

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

**AUDIT REPORT
REISSUED**

Denning, Downey & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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TOWN OF BROADUS
Powder River COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

TOWN COUNCIL

Raevyn Slovek
Wanda Smith
Cody Morris
Lori Turnbough

Councilperson
Councilperson
Councilperson
Councilperson

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, 2022, 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, 2022, 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 Responsibility 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Broadus, Powder River County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Broadus, Powder River County, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, on our consideration of the Town of Broadus, Powder River County, Montana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Broadus, Powder River County, Montana’s internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Broadus, Powder River County, Montana’s internal control over financial reporting and compliance.

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

August 23, 2023

Town of Broadus, Powder River County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 277,828	\$ 298,333	\$ 576,161
Taxes and assessments receivable, net	8,102	-	8,102
Accounts receivable - net	-	17,025	17,025
Total current assets	<u>\$ 285,930</u>	<u>\$ 315,358</u>	<u>\$ 601,288</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 44,691	\$ 44,691
Capital assets - land	2,540	37,180	39,720
Capital assets - construction in progress	-	8,336	8,336
Capital assets - depreciable, net	199,192	1,538,342	1,737,534
Total noncurrent assets	<u>\$ 201,732</u>	<u>\$ 1,628,549</u>	<u>\$ 1,830,281</u>
Total assets	<u>\$ 487,662</u>	<u>\$ 1,943,907</u>	<u>\$ 2,431,569</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 17,205	\$ 35,555	\$ 52,760
Total deferred outflows of resources	<u>\$ 17,205</u>	<u>\$ 35,555</u>	<u>\$ 52,760</u>
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES			
	<u>\$ 504,867</u>	<u>\$ 1,979,462</u>	<u>\$ 2,484,329</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 8,479	\$ -	\$ 8,479
Accounts payable	3,000	5,795	8,795
Accrued payroll	-	1,353	1,353
Due to other governments	-	2,588	2,588
Revenues collected in advance	-	59,006	59,006
Current portion of long-term capital liabilities	-	283,318	283,318
Current portion of compensated absences payable	5,087	9,089	14,176
Total current liabilities	<u>\$ 16,566</u>	<u>\$ 361,149</u>	<u>\$ 377,715</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 7,981	\$ 7,981
Other postemployment benefits	263	792	1,055
Noncurrent portion of long-term capital liabilities	-	791,752	791,752
Noncurrent portion of compensated absences	1,134	2,023	3,157
Net pension liability	69,456	143,533	212,989
Total noncurrent liabilities	<u>\$ 70,853</u>	<u>\$ 946,081</u>	<u>\$ 1,016,934</u>
Total liabilities	<u>\$ 87,419</u>	<u>\$ 1,307,230</u>	<u>\$ 1,394,649</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	28,737	59,385	88,122
Total deferred inflows of resources	<u>\$ 28,737</u>	<u>\$ 59,385</u>	<u>\$ 88,122</u>
NET POSITION			
Net investment in capital assets	\$ 201,732	\$ 508,788	\$ 710,520
Restricted for special projects	161,801	-	161,801
Unrestricted	25,178	104,059	129,237
Total net position	<u>\$ 388,711</u>	<u>\$ 612,847</u>	<u>\$ 1,001,558</u>
TOTAL LIABILITIES, DEFERRED INFLOWS			
OF RESOURCES AND NET POSITION			
	<u>\$ 504,867</u>	<u>\$ 1,979,462</u>	<u>\$ 2,484,329</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, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:						
Governmental activities:						
General government	\$ 25,553	\$ 2,887	\$ -	\$ (22,666)	\$ -	\$ (22,666)
Public safety	23,469	-	724	(22,745)	-	(22,745)
Public works	181,144	72,861	89,852	(18,431)	-	(18,431)
Public health	115	-	-	(115)	-	(115)
Culture and recreation	17,899	-	-	(17,899)	-	(17,899)
Miscellaneous	25,295	-	-	(25,295)	-	(25,295)
Total governmental activities	\$ <u>273,475</u>	\$ <u>75,748</u>	\$ <u>90,576</u>	\$ <u>(107,151)</u>	\$ <u>-</u>	\$ <u>(107,151)</u>
Business-type activities:						
Water	\$ 258,142	\$ 163,465	\$ -	\$ -	\$ (94,677)	\$ (94,677)
☉ Sewer	134,544	122,779	-	-	(11,765)	(11,765)
Solid Waste	40,894	45,552	-	-	4,658	4,658
Total business-type activities	\$ <u>433,580</u>	\$ <u>331,796</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(101,784)</u>	\$ <u>(101,784)</u>
Total primary government	\$ <u>707,055</u>	\$ <u>407,544</u>	\$ <u>90,576</u>	\$ <u>(107,151)</u>	\$ <u>(101,784)</u>	\$ <u>(208,935)</u>
General Revenues:						
Property taxes for general purposes				\$ 68,166	\$ -	\$ 68,166
Licenses and permits				4,280	-	4,280
Interest/investment earnings				105	453	558
Local option taxes				17,763	-	17,763
State entitlement				83,824	-	83,824
State pension aid				6,286	12,991	19,277
Total general revenues, special items and transfers				\$ <u>180,424</u>	\$ <u>13,444</u>	\$ <u>193,868</u>
Change in net position				\$ <u>73,273</u>	\$ <u>(88,340)</u>	\$ <u>(15,067)</u>
Net position - beginning				\$ 301,784	\$ 158,280	\$ 460,064
Restatements				13,654	542,907	556,561
Net position - beginning - restated				\$ <u>315,438</u>	\$ <u>701,187</u>	\$ <u>1,016,625</u>
Net position - end				\$ <u>388,711</u>	\$ <u>612,847</u>	\$ <u>1,001,558</u>

