to determine if pay and the deductions were being properly calculated but the Town could not provide all of the necessary documentation.

**Criteria:**

Adequate supporting documentation should be maintained for all disbursements.

**Effect:**

The Town could not provide supporting documentation for all disbursements requested reflecting a lack of controls over disbursements which increases risk of misappropriation of assets and errors not being detected in a timely manner.

**Cause:**

The Town has a lack of controls over disbursements.

**Recommendation:**

We recommend the Town obtain and maintain supporting documentation for all disbursements.

**2020/2021-003      Deficit Cash**

**Condition:**

The Town did not properly report the deficit cash balances as a liability of (\$48,080) in the Sewer Fund and (\$7,456) in the Comp Insurance fund in fiscal years 2020 and 2021 respectively.

**Context:**

We reviewed all funds with an overall deficit cash balance to determine if they were properly reported as liabilities instead of negative cash balances.

**Effect:**

In fiscal year 2020, the Town reported negative cash in the Sewer fund of (\$48,080). In fiscal year 2021, the Town reported negative cash in the Comp Insurance fund of (\$7,456).

These errors have been corrected for our report.

**Cause:**

The Town did not properly report the cash as a liability.

**Recommendation:**

We recommend the Town review any funds with deficit cash balances to ensure they are properly reported as a liability.

**2020/2021-004      Fund Balance and Net Position Classifications**

**Condition:**

The Town reported Fund Balance and Net Position classifications that were not correct.

**Context:**

We reviewed and tested the fund balance and net position classifications under GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and then tested the reporting of Net Position under GASB Statement No. 34, Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments, to determine if properly reported.

**Criteria:**

GASB Statement No. 54 states in part:

- Restricted Fund Balances should be reported when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund balances should be reported when the amounts are constrained by formal action of the government’s highest level of decision-making authority.
- Assigned Fund balances are amounts that are constrained by the governments intent to be used for specific purposes but are neither restricted or committed.
- Unassigned Fund balance is the residual classification of the General Fund.

**Effect:**

In fiscal year 2020 the fund balance and net position classifications were not correct as follows:

<u>Fund Balance</u>	<u>Overstated/(Understated)</u>
Restricted	(\$2,916)
Committed	(\$7,368)
Assigned	\$ 4,168
Unassigned	\$ 6,116

As a result of the errors above Net Position was understated (\$2,916) in FY 2020.

In fiscal year 2021 the fund balance and net position classifications were not correct as follows:

<u>Fund Balance</u>	<u>Overstated/(Understated)</u>
Restricted	(\$135,404)
Committed	(\$ 9,779)
Unassigned	\$ 145,183

As a result of the errors above Net Position was understated (\$135,404) in FY 2021. report.

The fund balance classifications have been corrected for our report for both fiscal years 2020 and 2021.

**Cause:**

The Town did not properly report fund balance classifications under GASB Statement No. 54 which caused net position classifications to be incorrect under GASB Statement No. 34.

**Recommendation:**

We recommend the Town review the classifications of fund balance and net position to ensure proper reporting.

**Condition:**

We noted the following deficiencies in converting the fund financial statements to government-wide related to revenue coding:

1. The Town did not maintain documentation to support how revenues were coded between general and program revenues in preparation of statement of activities.
2. There is significant misclassification of programs revenues classified as general revenues in both fiscal year 2020 and 2021.

**Context:**

1. The Town did not provide supporting documentation that detailed the revenues for the year and how they were coded to the general and program revenue classifications.
2. We completed a test of the significant revenues from the trial balance and identified program revenues that were misclassified as general revenues in both the governmental activities and business activities.

**Criteria:**

1. The Town should have system of internal controls to maintain supporting documentation related to the revenue coding in preparation of the conversion of fund financial statements to government-wide financial statements.
2. GASB Statement No. 34 requires the government-wide statement of activities be presented in a format that reports expenses reduced by program revenues. General revenues, such as taxes, and special and extraordinary items should be reported separately, ultimately arriving at the change in net assets for the period.

