

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

AUDIT REPORT

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

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

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TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2024

TOWN COUNCIL

Cody Morris
Wanda Smith
Lori Turnbough
Raevyn Slovek

Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Chad Gatlin
Josie Morris

Mayor
Clerk/Treasurer

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

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

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 year ended June 30, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024, the Town adopted new accounting guidance, GASB No.100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Town's General Fund reported a deficit fund balance of \$41,623 at year-end. This represents a significant decline from the prior year and reflects a continued trend of expenditures exceeding available resources. 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 11, 2025, 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.

Derrington, Downey and Associates, CPAs, P.C.

June 11, 2025

Town of Broadus, Powder River County, Montana
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 366,443	\$ 231,967	\$ 598,410
Taxes and assessments receivable, net	10,353	-	10,353
Internal balances	1,309	(1,309)	-
Accounts receivable - net	-	50,343	50,343
Total current assets	<u>\$ 378,105</u>	<u>\$ 281,001</u>	<u>\$ 659,106</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 13,247	\$ 13,247
Capital assets - land	2,540	37,180	39,720
Capital assets - construction in progress	-	20,559	20,559
Capital assets - depreciable, net	166,108	1,425,166	1,591,274
Total noncurrent assets	<u>\$ 168,648</u>	<u>\$ 1,496,152</u>	<u>\$ 1,664,800</u>
Total assets	<u>\$ 546,753</u>	<u>\$ 1,777,153</u>	<u>\$ 2,323,906</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 16,784	\$ 13,080	\$ 29,864
Total deferred outflows of resources	<u>\$ 16,784</u>	<u>\$ 13,080</u>	<u>\$ 29,864</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 563,537</u></u>	<u><u>\$ 1,790,233</u></u>	<u><u>\$ 2,353,770</u></u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 49,217	\$ -	\$ 49,217
Accounts payable	-	14,845	14,845
Due to other governments	461	-	461
Current portion of long-term capital liabilities	-	55,147	55,147
Current portion of compensated absences payable	6,085	4,483	10,568
Total current liabilities	<u>\$ 55,763</u>	<u>\$ 74,475</u>	<u>\$ 130,238</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 4,110	\$ 4,110
Other post-employment benefit liability	2,741	8,229	10,970
Noncurrent portion of long-term capital liabilities	-	682,377	682,377
Noncurrent portion of compensated absences	1,424	1,050	2,474
Net pension liability	158,008	123,145	281,153
Total noncurrent liabilities	<u>\$ 162,173</u>	<u>\$ 818,911</u>	<u>\$ 981,084</u>
Total liabilities	<u>\$ 217,936</u>	<u>\$ 893,386</u>	<u>\$ 1,111,322</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 10,032	\$ 7,817	\$ 17,849
Total deferred inflows of resources	<u>\$ 10,032</u>	<u>\$ 7,817</u>	<u>\$ 17,849</u>
NET POSITION			
Net investment in capital assets	\$ 168,648	\$ 745,381	\$ 914,029
Restricted for debt service	-	13,247	13,247
Restricted for special projects	368,442	-	368,442
Unrestricted	(201,521)	130,402	(71,119)
Total net position	<u>\$ 335,569</u>	<u>\$ 889,030</u>	<u>\$ 1,224,599</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 563,537</u></u>	<u><u>\$ 1,790,233</u></u>	<u><u>\$ 2,353,770</u></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, 2024

<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>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 146,389	\$ -	\$ -	\$ -	\$ (146,389)	\$ -	\$ (146,389)
Public safety	7,790	-	-	-	(7,790)	-	(7,790)
Public works	216,061	-	193,071	-	(22,990)	-	(22,990)
Public health	94	-	-	-	(94)	-	(94)
Culture and recreation	62,407	-	-	-	(62,407)	-	(62,407)
Miscellaneous	31,143	-	-	-	(31,143)	-	(31,143)
Total governmental activities	\$ 463,884	\$ -	\$ 193,071	\$ -	\$ (270,813)	\$ -	\$ (270,813)
Business-type activities:							
Water	\$ 151,675	\$ 172,909	\$ -	\$ 6,831	\$ -	\$ 28,065	\$ 28,065
Sewer	135,593	127,171	-	-	-	(8,422)	(8,422)
Solid Waste	27,201	61,026	-	-	-	33,825	33,825
Total business-type activities	\$ 314,469	\$ 361,106	\$ -	\$ 6,831	\$ -	\$ 53,468	\$ 53,468
Total primary government	\$ 778,353	\$ 361,106	\$ 193,071	\$ 6,831	\$ (270,813)	\$ 53,468	\$ (217,345)
General Revenues:							
Property taxes for general purposes					\$ 149,684	\$ -	\$ 149,684
Licenses and permits					6,594	-	6,594
Miscellaneous					18,025	-	18,025
Interest/investment earnings					4,232	4,139	8,371
Local option taxes					19,882	-	19,882
State entitlement					76,753	-	76,753
State contributions to pensions					6,920	3,179	10,099
Total general revenues, special items and transfers					\$ 282,090	\$ 7,318	\$ 289,408
Change in net position					\$ 11,277	\$ 60,786	\$ 72,063
Net position - beginning					\$ 324,292	\$ 828,244	\$ 1,152,536
Net position - end					\$ 335,569	\$ 889,030	\$ 1,224,599

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Balance Sheet
Governmental Funds
June 30, 2024