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Other Maintenance Assessment	Gas Tax	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and investments	\$ 104,180	\$ 572	\$ 122,969	\$ 50,107	\$ 277,828
Taxes and assessments receivable, net	4,283	2,442	-	1,377	8,102
Due from other funds	13,185	-	-	-	13,185
TOTAL ASSETS	\$ 121,648	\$ 3,014	\$ 122,969	\$ 51,484	\$ 299,115
LIABILITIES					
Current liabilities:					
Warrants payable	\$ 8,479	\$ -	\$ -	\$ -	\$ 8,479
Accounts payable	-	-	3,000	-	3,000
Due to other funds	-	-	-	13,185	13,185
Total current liabilities	\$ 8,479	\$ -	\$ 3,000	\$ 13,185	\$ 24,664
Total liabilities	\$ 8,479	\$ -	\$ 3,000	\$ 13,185	\$ 24,664
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes and assessments	\$ 4,283	\$ 2,442	\$ -	\$ 1,377	\$ 8,102
Total deferred inflows of resources	\$ 4,283	\$ 2,442	\$ -	\$ 1,377	\$ 8,102
FUND BALANCES					
Restricted	\$ -	\$ 572	\$ 119,969	\$ 37,919	\$ 158,460
Committed	-	-	-	12,188	12,188
Unassigned fund balance	108,886	-	-	(13,185)	95,701
Total fund balance	\$ 108,886	\$ 572	\$ 119,969	\$ 36,922	\$ 266,349
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 121,648	\$ 3,014	\$ 122,969	\$ 51,484	\$ 299,115

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, 2022

Total fund balances - governmental funds	\$	266,349
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		201,732
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.		8,102
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(6,484)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(69,456)
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.		17,205
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.		(28,737)
Total net position - governmental activities	\$	<u>388,711</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, 2022