**Effect:**

1 & 2. In fiscal year 2020, the charges for services related to public works are understated \$66,341, operating grants related to public works understated \$72,837, charges for services related to general government overstated \$12,439 and general revenues overstated \$126,739 in the governmental activities. In addition, the capital grants in the sewer activities were understated \$70,314 and general revenues overstated \$70,314.

1 & 2. In fiscal year 2021, the charges for services related to public works are understated \$70,695, operating grants related to public works understated \$52,692, and general revenues overstated \$123,387 in the governmental activities. In addition, the capital grants in the sewer activities are understated \$129,686, operating grants in water activities are understated \$59,006 and general revenues overstated \$188,692.

**Cause:**

1. The Town did not maintain supporting documentation to the classification of revenues between program and general revenues to support the Statement of Activities.
2. The preparation of financial statements and application of generally accepted accounting principles is complex and requires substantial time to adequately understand concepts.

**Recommendation:**

1. We recommend that the Town review its year end processes and implement additional procedures requiring documentation the coding of the revenues per GASB Statement No. 34.
2. We recommend the Town seek further training on the classification of program and general revenues and seek advice and assistance from professional when needed.

**2020/2021-006      Financial Reporting (Repeat Finding 15-2)**

**Condition:**

The Town does not have an adequate system in place for preparing its required financial statements accurately and in accordance with generally accepted accounting principles (GAAP).

**Context:**

We identified several misstatements in the financial statements reported in the Town's Annual Financial Report (AFR) in both fiscal years 2020 and 2021.

**Criteria:**

The Town should have an internal control system in place to ensure that the financial statements are prepared accurately and follow Governmental Accounting Standards Board (GASB) requirements.

**Effect:**

The Town's AFR included misstatements as follows:

Fiscal Year 2020:

1. Improperly reported the Net Investment in Capital Assets by \$28,876 on the Statement of Net Position for the Government-Wide activities.
2. The beginning Net Position did not agree to the fiscal year 2019 ending Net Position by \$4,813 for the Government-Wide activities.
3. Improperly reported restatements of \$29,365 for the General Fund and \$31,214 for the Business-Type Activities which did not agree to the accounting system and did not have support.
4. Interfund transfers from the Sewer fund to the Water Fund were overstated by \$6,000.
5. Revenues were overstated by \$50,552 due to not recording a due from other government for fiscal year 2019 in the Sewer Fund.
6. Expenses were understated by (\$34,365) as a result of not recording accounts payable for fiscal years 2019 and 2020 in the Sewer Fund.
7. Charges for services revenues of \$12,439 were improperly reported in the General Fund.
8. The Claims Clearing Fund was not combined with the General Fund as it is unrestricted resulting in the General fund to be understated and the Fiduciary activity to be overstated by \$9,732.
9. Accounts payable in the General Fund and Other Maintenance Fund were reported with opposite balances of \$603 and \$1,514 respectively, additionally, an opposite balance of accrued payables of \$1,225 was reported in the Sewer Fund. There was also an account payable not recorded which understated the liabilities and expenses in the Sewer Fund by (\$45,558)

Fiscal Year 2021:

1. Improperly reported the Net Investment in Capital Assets by \$29,877 and \$197,030 on the Statement of Net Position for the Government-Wide and Business-Type activities respectively.
2. The beginning Net Position did not agree to the fiscal year 2020 ending Net Position by \$38,767 for the Business-Type activities.
3. Improperly reported restatements of \$13,589 in the Water fund and \$28,044 in the Sewer fund which did not agree to the accounting system and did not have support.
4. Revenues collected in advance were improperly reported as revenues of \$59,006 in the Water Fund leading to an overstatement of the revenues, and understatement of the liability.
5. Accounts receivable and charges for services revenues were understated by (\$10,608) in the Sewer Fund and (\$3,920) in the Solid Waste Fund.
6. The Claims Clearing Fund was not combined with the General Fund as it is unrestricted resulting in the General fund to be understated and the Fiduciary activity to be overstated by \$106,593.
7. Major funds were not properly reported as the Special Gas Tax Fund should have been reported as a major fund and was not, leading to the aggregate remaining fund information being overstated by \$56,810, \$54,692, and \$4,206 in the assets, revenues and expenses respectively.
8. Accounts payable in the Other Maintenance Fund were reported with an opposite balance of \$1,924, additionally, an opposite balance of accrued payables of \$1,013 was reported in the Sewer Fund.
9. Ending cash and cash equivalents per the Statement of Cash Flows did not agree to the Proprietary Statement of Net Position in the Sewer and Solid Waste Funds by \$23,505 and \$718 respectively.
10. Depreciation expense in the Sewer Fund that did not agree to the underlying accounting records by (\$38,167).

**Cause:**

Year-end financial preparation is both complex and requires a significant time investment and the Town did not have adequate review processes to ensure that the financials were accurately prepared.

**Recommendation:**

The Town should review year end processes and create checklists for reviewing the work completed to ensure more accurately presented financial statements are prepared.

**2020/2021-007**

**Segregation of Duties (Repeat Finding 15-1)**

**Condition:**

The Town does not adequately segregate duties of collecting, receipting, recording deposits and reconciling among personnel in the Clerk's office.

**Context:**

Through inquiry and observation reviewed the internal controls procedures of the Towns receipting and disbursing systems.

**Criteria:**

Strong internal controls require that there be adequate segregation of duties of cash receipting, recording, depositing, and reconciling to the extent possible.

**Effect:**

The Town has an internal control weakness in the Clerk's office which raises the risk of misappropriation of the Town's assets.

**Cause:**

The Town has a limited amount of personnel and resources to adequately implement proper segregation of duties in the Clerk's office.

**Recommendation:**

We recommend that the Town implement segregation of duties to the greatest extent possible and increase monitoring by the Mayor in the Clerk's office.

**2020/2021-008**

**Pledge Securities**

**Condition:**

The Town had deposits that were not insured or collateralized in fiscal years 2020 and 2021 of \$63,151 and \$359,614 respectively.

**Context:**

We requested pledged securities to determine if there was sufficient coverage and noted the Town does not have insurance or pledged securities to match 100% of the balances of deposits with their accounts at 1<sup>st</sup> Bank of Broadus.

**Criteria:**

To eliminate the risk of loss on the Town 100% of the balances should be collateralized or insured.

**Effect:**

There is a deficiency in coverage of \$63,151 in fiscal year 2020 and \$359,614 in fiscal year 2021.

**Cause:**

The Town does not have any pledged securities to collateralize the portion of deposits not covered by insurance.

**Recommendation:**

We recommend the Town obtains insurance and pledged securities for 100% of the balances in accounts to eliminate the risk of loss.

**2020/2021-009**

**Accounts Receivables Controls**

**Condition:**

The Town does not have adequate internal controls for reconciling the accounts receivable balances in accounting to the subsidiary ledger to ensure all activity is accounted for and the systems agree.



**Context:**

We completed substantive testing on the accounts receivable balance of the proprietary funds, and noted that there were some unusual changes in the balances to the prior and the receivables did not agree to the subsidiary ledgers. Upon further analysis, it was discovered that the Town did not record the April 2021 billings into the accounting system.

**Criteria:**

The Town should internally control procedures to reconcile accounts receivable balances and monthly activity to the subsidiary ledgers.

**Effect:**

The accounts receivable balances and related charge for services are understated in fiscal year 2021 equal to \$12,663 in Water Fund, \$10,608 in Sewer Fund, and \$3,920 in Solid Waste Fund.

**Cause:**

The Town did not post the billing batch from the utility billing system for the month of April 2021 due to not having the appropriate checks and balances in place to ensure activity is reconciled on a monthly basis.