	<u>General</u>	<u>Comprehensive Insurance</u>	<u>Other Maintenance Assessment</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 49,778	\$ 2,594	\$ -	\$ 261,731	\$ 52,340	\$ 366,443
Taxes and assessments receivable, net	5,089	1,308	3,075	-	881	10,353
Due from other funds	-	-	-	61,961	-	61,961
TOTAL ASSETS	\$ 54,867	\$ 3,902	\$ 3,075	\$ 323,692	\$ 53,221	\$ 438,757
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 49,217	\$ -	\$ -	\$ -	\$ -	\$ 49,217
Due to other funds	41,723	-	18,929	-	-	60,652
Due to other governments	461	-	-	-	-	461
Total liabilities	\$ 91,401	\$ -	\$ 18,929	\$ -	\$ -	\$ 110,330
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes and assessments	\$ 5,089	\$ 1,308	\$ 3,075	\$ -	\$ 881	\$ 10,353
Total deferred inflows of resources	\$ 5,089	\$ 1,308	\$ 3,075	\$ -	\$ 881	\$ 10,353
FUND BALANCES						
Restricted	\$ -	\$ 2,594	\$ -	\$ 323,692	\$ 39,967	\$ 366,253
Committed	-	-	-	-	12,373	12,373
Unassigned fund balance	(41,623)	-	(18,929)	-	-	(60,552)
Total fund balance	\$ (41,623)	\$ 2,594	\$ (18,929)	\$ 323,692	\$ 52,340	\$ 318,074
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 54,867	\$ 3,902	\$ 3,075	\$ 323,692	\$ 53,221	\$ 438,757
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, 2024

Total fund balances - governmental funds	\$ 318,074
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	168,648
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	10,353
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(7,509)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(160,749)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	16,784
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(10,032)
Total net position - governmental activities	\$ <u>335,569</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, 2024

	<u>General</u>	<u>Comprehensive Insurance</u>	<u>Other Maintenance Assessment</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 84,628	\$ 18,065	\$ 57,061	\$ -	\$ 15,818	\$ 175,572
Licenses and permits	1,369	-	-	-	-	1,369
Intergovernmental	55,669	30,000	-	193,071	807	279,547
Charges for services	322	-	-	-	-	322
Miscellaneous	16,045	-	-	-	-	16,045
Investment earnings	2,227	-	116	1,244	645	4,232
Total revenues	<u>\$ 160,260</u>	<u>\$ 48,065</u>	<u>\$ 57,177</u>	<u>\$ 194,315</u>	<u>\$ 17,270</u>	<u>\$ 477,087</u>
EXPENDITURES						
General government	\$ 113,100	\$ -	\$ -	\$ -	\$ 334	\$ 113,434
Public safety	7,790	-	-	-	-	7,790
Public works	44,184	-	80,075	39,999	12,470	176,728
Public health	94	-	-	-	-	94
Culture and recreation	56,146	-	-	-	-	56,146
Miscellaneous	4,337	26,806	-	-	-	31,143
Capital outlay	-	-	-	12,680	-	12,680
Total expenditures	<u>\$ 225,651</u>	<u>\$ 26,806</u>	<u>\$ 80,075</u>	<u>\$ 52,679</u>	<u>\$ 12,804</u>	<u>\$ 398,015</u>
Net Change in Fund Balance	<u>\$ (65,391)</u>	<u>\$ 21,259</u>	<u>\$ (22,898)</u>	<u>\$ 141,636</u>	<u>\$ 4,466</u>	<u>\$ 79,072</u>
Fund balances - beginning	\$ 23,768	\$ -	\$ 3,969	\$ 182,056	\$ 29,209	\$ 239,002
Restatements	-	(18,665)	-	-	18,665	-
Fund balances - beginning, restated	<u>\$ 23,768</u>	<u>\$ (18,665)</u>	<u>\$ 3,969</u>	<u>\$ 182,056</u>	<u>\$ 47,874</u>	<u>\$ 239,002</u>
Fund balance - ending	<u>\$ (41,623)</u>	<u>\$ 2,594</u>	<u>\$ (18,929)</u>	<u>\$ 323,692</u>	<u>\$ 52,340</u>	<u>\$ 318,074</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, 2024

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

Net change in fund balances - total governmental funds	\$ 79,072
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	12,680
- Depreciation expense	(47,003)
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)	(6,005)
The change in compensated absences is shown as an expense in the Statement of Activities	(618)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(2,455)
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	(38,562)
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	4,079
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	10,089
Change in net position - Statement of Activities	\$ <u><u>11,277</u></u>