	<u>General</u>	<u>Other Maintenance Assessment</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 81,722	\$ 56,530	\$ -	\$ 27,682	\$ 165,934
Licenses and permits	955	-	-	-	955
Intergovernmental	77,242	-	89,852	10,631	177,725
Charges for services	2,887	-	-	-	2,887
Investment earnings	41	6	18	40	105
Total revenues	<u>\$ 162,847</u>	<u>\$ 56,536</u>	<u>\$ 89,870</u>	<u>\$ 38,353</u>	<u>\$ 347,606</u>
EXPENDITURES					
General government	\$ 48,480	\$ -	\$ -	\$ 3,545	\$ 52,025
Public safety	23,469	-	-	-	23,469
Public works	8,850	81,515	35,150	18,202	143,717
Public health	115	-	-	-	115
Culture and recreation	10,716	-	-	1,445	12,161
Debt service - principal	-	-	6,416	-	6,416
Miscellaneous	4,145	-	-	21,150	25,295
Capital outlay	6,350	-	-	-	6,350
Total expenditures	<u>\$ 102,125</u>	<u>\$ 81,515</u>	<u>\$ 41,566</u>	<u>\$ 44,342</u>	<u>\$ 269,548</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 60,722</u>	<u>\$ (24,979)</u>	<u>\$ 48,304</u>	<u>\$ (5,989)</u>	<u>\$ 78,058</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ -	\$ 2,400	\$ 2,400
Transfers out	(2,400)	-	-	-	(2,400)
Total other financing sources (uses)	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 58,322</u>	<u>\$ (24,979)</u>	<u>\$ 48,304</u>	<u>\$ (3,589)</u>	<u>\$ 78,058</u>
Fund balances - beginning	<u>\$ 50,564</u>	<u>\$ 25,551</u>	<u>\$ 71,665</u>	<u>\$ 40,511</u>	<u>\$ 188,291</u>
Fund balance - ending	<u>\$ 108,886</u>	<u>\$ 572</u>	<u>\$ 119,969</u>	<u>\$ 36,922</u>	<u>\$ 266,349</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, 2022

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

Net change in fund balances - total governmental funds	\$ 78,058
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	6,350
- Depreciation expense	(46,458)
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)	(7,144)
The change in compensated absences is shown as an expense in the Statement of Activities	27,729
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	6,416
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	57
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	1,979
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	6,286
Change in net position - Statement of Activities	\$ <u><u>73,273</u></u>

See accompanying Notes to the Financial Statements

Town of Broadus, Powder River County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 278,634	\$ -	\$ 19,699	\$ 298,333
Accounts receivable - net	9,147	5,945	1,933	17,025
Total current assets	\$ 287,781	\$ 5,945	\$ 21,632	\$ 315,358
Noncurrent assets:				
Restricted cash and investments	\$ -	\$ 44,691	\$ -	\$ 44,691
Capital assets - land	4,900	32,280	-	37,180
Capital assets - construction in progress	8,336	-	-	8,336
Capital assets - depreciable, net	48,480	1,365,582	124,280	1,538,342
Total noncurrent assets	\$ 61,716	\$ 1,442,553	\$ 124,280	\$ 1,628,549
Total assets	\$ 349,497	\$ 1,448,498	\$ 145,912	\$ 1,943,907
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 21,605	\$ 9,798	\$ 4,152	\$ 35,555
Total deferred outflows of resources	\$ 21,605	\$ 9,798	\$ 4,152	\$ 35,555
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 371,102	\$ 1,458,296	\$ 150,064	\$ 1,979,462
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,795	\$ -	\$ -	\$ 5,795
Accrued payroll	-	1,353	-	1,353
Due to other governments	2,588	-	-	2,588
Revenues collected in advance	59,006	-	-	59,006
Current portion of long-term capital liabilities	-	263,969	19,349	283,318
Current portion of compensated absences payable	4,345	2,574	2,170	9,089
Total current liabilities	\$ 71,734	\$ 267,896	\$ 21,519	\$ 361,149
Noncurrent liabilities:				
Deposits payable	\$ 4,288	\$ 2,787	\$ 906	\$ 7,981
Other postemployment benefits	264	264	264	792
Noncurrent portion of long-term capital liabilities	-	681,000	110,752	791,752
Noncurrent portion of compensated absences	967	573	483	2,023
Net pension liability	87,219	39,552	16,762	143,533
Total noncurrent liabilities	\$ 92,738	\$ 724,176	\$ 129,167	\$ 946,081
Total liabilities	\$ 164,472	\$ 992,072	\$ 150,686	\$ 1,307,230
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 36,086	\$ 16,364	\$ 6,935	\$ 59,385
Total deferred inflows of resources	\$ 36,086	\$ 16,364	\$ 6,935	\$ 59,385
NET POSITION				
Net investment in capital assets	\$ 61,716	\$ 452,893	\$ (5,821)	\$ 508,788
Unrestricted	108,828	(3,033)	(1,736)	104,059
Total net position	\$ 170,544	\$ 449,860	\$ (7,557)	\$ 612,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 371,102	\$ 1,458,296	\$ 150,064	\$ 1,979,462