**Recommendation:**

We recommend that the Town implement internal control procedures requiring that the accounts receivable balances and activity in accounting be reconciled to the utility billing subsidiary ledger on a monthly basis.

**2020/2021-010****Required Supplementary Information****Condition:**

Management has omitted the management discussion and analysis that the generally accepted account principles require to be presented as a supplement to the basic financial statements.

**Context:**

We did not receive the management discussion and analysis to include with the audit report.

**Criteria:**

Generally accepted accounting principles require that management prepare a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the governments' financial activities.

**Effect:**

The Town is not following the generally accepted accounting principles set by the GASB.

**Cause:**

The Town did not prepare the management discussion and analysis that meets the requirements of generally accepted accounting principles.

**Recommendation:**

Management should prepare and develop a management discussion and analysis as required by the generally accepted accounting principles annually.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Broadus's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item(s) 2020/2021-011 and 2020/2021-012.

### **2020/2021-011      Revenue Bond Requirements**

#### **Condition:**

The Town does not meet the revenue bond requirement in the Sewer Fund pertaining to restricted cash.

#### **Context:**

We compared the reserve account requirements to the amount of restricted cash reported for fiscal years 2020 and 2021.

#### **Criteria:**

Revenue bond requirements are conditions established by the bond council upon issuance of a bond. The Sewer Bond requires the Town to maintain a reserve of an amount equal to the maximum principal and interest payment on Bonds in the current or any future fiscal year.

#### **Effect:**

The Town is not in compliance with the Revenue Bond requirements for the Sewer Fund as follows:

<u>Fiscal Year</u>	<u>Restricted Cash Requirement</u>	<u>Actual Restricted Cash</u>	<u>Shortage</u>
2020	\$ 64,836	\$ 0	\$ (64,836)
2021	\$ 64,836	\$ 0	\$ (64,836)

#### **Cause:**

In fiscal year 2020, the Town had a deficit cash balance. In fiscal year 2021, the Town did not properly restrict a portion of their cash to meet the revenue bond requirements.

#### **Recommendation:**

We recommend the Town review the bond requirements and ensure that reserve accounts are established and funded.

### **2020/2021-012      Timely Filing of Reports**

#### **Condition:**

The Town did not file the Annual Financial Report (AFR) or Audit for fiscal years 2020 or 2021 by the State deadlines.

**Context:**

We reviewed the Department of Administration's website to determine when the Town had submitted its required reports.

**Criteria:**

Montana Code Annotated (MCA) 2-7-503 states in part that the financial report must cover the preceding fiscal year, be in a form prescribed by the department, and be completed within 6 months of the end of the reporting period, additionally, it states, audits of local governments must be completed and submitted to the department for review within 1 year from the close of the last fiscal year covered by the audit.

**Effect:**

The Town is not in compliance with MCA 2-7-503 in filing its fiscal year 2020 and 2021 AFR or Audit.

**Cause:**

The 2020 AFR was due December 31, 2020 but not received by the State until October 6, 2021. The 2021 AFR was due December 31, 2021 but was not received by the State until September 15, 2022. Lastly, the audit covering fiscal years 2021 and 2022 was not completed until August of 2023.

**Recommendation:**

We recommend the Town have procedures in place to ensure a timely filing of the AFR and audit by the required deadline.

**Town of Broadus's Response to Findings**

Town of Broadus's response to the findings identified in our audit is described in the corrective action plan. The Town of Broadus's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

*Denning, Downey and Associates, CPA's, P.C.*

August 23, 2023

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Town Council  
Town of Broadus  
Powder River County  
Broadus, Montana

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Segregation of Duties	Repeated
Financial Reporting	Repeated

*Denning, Downey and Associates, CPA's, P.C.*

August 23, 2023

# **TOWN OF BROADUS** **MONTANA**

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Fax (406) 436-2558

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Josie Morris, Clerk/Treasurer  
townofbroadus@rangeweb.net

Contact Person:

Josie Morris, Clerk/Treasurer  
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office (406) 436-2409  
fax (406) 436-2558

Expected Completion Date of Corrective Action Plan:

Expected completion dates individually listed below.