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 231,967	\$ -	\$ -	\$ 231,967
Accounts receivable - net	25,863	15,451	9,029	50,343
Total current assets	<u>\$ 257,830</u>	<u>\$ 15,451</u>	<u>\$ 9,029</u>	<u>\$ 282,310</u>
Noncurrent assets:				
Restricted cash and investments	\$ -	\$ 13,247	\$ -	\$ 13,247
Capital assets - land	4,900	32,280	-	37,180
Capital assets - construction in progress	20,559	-	-	20,559
Capital assets - depreciable, net	40,549	1,293,148	91,469	1,425,166
Total noncurrent assets	<u>\$ 66,008</u>	<u>\$ 1,338,675</u>	<u>\$ 91,469</u>	<u>\$ 1,496,152</u>
Total assets	<u>\$ 323,838</u>	<u>\$ 1,354,126</u>	<u>\$ 100,498</u>	<u>\$ 1,778,462</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 8,146	\$ 3,688	\$ 1,246	\$ 13,080
Total deferred outflows of resources	<u>\$ 8,146</u>	<u>\$ 3,688</u>	<u>\$ 1,246</u>	<u>\$ 13,080</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 331,984</u>	<u>\$ 1,357,814</u>	<u>\$ 101,744</u>	<u>\$ 1,791,542</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,287	\$ 9,558	\$ -	\$ 14,845
Due to other funds	-	-	1,309	1,309
Current portion of long-term capital liabilities	-	34,000	21,147	55,147
Current portion of compensated absences payable	2,930	1,195	358	4,483
Total current liabilities	<u>\$ 8,217</u>	<u>\$ 44,753</u>	<u>\$ 22,814</u>	<u>\$ 75,784</u>
Noncurrent liabilities:				
Deposits payable	\$ 4,110	\$ -	\$ -	\$ 4,110
Other post-employment benefit liability	2,743	2,743	2,743	8,229
Noncurrent portion of long-term capital liabilities	-	613,000	69,377	682,377
Noncurrent portion of compensated absences	686	280	84	1,050
Net pension liability	76,699	34,722	11,724	123,145
Total noncurrent liabilities	<u>\$ 84,238</u>	<u>\$ 650,745</u>	<u>\$ 83,928</u>	<u>\$ 818,911</u>
Total liabilities	<u>\$ 92,455</u>	<u>\$ 695,498</u>	<u>\$ 106,742</u>	<u>\$ 894,695</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 4,869	\$ 2,204	\$ 744	\$ 7,817
Total deferred inflows of resources	<u>\$ 4,869</u>	<u>\$ 2,204</u>	<u>\$ 744</u>	<u>\$ 7,817</u>
NET POSITION				
Net investment in capital assets	\$ 66,008	\$ 678,428	\$ 945	\$ 745,381
Restricted for debt service	-	13,247	-	13,247
Unrestricted	168,652	(31,563)	(6,687)	130,402
Total net position	<u>\$ 234,660</u>	<u>\$ 660,112</u>	<u>\$ (5,742)</u>	<u>\$ 889,030</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 331,984</u>	<u>\$ 1,357,814</u>	<u>\$ 101,744</u>	<u>\$ 1,791,542</u>

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, 2024

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 172,909	\$ 127,171	\$ 61,026	\$ 361,106
Total operating revenues	\$ 172,909	\$ 127,171	\$ 61,026	\$ 361,106
OPERATING EXPENSES				
Personal services	\$ 94,617	\$ 46,777	\$ -	\$ 141,394
Supplies	22,668	4,487	2,076	29,231
Purchased services	27,182	31,446	4,000	62,628
Depreciation	7,208	36,040	16,377	59,625
Total operating expenses	\$ 151,675	\$ 118,750	\$ 22,453	\$ 292,878
Operating income (loss)	\$ 21,234	\$ 8,421	\$ 38,573	\$ 68,228
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 8,811	\$ 896	\$ 303	\$ 10,010
Interest revenue	3,393	746	-	4,139
Debt service interest expense	-	(16,843)	(4,748)	(21,591)
Total non-operating revenues (expenses)	\$ 12,204	\$ (15,201)	\$ (4,445)	\$ (7,442)
Change in net position	\$ 33,438	\$ (6,780)	\$ 34,128	\$ 60,786
Net Position - Beginning of the year	\$ 201,222	\$ 666,892	\$ (39,870)	\$ 828,244
Net Position - End of the year	\$ 234,660	\$ 660,112	\$ (5,742)	\$ 889,030

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2024

	Business - Type Activities			
	Water	Sewer	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from providing services	\$ 172,224	\$ 129,262	\$ 57,721	\$ 359,207
Cash payments to suppliers	(22,668)	(4,487)	(2,076)	(29,231)
Cash payments for professional services	(39,019)	(31,020)	(13,168)	(83,207)
Cash payments to employees	(92,285)	(47,200)	(11,686)	(151,171)
Net cash provided (used) by operating activities	\$ 18,252	\$ 46,555	\$ 30,791	\$ 95,598
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (18,496)	\$ -	\$ -	\$ (18,496)
Cash received from capital grants	6,831	-	-	6,831
Principal paid on debt	-	(34,000)	(20,228)	(54,228)
Interest paid on debt	-	(16,843)	(4,748)	(21,591)
Net cash provided (used) by capital and related financing activities	\$ (11,665)	\$ (50,843)	\$ (24,976)	\$ (87,484)
Cash flows from non-capital financing activities:				
Cash payments due to other funds	\$ -	\$ -	\$ (5,815)	\$ (5,815)
Cash payments due from other funds	12,604	-	-	12,604
Net cash provided (used) from non-capital financing activities	\$ 12,604	\$ -	\$ (5,815)	\$ 6,789
Cash flows from investing activities:				
Interest on investments	\$ 3,393	\$ 746	\$ -	\$ 4,139
Net cash provided (used) by investing activities	\$ 3,393	\$ 746	\$ -	\$ 4,139
Net increase (decrease) in cash and cash equivalents	\$ 22,584	\$ (3,542)	\$ -	\$ 19,042
Cash and cash equivalents at beginning	209,383	16,789	-	226,172
Cash and cash equivalents at end	\$ 231,967	\$ 13,247	\$ -	\$ 245,214
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 21,234	\$ 8,421	\$ 38,573	\$ 68,228
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	7,208	36,040	16,377	59,625
Other post-employment benefits	2,457	2,457	2,457	7,371
Net Pension Liability	337	(2,372)	(13,240)	(15,275)
Changes in assets and liabilities:				
Accounts Receivable	(466)	2,091	(3,305)	(1,680)
Deposits Payable	4,110	-	-	4,110
Revenues Collected in Advance	(4,329)	-	-	(4,329)
Accounts Payable	(11,837)	426	(9,168)	(20,579)
Compensated Absences	(462)	(508)	(903)	(1,873)
Net cash provided (used) by operating activities	\$ 18,252	\$ 46,555	\$ 30,791	\$ 95,598
Noncash investing and financing activities:				
On behalf public employees retirement system payments	\$ 1,980	\$ 896	\$ 303	\$ 3,179

See accompanying notes to the financial statements

Town of Broadus, Powder River County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2024

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	<u>276</u>
TOTAL ASSETS	\$	<u><u>276</u></u>
 NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$	<u>276</u>
TOTAL NET POSTION	\$	<u><u>276</u></u>

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024

		Custodial Funds
DEDUCTIONS		
Other deductions	\$	<u>1,647</u>
Total deductions	\$	<u>1,647</u>
Change in net position	\$	<u>(1,647)</u>
 Net Position - Beginning of the year	 \$	 <u>1,923</u>
 Net Position - End of the year	 \$	 <u><u>276</u></u>

See accompanying Notes to the Financial Statements

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The Town has implemented this pronouncement in the current fiscal year.