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, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
OPERATING REVENUES				
Charges for services	\$ 163,465	\$ 122,779	\$ 45,552	\$ 331,796
Total operating revenues	\$ 163,465	\$ 122,779	\$ 45,552	\$ 331,796
OPERATING EXPENSES				
Personal services	\$ 195,651	\$ 63,473	\$ 16,202	\$ 275,326
Supplies	20,530	6,915	3,089	30,534
Purchased services	33,274	6,967	574	40,815
Depreciation	8,687	36,729	16,434	61,850
Total operating expenses	\$ 258,142	\$ 114,084	\$ 36,299	\$ 408,525
Operating income (loss)	\$ (94,677)	\$ 8,695	\$ 9,253	\$ (76,729)
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 7,894	\$ 3,580	\$ 1,517	\$ 12,991
Interest revenue	275	155	23	453
Debt service interest expense	-	(20,460)	(4,595)	(25,055)
Total non-operating revenues (expenses)	\$ 8,169	\$ (16,725)	\$ (3,055)	\$ (11,611)
Change in net position	\$ (86,508)	\$ (8,030)	\$ 6,198	\$ (88,340)
Net Position - Beginning of the year	\$ 315,113	\$ (154,422)	\$ (2,411)	\$ 158,280
Restatements	(58,061)	612,312	(11,344)	542,907
Net Position - Beginning of the year - Restated	\$ 257,052	\$ 457,890	\$ (13,755)	\$ 701,187
Net Position - End of the year	\$ 170,544	\$ 449,860	\$ (7,557)	\$ 612,847

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, 2022

	Business - Type Activities			
	Water	Sewer	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from providing services	\$ 172,222	\$ 122,017	\$ 45,276	\$ 339,515
Cash received from	-	2,787	906	3,693
Cash payments to suppliers	(20,530)	(4,549)	(4,872)	(29,951)
Cash payments for professional services	(27,479)	(7,167)	(574)	(35,220)
Cash payments to employees	(158,072)	(71,579)	(28,666)	(258,317)
Net cash provided (used) by operating activities	\$ (33,859)	\$ 41,509	\$ 12,070	\$ 19,720
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (8,336)	\$ (23,907)	-	\$ (32,243)
Principal paid on debt	-	(113,437)	(20,381)	(133,818)
Interest paid on debt	-	(20,460)	(4,595)	(25,055)
Proceeds from bonds, loans and advances	-	-	-	-
Net cash provided (used) by capital and related financing activities	\$ (8,336)	\$ (157,804)	\$ (24,976)	\$ (191,116)
Cash flows from investing activities:				
Interest on investments	\$ 275	\$ 155	\$ 23	\$ 453
Net cash provided (used) by investing activities	\$ 275	\$ 155	\$ 23	\$ 453
Net increase (decrease) in cash and cash equivalents	\$ (41,920)	\$ (116,140)	\$ (12,883)	\$ (170,943)
Cash and cash equivalents at beginning	320,554	160,831	32,582	513,967
Cash and cash equivalents at end	\$ 278,634	\$ 44,691	\$ 19,699	\$ 343,024
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (94,677)	\$ 8,695	\$ 9,253	\$ (76,729)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	8,687	36,729	16,434	61,850
Pension expense	34,045	(7,038)	(10,902)	16,105
OPEB expense	(56)	(56)	(56)	(168)
Changes in assets and liabilities:				
Accounts receivable	4,883	(762)	(276)	3,845
Deposit payable	3,874	2,787	906	7,567
Accounts payable	5,795	(200)	-	5,595
Compensated absence liability	1,154	(1,012)	(1,506)	(1,364)
Other accrued payables	2,436	2,366	(1,783)	3,019
Net cash provided (used) by operating activities	\$ (33,859)	\$ 41,509	\$ 12,070	\$ 19,720
Noncash investing and financing activities:				
On behalf public employees retirement system payments	\$ 7,894	\$ 3,580	\$ 1,517	\$ 12,991