**CORRECTIVE ACTION PLAN**

FINDING 2020/2021-001: Accounting System Basis of Accounting

Response: The Town is under new management with a new clerk and will begin to maintain the proprietary funds in the accrual basis of accounting in the accounting system in the 2023-24 fiscal year.

FINDING 2020/2021-002: Supporting Documentation for Disbursements

Response: The Town is obtaining a better filing system with a new clerk that will begin to maintain supporting documentation for all disbursements. This will be implemented in the fiscal year 2023-24.

FINDING 2020/2021-003: Deficit Cash

Response: The Town will begin to review any funds with deficit cash balances to ensure they are properly reported as a liability with the new clerk and will be implemented in the fiscal year 2023-24.

FINDING 2020/2021-004: Fund Balance and Net Position Classification

Response: The new clerk for the Town will receive training in the current fiscal year from county clerks and advise from an accounting firm to better review the classifications of fund balances and net position to ensure proper reporting in the future.



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FINDING 2020/2021-005: Revenue Coding and Controls

Response: The new clerk for the Town will receive training from the county clerk and accounting firm on the classification of program and general revenues and ensure proper revenue coding and recording is completed in the fiscal year 2023-24. The new clerk will review its year end processes and implement additional procedures requiring documentation per GASB Statement No. 34.

FINDING 2020/2021-006: Financial Reporting

Response: The Town's new clerk will begin to review year end processes and share them with the mayor as well as create checklists for reviewing the work completed to ensure more accurately presented financial statements are prepared. This will be in fiscal year 2023-24.

FINDING 2020/2021-007: Segregation of Duties

Response: We are a small town that cannot afford to hire more staff to segregate duties properly. Segregation of duties is handled as best we can with our limited staff. Implemented now.

FINDING 2020/2021-008: Pledged Securities

Response: The Town clerk is working to obtain insurance and pledged securities for 100% of the balances in accounts to eliminate the risk of loss. Expected completion in fiscal year 2023-24.

FINDING 2020/2021-009: Accounts Receivable Controls

Response: The Town clerk is working to implement internal control procedures requiring that the accounts receivable balances and activity in accounting be reconciled to the utility billing subsidiary ledger on a monthly basis. This will require assistance and training from the county clerk or accounting firm to be completed in fiscal year 2023-24.

FINDING 2020/2021-010: Required Supplementary Information

Response: Under new management the Town is now aware that this must be completed and will obtain the knowledge and training to prepare and develop a management discussion and analysis as required by the generally accepted accounting principles annually. This training and knowledge will come from another clerk as well as the accounting firm in the fiscal year 2023-24.



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Josie Morris, Clerk/Treasurer  
[townofbroadus@rangeweb.net](mailto:townofbroadus@rangeweb.net)

**FINDING 2020/2021-011: Revenue Bond Requirements**

Response: The new clerk is working to understand the reserve accounts so they can begin to be reviewed and ensure that reserve accounts are established and funded in the future. This will be completed in the fiscal year 2023-24.

**FINDING 2020/2021-012: Timely Filing of Reports**

Response: The new clerk for the Town will work on putting procedures in place in the fiscal year 2023-24 to ensure a timely filing of the AFR and audit by the required deadline.

**STATUS OF PRIOR AUDIT FINDINGS**

**FINDING 2015-1: Segregation of Duties**

Response: We are a small town that cannot afford to hire more staff to segregate duties properly. Segregation of duties is handled as best we can with our limited staff.

**FINDING 2015-2: Financial Reporting**

Response: The Town's new clerk will begin to review year end processes and share them with the mayor as well as create checklists for reviewing the work completed to ensure more accurately presented financial statements are prepared. This will be in fiscal year 2023-24.