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 unit's 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 and Council 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.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 does not charge 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.

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.

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 position are available.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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 inception of leases and subscription-based IT arrangements are reported as other financing sources.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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:

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.

Comp Insurance Fund – A special revenue fund used to account for the resources from taxes for contribution to insurance of the Town.

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

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

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.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2024, 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	499,455
Time deposits	112,378
Total	<u>\$ 611,933</u>

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, and 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 funds consider all funds (including restricted assets) held in the Town's cash management pool to be cash equivalents.

Fair Value Measurements

Investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date.

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.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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, 2024, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2024
<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 362,378
- Collateral held by the pledging bank's trust department but not in the Town's name	252,126
Total deposits and investments	\$ <u>614,504</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 Town deposits at June 30, 2024, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the Town as of June 30, 2024. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Sewer	Future debt payment	\$ <u>13,247</u>

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 4. 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 Town. 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.

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 5. CAPITAL ASSETS

The Town's assets are capitalized at historical cost or estimated historical cost. Town 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

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	Balance <u>June 30, 2024</u>
Capital assets not being depreciated:			
Land	\$ 2,540	\$ -	\$ 2,540
Total capital assets not being depreciated	\$ 2,540	\$ -	\$ 2,540
Other capital assets:			
Buildings	\$ 106,812	\$ -	\$ 106,812
Machinery and equipment	474,495	12,680	487,175
Infrastructure	257,024	-	257,024
Total other capital assets at historical cost	\$ 838,331	\$ 12,680	\$ 851,011
Less: accumulated depreciation	(637,900)	(47,003)	(684,903)
Total	\$ 202,971	\$ (34,323)	\$ 168,648

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 1,409
Public works	39,333
Culture and recreation	6,261
Total governmental activities depreciation expense	\$ 47,003

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	Balance <u>June 30, 2024</u>
Capital assets not being depreciated:			
Land	\$ 37,180	\$ -	\$ 37,180
Construction in progress	8,336	12,223	20,559
Total capital assets not being depreciated	\$ 45,516	\$ 12,223	\$ 57,739
Other capital assets:			
Buildings	\$ 10,370	\$ -	\$ 10,370
Machinery and equipment	362,866	6,276	369,142
Source supply	253,553	-	253,553
Pumping plant	15,395	-	15,395
Treatment plant	1,529,855	-	1,529,855
Transmission and distribution	329,731	-	329,731
Total other capital assets at historical cost	\$ 2,501,770	\$ 6,276	\$ 2,508,046
Less: accumulated depreciation	(1,023,255)	(59,625)	(1,082,880)
Total	\$ 1,524,031	\$ (41,126)	\$ 1,482,905

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. 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, 2024, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2023	Additions	Balance June 30, 2024	Due Within One Year
Compensated absences	\$ 6,891	\$ 618	\$ 7,509	\$ 6,085
Total	<u>\$ 6,891</u>	<u>\$ 618</u>	<u>\$ 7,509</u>	<u>\$ 6,085</u>

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

Business-type Activities:

	Balance July 1, 2023	Deletions	Balance June 30, 2024	Due Within One Year
Revenue bonds	\$ 681,000	\$ (34,000)	\$ 647,000	\$ 34,000
Loans/Contracted debt	110,752	(20,228)	90,524	21,147
Compensated absences	7,406	(1,873)	5,533	4,483
Total	<u>\$ 799,158</u>	<u>\$ (56,101)</u>	<u>\$ 743,057</u>	<u>\$ 59,630</u>

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, net of an unamortized premium 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, 2024</u>
SRF Series							
2020 B Bonds	3/18/20	2.50%	20 yrs	1/1/40	\$ <u>945,000</u>	Varies	\$ <u>647,000</u>
Reported in business-type activities.							

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 \$51,562 in Fiscal Year 2024. The Town reported \$13,247 of restricted cash for Fiscal Years 2024 The Town is not in compliance with this requirement for June 30, 2024.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>		<u>Principal</u>	<u>Interest</u>
2025	\$	34,000	\$ 16,387
2026		36,000	14,537
2027		36,000	14,649
2028		37,000	12,749
2029		38,000	12,362
2030		39,000	11,412
2031		40,000	10,425
2032		42,000	9,412
2033		42,000	8,362
2034		44,000	7,300
2035		44,000	6,200
2036		46,000	5,087
2037		46,000	3,937
2038		48,000	2,775
2039		50,000	1,562
2040		25,000	312
Total	\$	<u>647,000</u>	<u>\$ 137,468</u>

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2024, were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2024</u>
Garbage Truck Loan	6/15/21	4.49%	7 yrs	3/1/28	\$ <u>150,482</u>	\$ <u>90,524</u>

Reported in business-type activities.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Annual requirement to amortize debt:

For Fiscal Year Ended		Principal		Interest
2025	\$	21,147	\$	3,829
2026		22,107		2,869
2027		23,110		1,866
2028		24,160		816
Total	\$	90,524	\$	9,380

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the Town's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Town service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 7. 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.