See accompanying notes to the financial statements

Town of Broadus, Powder River County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	<u>2,212</u>
TOTAL ASSETS	\$	<u>2,212</u>
NET POSITION		
Individuals, organizations, and other governments	\$	<u>2,212</u>
TOTAL NET POSITION	\$	<u>2,212</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, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Contributions:		
Intergovernmental	\$	<u>724</u>
Total additions	\$	<u>724</u>
Net Position - Beginning of the year	\$	<u>1,488</u>
Net Position - End of the year	\$	<u><u>2,212</u></u>

See accompanying Notes to the Financial Statements

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The 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 units of which the Town appointed a voting majority of the component unit's board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the Town complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the Town.

Primary Government

The Town is a political subdivision of the State of Montana governed by an elected Mayor 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.

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.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

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

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 acquisitions under capital leases are reported as other financing sources.

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

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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.

Major Funds:

The Town reports the following major proprietary funds:

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

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

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

TOWN OF BROADUS
 POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Fiduciary Funds

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, 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	410,568
Time deposits	212,378
Total	<u>\$ 623,046</u>

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

Credit Risk

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

TOWN OF BROADUS
 POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

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

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

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

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

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

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

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

The government has no investments that require credit risk disclosure.

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, 2022, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2022 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 462,378
Uninsured and Uncollateralized Deposits	128,203
Total deposits and investments	<u><u>\$ 590,581</u></u>

TOWN OF BROADUS
 POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Deposit Security

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

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

The amount of collateral held for the Town deposits at June 30, 2022, 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, 2022. 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 Reserve	\$ <u>44,691</u>

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 Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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.

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Town has included the value of all infrastructure into the 2022 Basic Financial Statements.

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

Governmental activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Transfers</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:						
Land	\$ 2,540	\$ -	\$ -	\$ -	\$ -	\$ 2,540
Total capital assets not being depreciated	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,540</u>
Other capital assets:						
Buildings	\$ 73,966	\$ 6,350	\$ -	\$ -	\$ 26,496	\$ 106,812
Improvements other than buildings	26,496	-	-	-	(26,496)	-
Machinery and equipment	410,914	-	(21,602)	47,578	-	436,890
Infrastructure	243,648	-	-	-	-	243,648
Total other capital assets at historical cost	<u>\$ 755,024</u>	<u>\$ 6,350</u>	<u>\$ (21,602)</u>	<u>\$ 47,578</u>	<u>\$ -</u>	<u>\$ 787,350</u>
Less: accumulated depreciation	<u>(536,114)</u>	<u>(46,458)</u>	<u>21,602</u>	<u>(27,188)</u>	<u>-</u>	<u>(588,158)</u>
Total	<u>\$ 221,450</u>	<u>\$ (40,108)</u>	<u>\$ -</u>	<u>\$ 20,390</u>	<u>\$ -</u>	<u>\$ 201,732</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ (3,293)
Public works	(37,427)
Culture and recreation	<u>(5,738)</u>
Total governmental activities depreciation expense	<u>\$ (46,458)</u>

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Business-type activities:

	Balance				Balance
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Capital assets not being depreciated:					
Land	\$ 37,180	\$ -	\$ -	\$ -	\$ 37,180
Construction in progress	550,940	32,243	818,405	(1,393,252)	8,336
Total capital assets not being depreciated	<u>\$ 588,120</u>	<u>\$ 32,243</u>	<u>\$ 818,405</u>	<u>\$ (1,393,252)</u>	<u>\$ 45,516</u>
Other capital assets:					
Buildings	\$ 10,370	\$ -	\$ -	\$ -	\$ 10,370
Machinery and equipment	362,866	-	-	-	362,866
Source Supply	253,553	-	-	-	253,553
Pumping Plant	15,395	-	-	-	15,395
Treatment Plant	136,603	-	-	1,393,252	1,529,855
Transmission and Distribution	329,731	-	-	-	329,731
Total other capital assets at historical cost	<u>\$ 1,108,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393,252</u>	<u>\$ 2,501,770</u>
Less: accumulated depreciation	<u>(901,578)</u>	<u>(61,850)</u>	<u>-</u>	<u>-</u>	<u>(963,428)</u>
Total	<u>\$ 795,060</u>	<u>\$ (29,607)</u>	<u>\$ 818,405</u>	<u>\$ -</u>	<u>\$ 1,583,858</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, proprietary, and 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, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2021</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2022</u>	<u>One Year</u>	
Contracted debt	\$ -	\$ (6,416)	\$ 6,416	\$ -	\$ -	
Total	<u>\$ -</u>	<u>\$ (6,416)</u>	<u>\$ 6,416</u>	<u>\$ -</u>	<u>\$ -</u>	

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

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Business-type Activities:

	Balance			Balance	Due Within
	July 1, 2021	Deletions	Restatements	June 30, 2022	One Year
Revenue bonds	\$ 852,633	\$ (113,437)	\$ 205,773	\$ 944,969	\$ 263,969
Contracted debt	139,458	(20,381)	11,024	130,101	19,349
Total	<u>\$ 992,091</u>	<u>\$ (133,818)</u>	<u>\$ 216,797</u>	<u>\$ 1,075,070</u>	<u>\$ 283,318</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, at year-end were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2022
SRF Series 2020 A	3/18/20	2.50%	20 yrs	1/1/40	\$ 230,000	Varies	\$ 230,500
SRF Series 2020 B	3/18/20	2.50%	20 yrs	1/1/40	<u>945,000</u>	Varies	<u>714,469</u>
Total					<u>\$ 1,175,500</u>		<u>\$ 944,969</u>

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

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

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 263,969	\$ 17,656
2024	34,000	16,812
2025	34,000	15,962
2026	36,000	15,099
2027	36,000	14,199
2028	37,000	13,299
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
2037	48,000	2,775
2039	50,000	1,562
2040	25,000	312
Total	<u>\$ 944,969</u>	<u>\$ 172,173</u>

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2022, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2022</u>
Garbage Truck*	6/15/21	4.49%	7yrs	3/1/28	<u>\$ 150,482</u>	<u>\$ 130,101</u>

* Reported in business-type activities.

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Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2023	\$ 19,349	\$ 5,627
2024	20,228	4,748
2025	21,147	3,829
2026	22,107	2,869
2027	23,110	1,866
2028	24,160	816
Total	\$ 130,101	\$ 19,755

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, 2022, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The Town's total OPEB liability of \$1,055 at June 30, 2022, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	8.35%
Participation rate	10.00%

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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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 6/30/2021	\$ <u>1,280</u>
Changes for the year:	
Service Cost	\$ 87
Change in Assumptions	<u>(312)</u>
Net Changes	\$ <u>(225)</u>
Balance at 6/30/2022	\$ <u><u>1,055</u></u>

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability \$	289	\$ 1,055	\$ 630

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 \$	398	\$ 1,055	\$ 605

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

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022 calculated liability per valuation completed as of June 30, 2022.