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Employees covered by benefit terms. At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	4
Total employees	<u>4</u>

Total OPEB Liability

The Town's total OPEB liability of \$10,970 at June 30, 2024, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2024.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2024, 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)	65
Discount rate (average anticipated rate)	3.80%
Average salary increase (Consumer Price Index)	3.00%
Participation rate	10.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2024	5.2%
2025	4.9%
2026	5.0%
2027	5.9%
2028	5.5%
2029	5.8%
2030	5.4%
2031	5.4%
2032	5.4%
2033	5.4%
2034 and after	5.4%

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

Life expectancy of employees was based on the Montana Life Tables, 2021 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 73, No. 3, August 21, 2024.

TOWN OF BROADUS
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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.

Changes in the Total OPEB Liability

Balance at 6/30/2023	\$ 1,144
Changes for the year:	
Service Cost	\$ 400
Change in assumptions	9,426
Net Changes	\$ 9,826
Balance at 6/30/2024	\$ 10,970

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 (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability \$	12,417	\$ 10,970	\$ 9,752

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 \$	9,399	\$ 10,970	\$ 12,874

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

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

For the year ended June 30, 2024, the Town recognized an OPEB expense of \$9,826. 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.

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NOTE 8. NET PENSION LIABILITY

As of June 30, 2024, the Town reported the following balances as its proportionate share of PERS pension amounts:

Town's Proportionate Share Associated With:		PERS
		<hr/>
Net Pension Liability	\$	281,153
Deferred outflows of resources*	\$	29,864
Deferred inflows of resources	\$	17,849
Pension expense	\$	30,772

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$17,953. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2024.

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 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 a 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.

TOWN OF BROADUS
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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 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.

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.

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2024	7.900%	7.900%	9.070%	0.100%
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

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1. Member contributions to the system of 7.9% are 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.
2. 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.
3. 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 \$34,979,900.

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 Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024 (reporting period), is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

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, 2024, and 2023 (reporting periods), 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 \$281,153 and the Town's proportionate share was 0.011521 percent.

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	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 281,153	\$ 291,747	0.011521%	0.012269%	-0.000748%
State of Montana Proportionate Share associated with Employer	77,370	86,793	0.003170%	0.003650%	-0.000480%
Total	<u>\$ 358,523</u>	<u>\$ 378,540</u>	<u>0.014691%</u>	<u>0.015919%</u>	<u>-0.001228%</u>

Changes in actuarial assumptions and methods:

There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

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

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, 2024, the Town recognized a Pension Expense of \$23,514 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$7,258 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town.

	Pension Expense as of 6/30/24	Pension Expense as of 6/30/24
Employer Proportionate Share	\$ 23,514	\$ 34,837
State of Montana Proportionate Share associated with the Employer	7,258	8,996
Total	<u>\$ 30,772</u>	<u>\$ 43,833</u>

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Recognition of Beginning Deferred Outflow

At June 30, 2024, the Town recognized a beginning deferred outflow of resources for the Town's fiscal year 2023 contributions of \$19,751.

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 11,198	\$ -
Actual vs. Expected Investment Earnings	713	-
Changes in Assumptions	-	10,027
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	7,822
Employer contributions subsequent to the measurement date - FY24*	17,953	-
Total	<u>\$ 29,864</u>	<u>\$ 17,849</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, 2024.

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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
2024	\$ (9,580)
2025	\$ (11,277)
2026	\$ 16,625
2027	\$ (1,706)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2024 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%

Postretirement Benefit Increases - 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

- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.

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- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

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Discount Rate

The discount rate used to measure the TPL was 7.30%. 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. 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 2127. 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 (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 406,124	\$ 281,153	\$ 176,313

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short Term Loan to cover deficit cash balance	Gas Tax – Major Governmental	General _ Major Governmental	\$ 41,723
Short Term Loan to cover deficit cash balance	Gas Tax – Major Governmental	Other Maintenance Assessment – Major Governmental	18,929
Short Term Loan to cover deficit cash balance	Gas Tax – Major Governmental	Solid Waste - Major Proprietary	1,309
			<u>\$ 61,961</u>

TOWN OF BROADUS
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NOTE 10. 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.

Assigned – includes constraint for specific purpose which are internally imposed by the body or official authorized to assign amounts for a specific purpose.

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

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Comprehensive Insurance	\$ 2,594	General Government administration and services
Gas Tax	323,692	Road Repair, maintenance, and supplies
All Other Aggregate	1,676	General Government administration and services
	2,278	Law Enforcement, emergency services, and supplies
	<u>36,013</u>	Road Repair, maintenance, and supplies
	<u>\$ 366,253</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 12,373</u>	Constructions and/or capital asset purchases

TOWN OF BROADUS
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NOTE 11. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
General	\$ (41,623)	Deficit cash balance resulting in a short-term loan.	Future tax revenues
Other Maintenance Assessment	(18,929)	Deficit cash balance resulting in a short-term loan.	Future tax revenues
Solid Waste	<u>(5,742)</u>	Deficit cash balance resulting in a short-term loan.	Future revenues

NOTE 12. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Comprehensive Insurance	\$ (18,665)	Restatement for change in major funds from prior year per GASB 100.
Other Governmental Funds	18,665	Restatement for change in major funds from prior year per GASB 100.