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of -\$225. The Town does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since Town records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. NET PENSION LIABILITY

As of June 30, 2022, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

City's/Town's Proportionate Share Associated With:	PERS
Net Pension Liability	\$ 212,989
Deferred outflows of resources*	\$ 52,760
Deferred inflows of resources	\$ 88,122
Pension expense	\$ 34,003

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$18,939 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2022.

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.

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

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 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;

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

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

<u>Fiscal Year</u>	<u>Local Government</u>	
	<u>Employer</u>	<u>State</u>
2022	8.870%	0.100%
2021	8.770%	0.100%
2020	8.670%	0.100%
2019	8.570%	0.100%
2018	8.470%	0.100%
2017	8.370%	0.100%
2016	8.270%	0.100%
2015	8.170%	0.100%
2014	8.070%	0.100%
2012 – 2013	7.070%	0.100%
2010 – 2011	7.070%	0.100%
2008 – 2009	6.935%	0.100%
2000 - 2007	6.800%	0.100%

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 rate.
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
 - d. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.

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- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2021, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021, 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 \$212,989 and the Town's proportionate share was 0.011746 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 212,989	\$ 313,162	0.011746%	0.011870%	-0.000124%
State of Montana Proportionate Share associated with Employer	62,496	98,246	0.003447%	0.003724%	-0.000277%
Total	\$ 275,485	\$ 411,408	0.015193%	0.015594%	-0.000401%

Changes in actuarial assumptions and methods:

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

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

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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, 2022, the Town recognized a Pension Expense of \$34,003 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$19,277 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 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ 14,726	\$ 44,918
State of Montana Proportionate Share associated with the Employer	19,277	16,067
Total	\$ 34,003	\$ 60,985

Recognition of Beginning Deferred Outflow

At June 30, 2022, the Town recognized a beginning deferred outflow of resources for the Town's fiscal year 2021 contributions of \$12,861.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 2,273	\$ 1,542
Actual vs. Expected Investment Earnings	-	86,284
Changes in Assumptions	31,548	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	296
Employer contributions subsequent to the measurement date - FY22*	18,939	-
Total	<u>\$ 52,760</u>	<u>\$ 88,122</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, 2022.

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

<u>For the Measurement Year ended June 30:</u>	<u>Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense</u>
2022	\$ 1,637
2023	\$ (7,554)
2024	\$ (20,840)
2025	\$ (27,544)
Thereafter	<u>\$ -</u>

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Actuarial Assumptions

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

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table:

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	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>	

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease	Current	1.0% Increase
<u>(6.06%)</u>	<u>Discount Rate</u>	<u>(8.06%)</u>
\$ 338,087	\$ 212,989	\$ 108,061

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

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

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

NOTE 9. 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 the council. This is the government's highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

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

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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>
Other Maintenance	\$ 572	Repairs and maintenance
Gas Tax	119,969	Road repair, maintenance and supplies
<u>All Other Aggregate</u>	3,709	General Government administration and services
	32,129	Road repair, maintenance and supplies
	<u>2,081</u>	Law Enforcement, emergency services, and supplies
<u>Total</u>	<u>\$ 158,460</u>	

Committed Fund Balance

<u>All Other Aggregate</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
	\$ 6,579	Constructions and/or capital asset purchases
	<u>5,609</u>	Constructions and/or capital asset purchases
<u>Total</u>	<u>\$ 12,188</u>	

NOTE 10. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Comp Insurance	\$ <u>(13,185)</u>	Deficit cash balance resulting in a short term loan from the general fund	Future tax revenues