NOTE 13. 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 14. RISK MANAGEMENT

Insurance Pools:

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

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, 2024

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 78,477	\$ 78,477	\$ 84,628	\$ 6,151
Licenses and permits	1,400	1,400	1,369	(31)
Intergovernmental	93,800	93,800	55,669	(38,131)
Charges for services	300	300	322	22
Miscellaneous	-	-	16,045	16,045
Investment earnings	300	300	2,227	1,927
Amounts available for appropriation	<u>\$ 174,277</u>	<u>\$ 174,277</u>	<u>\$ 160,260</u>	<u>\$ (14,017)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 127,215	\$ 127,215	\$ 113,100	\$ 14,115
Public safety	6,000	6,000	7,790	(1,790)
Public works	71,159	71,159	44,184	26,975
Public health	200	200	94	106
Culture and recreation	73,678	73,678	56,146	17,532
Miscellaneous	4,500	4,500	4,337	163
Total charges to appropriations	<u>\$ 282,752</u>	<u>\$ 282,752</u>	<u>\$ 225,651</u>	<u>\$ 57,101</u>
Net change in fund balance			<u>\$ (65,391)</u>	
Fund balance - beginning of the year			<u>\$ 23,768</u>	
Fund balance - end of the year			<u>\$ (41,623)</u>	

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	Comprehensive Insurance			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 18,285	\$ 18,285	\$ 18,065	\$ (220)
Intergovernmental	11,935	11,935	30,000	18,065
Investment earnings	15	15	-	(15)
Amounts available for appropriation	<u>\$ 30,235</u>	<u>\$ 30,235</u>	<u>\$ 48,065</u>	<u>\$ 17,830</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Miscellaneous	\$ 25,150	\$ 25,150	\$ 26,806	\$ (1,656)
Total charges to appropriations	<u>\$ 25,150</u>	<u>\$ 25,150</u>	<u>\$ 26,806</u>	<u>\$ (1,656)</u>
Net change in fund balance			<u>\$ 21,259</u>	
Fund balance - beginning of the year			\$ -	
Restatements			(18,665)	
Fund balance - end of the year			<u>\$ 2,594</u>	

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

Other Maintenance Assessment					
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A		VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>			
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 55,275	\$ 55,275	\$ 57,061	\$ 1,786	
Investment earnings	<u>50</u>	<u>50</u>	<u>116</u>	<u>66</u>	
Amounts available for appropriation	\$ <u>55,325</u>	\$ <u>55,325</u>	\$ <u>57,177</u>	\$ <u>1,852</u>	
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Public works	\$ <u>49,219</u>	\$ <u>121,632</u>	\$ <u>80,075</u>	\$ <u>41,557</u>	
Total charges to appropriations	\$ <u>49,219</u>	\$ <u>121,632</u>	\$ <u>80,075</u>	\$ <u>41,557</u>	
Net change in fund balance			\$ <u>(22,898)</u>		
Fund balance - beginning of the year			\$ <u>3,969</u>		
Fund balance - end of the year			\$ <u>(18,929)</u>		

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	Gas Tax			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS) See Note A</u>	<u>WITH FINAL BUDGET</u>
RESOURCES (INFLOWS):				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 193,071	\$ 178,071
Investment earnings	30	30	1,244	1,214
Amounts available for appropriation	<u>\$ 15,030</u>	<u>\$ 15,030</u>	<u>\$ 194,315</u>	<u>\$ 179,285</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ -	\$ -	\$ 39,999	\$ (39,999)
Capital outlay	<u>21,500</u>	<u>21,500</u>	<u>12,680</u>	<u>8,820</u>
Total charges to appropriations	<u>\$ 21,500</u>	<u>\$ 21,500</u>	<u>\$ 52,679</u>	<u>\$ (31,179)</u>
Net change in fund balance			<u>\$ 141,636</u>	
Fund balance - beginning of the year			<u>\$ 182,056</u>	
Fund balance - end of the year			<u>\$ 323,692</u>	

Town of Broadus, Powder River County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total OPEB liability			
Service Cost	\$ 400	\$ 87	\$ 87
Change in assumptions and inputs	<u>9,426</u>	<u>-</u>	<u>(312)</u>
Net change in total OPEB liability	9,826	87	(225)
Total OPEB Liability - beginning	<u>1,144</u>	<u>1,055</u>	<u>1,280</u>
Total OPEB Liability - ending	\$ <u><u>10,970</u></u>	\$ <u><u>1,142</u></u>	\$ <u><u>1,055</u></u>
Covered-employee payroll	\$ 211,263	\$ 208,487	\$ 208,487
 Total OPEB liability as a percentage of covered -employee payroll	 5%	 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 Year Ended June 30, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.011521%	0.012269%	0.011746%	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	\$ 281,153	\$ 291,747	\$ 212,989	\$ 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	\$ 77,370	\$ 86,793	\$ 62,496	\$ 98,246	\$ 78,823	\$ 67,640	\$ 3,231	\$ 3,001	\$ 2,385	\$ 2,091
Total	\$ 358,523	\$ 378,540	\$ 275,485	\$ 411,408	\$ 321,969	\$ 270,521	\$ 273,765	\$ 248,609	\$ 196,544	\$ 173,297
Employer's covered payroll	\$ 214,197	\$ 215,617	\$ 207,486	\$ 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	131.26%	135.31%	102.65%	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	73.93%	73.66%	79.91%	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, 2024

	PERS 2024	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 17,953	\$ 19,373	\$ 19,176	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contributions in relation to the contractually required contributions	\$ 17,953	\$ 19,373	\$ 19,176	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 204,011	\$ 214,197	\$ 215,617	\$ 207,486	\$ 199,161	\$ 191,928	\$ 159,860	\$ 172,312	\$ 172,716	\$ 162,094
Contributions as a percentage of covered payroll	8.80%	9.04%	8.89%	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 Year ended June 30, 2024

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 Year ended June 30, 2024

- 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.

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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

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 Year ended June 30, 2024

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investment and administrative expenses
*Includes inflation at	2.75%
Merit salary increase	0% to 4.80%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Active Participants	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
• Disabled Retirees	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
• Contingent Survivors	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females.
• Health Retirees	Projected generationally using MP-2021.

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 Year ended June 30, 2024

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

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

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

**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 year ended June 30, 2024, 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 June 11, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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) 2024-001 and 2024-002

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) 2024-003 and 2024-004.

2024-001 Internal Controls Over Disbursements (Repeat Finding 2020/2021-002, 2022-001, and 2023-001)

Condition:

There is a lack of controls over disbursements because the Town could not provide supporting documentation for a portion of expenditures.

Context:

During our review of the Town's internal controls and testing disbursements we tested 53 transactions and noted that the Town could not provide supporting documentation for all expenditures.

Criteria:

A good internal controls system should ensure supporting documentation is maintained for all disbursements.

Effect:

Of the 53 transactions tested, the Town could not provide supporting documentation for 6 of those disbursements requested, for a total of 11% of the tested disbursement population being unable to be tested, reflecting a lack of controls over disbursements.

Cause:

The Town has a lack of controls over disbursements.

Recommendation:

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

2024-002 General Fund Deficit Fund Balance

Condition:

The Town does not have adequate internal control procedures in place to monitor the financial activity of the General Fund to ensure that sufficient resources are available to meet the operational needs of the Town.

Context:

During the audit, it was noted that the General Fund experienced a significant decline in fund balance, resulting in a deficit. This shortfall was caused by expenditures exceeding available resources, indicating overspending within the fund.

Criteria:

The Town should have effective financial monitoring procedures in place to regularly assess whether General Fund revenues and reserves are sufficient to meet expenditure needs. Additionally, management should implement processes to identify shortfalls early and develop timely plans to reduce expenditures or reallocate resources as necessary to maintain a positive fund and cash balance.

Effect:

As of fiscal year-end, the General Fund reported a deficit fund balance of \$41,623, a decrease of \$65,391 from the prior year. The fund's cash balance also declined by \$62,975 since the end of fiscal year 2023, further indicating insufficient oversight and corrective action during the year.

Cause:

The Town's current financial monitoring procedures are not sufficient to detect when the General Fund is at risk of overspending. As a result, necessary adjustments were not made in a timely manner to prevent the fund from incurring a deficit.

Recommendation:

We recommend that the Town develop and implement a formal financial monitoring plan for the General Fund. This plan should include regular review of budget-to-actual reports, cash flow analysis, and forecasting tools. The Town should also establish procedures to evaluate and respond to any emerging revenue shortfalls or expenditure overruns. These steps will help prevent future deficits and ensure that the General Fund maintains sufficient cash and fund balance levels to meet operational needs.

2024-003 Management's Discussion and Analysis (MD&A) (Repeat Finding 2020/2021-010, 2022-003, and 2023-007)

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 letter.

Recommendation:

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

2024-004 Segregation of Duties (Repeat Finding 15-1, 2020/2021-007, 2022-002, and 2023-006)**Condition:**

The Town does not adequately segregate duties of collecting, receipting, recording deposits and reconciling among personnel in the Clerk's office. Additionally, accounting and utility billing adjustments are not reviewed by supervisory personnel.

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 and review of adjustment entries posted to the accounting systems.

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 extent possible and increase monitoring by the Mayor in the Clerk's office.

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) 2024-005, 2024-006, and 2024-007.

2024-005 Tax Levy Requirement Schedule**Condition:**

The Town did not properly calculate their fiscal year 2024 tax levy requirement schedule in accordance with Montana Code Annotated Section 7-6-4034.

Context:

During recalculation of the fiscal year 2024 tax levy requirements schedule, it was determined that the General Fund's appropriation, cash available, non-tax revenues, and cash reserves were improperly inputted/calculated.

Criteria:

MCA 7-6-4034 states "(1) After determining the final budget, the governing body shall determine the property tax levy needed for each fund by:

- (a) adding the total amount of the appropriations and authorized expenditures for the budget year;
- (b) adding an additional amount, subject to the provisions of subsection (2), as a reserve to meet expenditures made from the fund during the months of July to November of the next fiscal year;
- (c) subtracting the working capital; and
- (d) subtracting the total estimated revenue, other than the property tax levy, for the budget year.

(2) After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provided in subsection (1)(b), to:

- (a) a county's fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year; and
- (b) a city's or town's fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year."

Effect:

During recalculation of the fiscal year 2024 tax levy requirements schedule, it was determined that the General Fund, that levied non-voted mills, had a deficit cash reserve.

Cause:

The Town doesn't have procedures in place to properly evaluate the tax levy requirement to confirm proper calculation, and that budgeted cash reserves are in compliance.

Recommendation:

We recommend that the Town implement procedures to evaluate the tax levy requirement schedule and cash reserves and to make adjustments to the allocation of mills or budget when necessary.

2024-006 Exceeded Budget (Repeat Finding 2022-008 and 2023-009)**Condition:**

The Town is not complying with Montana Code Annotated Section 7-6-4005, and exceeded their budget by \$30,856.

Context:

As part of compliance and internal control testing, we compare the original budget to the final budget. While testing budget compliance we noticed that the town exceeded their budget in one fund.

Criteria:

Montana Code Annotated Section 7-6-4005: “(1) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund. (2) A local government official who violates subsection (1) is liable for the amount of the excess disbursement, expenditure, or obligation personally. (3) The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability.”

Effect:

The Town exceeded their budget for the Other Maintenance Assessment fund by \$30,856.

Cause:

The Town was unaware they exceeded their budget because their accounting records showed that there was a budget increase of \$72,413. But they could not provide a budget amendment that showed that their budget was properly approved to be increased.

Recommendation:

We recommend the Town implement procedures to prevent and detect when expenditures are exceeding their budget.

2024-007 Revenue Bond Requirements (Repeat Finding 2020/2021-011, 2022-005, and 2023-008)

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 year 2024.

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>Restricted Cash Requirement</u>	<u>Actual Restricted Cash</u>	<u>Shortage</u>
\$51,562	\$13,247	(\$38,315)

Cause:

The Town did not have enough cash to meet the reserve requirement.

Recommendation:

We recommend the Town maintain a cash reserve great enough to meet the requirements of the revenue bond.

Town of Broadus's Response to Findings

Town of Broadus's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. 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.

June 11, 2025

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Town Council
Town of Broadus
Powder River County
Broadus, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2023-001 Supporting Documentation for Disbursements	Repeated
2023-002 Long Term Debt Reporting	Implemented
2023-003 Cash Reconciliation	Implemented
2023-004 Payroll Internal Controls	Implemented
2023-005 Pledged Securities	Repeated
2023-006 Segregation of Duties	Repeated
2023-007 Required Supplementary Information	Repeated
2023-008 Revenue Bond Requirements	Repeated
2023-009 Exceeded Budget Authority	Repeated
2023-010 Timely Filing of Reports	Implemented

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

June 11, 2025



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Expected Completion Date of Corrective Action Plan:
Expected completion dates individually listed below.

CORRECTIVE ACTION PLAN

FINDING 2024-001: Internal Controls Over Disbursements (Repeat Finding 2020/2021-002, 2022-001, and 2023-001)

Response: Clerk will continue to work with the auditor and Powder River County clerk and recorder to ensure proper understanding, posting, and filing of all disbursements.

FINDING 2024-002: General Fund Deficit Fund Balance

Response: Clerk will work with Auditor to ensure that the Town continues to operate with what means we have; ensure and monthly review that we are not overspending.

FINDING 2024-003: Management's Discussion and Analysis (MD&A) (Repeat Finding 2020/2021-010, 2022-003, and 2023-007)

Response: Clerk will work with Auditor and the Powder River County Clerk to fully understand the upcoming changes in the MD&A standards as well work to have a better understanding of the entire document to ensure the Town can complete it.

FINDING 2024-004: Segregation of Duties (Repeat Finding 15-1, 2020/2021-007, 2022-002, and 2023-006)

Response: Please see response to 2023-006 above.

FINDING 2024-005: Tax Levy Requirement Schedule

Response: Clerk will work with auditor to review our tax levy schedule and ensure proper handling of funds to meet the necessary requirements.



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FINDING 2024-006: Exceeded Budget (Repeat Finding 2022-008 and 2023-009)

Response: The town is working to review and discuss possible rate increases for necessary funds as well as eliminating unnecessary expenses in any funds that were overspent. Clerk is working to bring up cash reserves in the accounts that require it as well as implement a monthly review of accounting and utility billing adjustments with mayor and/or public works department head.

FINDING 2024-007: Revenue Bond Requirements (Repeat Finding 2020/2021-011, 2022-005, and 2023-008)

Response: Denning, Downey, and Associates CPAs helps to ensure the Town of Broadus is on track to meet requirements. 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. The clerk is implementing knowledge obtained in fiscal year 2023-24 to continue to improve and correct this finding in fiscal year 2024-25.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2023-001: Supporting Documentation for Disbursements

Response: The clerk continues to attend the annual clerk institute which is a great training with the State of Montana. The clerk continues to use resources at the Local Government Center to ask questions and be aware of all upcoming trainings. Including attending extra trainings through the year. The Powder River County Clerk and Recorder has been helpful in allowing me to shadow her processes for long-term debt reporting, cash reconciliation, budget processes, etc. to help obtain an understanding of how these processes work as well as how to efficiently maintain them. The clerk also shadowed Andrew Lehr in the City of Hardin in 2024 who has experience as an auditor and in the local government sector. Andrew has been a useful resource in learning new ways to better handle these processes.

FINDING 2023-002: Long Term Debt Reporting

Response: **Implemented**

FINDING 2023-003: Cash Reconciliation

Response: **Implemented**



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FINDING 2023-004: Payroll Internal Controls

Response: **Implemented**

FINDING 2023-005: Pledged Securities

*“We actually do have pledged securities in excess of 100% of the Town deposits above the FDIC insurance, so you are good either way. - **Amanda Zimmer**, Assistant Vice President for Yellowstone Bank – Broadus”*

Response: Clerk Morris worked with Amanda Zimmer, Assistant Vice President at Yellowstone bank to complete the necessary forms. This was completed and implemented in fiscal year 2023-24. Auditor should have necessary supporting documentation for this as it was uploaded via ShareFile when requested.

FINDING 2023-006: Segregation of Duties

Response: Segregation of duties can only be completed to a certain extent with the Town of Broadus having only five (5) employees. 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 2023-007: Required Supplementary Information

Response: The Town is continuing to obtain the knowledge and training necessary 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 2024-25. Training is still in progress with hopes of final completion in the coming fiscal year (2025-2026).

FINDING 2023-008: 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. The clerk is implementing knowledge obtained in fiscal year 2023-24 to continue to improve and correct this finding in fiscal year 2024-25. Further assistance may be needed to ensure proper implementation moving into fiscal year 2025-26.



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FINDING 2023-009: Exceeded Budget Authority

Response: The clerk is receiving guidance and training from the county clerk to understand the budget to ensure that expenditures are limited to the amount budgeted and that expenditures are being checked monthly to avoid exceeding. This has been implemented in fiscal year 2024-25 to the best of our knowledge. Separate accounts for grant funding have been created to ensure grant funds and general budget funds are kept separate. All department heads have received monthly updates that are reviewed by them and mayor.

FINDING 2023-010: Timely Filing of Reports

Response: **Implemented**