NOTE 11. 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>
Water	\$ (58,061)	To restate prior year ARPA revenues to a liability.
Sewer	612,312	To restate the Bond related to the Sewer project and related construction in progress.
Solid Waste	(11,344)	To restate the long-term debt for a garbage truck purchase.
Governmental	<u>13,654</u>	To restate OPEB and long-term debt for governmental activities.
<u>Total</u>	<u>\$ 556,561</u>	

TOWN OF BROADUS
POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 12. 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 13. INTERLOCAL AGREEMENT

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

NOTE 14. RISK MANAGEMENT

Insurance Pools:

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

General

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 81,833	\$ 93,300	\$ 81,722	\$ (11,578)
Licenses and permits	1,400	1,400	955	(445)
Intergovernmental	79,750	79,750	77,242	(2,508)
Charges for services	4,000	4,000	2,887	(1,113)
Investment earnings	500	500	41	(459)
Amounts available for appropriation	<u>\$ 167,483</u>	<u>\$ 178,950</u>	<u>\$ 162,847</u>	<u>\$ (16,103)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 46,845	\$ 46,845	\$ 48,480	\$ (1,635)
Public safety	25,300	25,300	23,469	1,831
Public works	22,000	22,000	8,850	13,150
Public health	50	50	115	(65)
Culture and recreation	16,000	16,000	10,716	5,284
Debt service - interest	7,000	7,000	-	7,000
Miscellaneous	4,500	4,500	4,145	355
Capital outlay	43,400	43,400	6,350	37,050
Total charges to appropriations	<u>\$ 165,095</u>	<u>\$ 165,095</u>	<u>\$ 102,125</u>	<u>\$ 62,970</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,400)	\$ (2,400)	\$ (2,400)	\$ -
Net change in fund balance			<u>\$ 58,322</u>	
Fund balance - beginning of the year			<u>\$ 50,564</u>	
Fund balance - end of the year			<u>\$ 108,886</u>	

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Other Maintenance Assessment				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 55,275	\$ 55,275	\$ 56,530	\$ 1,255
Investment earnings	100	100	6	(94)
Amounts available for appropriation	\$ 55,375	\$ 55,375	\$ 56,536	\$ 1,161
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 79,500	\$ 79,500	\$ 81,515	\$ (2,015)
Total charges to appropriations	\$ 79,500	\$ 79,500	\$ 81,515	\$ (2,015)
Net change in fund balance			\$ (24,979)	
Fund balance - beginning of the year			\$ 25,551	
Fund balance - end of the year			\$ 572	

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Gas Tax			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 89,852	\$ 74,852
Investment earnings	30	30	18	(12)
Amounts available for appropriation	\$ 15,030	\$ 15,030	\$ 89,870	\$ 74,840
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 10,000	\$ 10,000	\$ 35,150	\$ (25,150)
Debt service - principal	-	-	6,416	(6,416)
Capital outlay	11,000	11,000	-	11,000
Total charges to appropriations	\$ 21,000	\$ 21,000	\$ 41,566	\$ (20,566)
Net change in fund balance			\$ 48,304	
Fund balance - beginning of the year			\$ 71,665	
Fund balance - end of the year			\$ 119,969	

Town of Broadus, Powder River County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Other Maintenance Assessment	Gas Tax
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 162,847	\$ 56,536	\$ 89,870
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 162,847	\$ 56,536	\$ 89,870
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 102,125	\$ 81,515	\$ 41,566
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 102,125	\$ 81,515	\$ 41,566

Town of Broadus, Powder River County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For Fiscal Year Ended June 30, 2022

	2022
Total OPEB liability	
Service Cost	\$ 87
Change in assumptions and inputs	(312)
Net change in total OPEB liability	(225)
Total OPEB Liability - beginning	1,280
Total OPEB Liability - ending	\$ 1,055
Covered-employee payroll	\$ 208,487
Total OPEB liability as a percentage of covered -employee payroll	0.51%

**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, 2022

	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.011746%	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	\$ 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	\$ 62,496	\$ 98,246	\$ 78,823	\$ 67,640	\$ 3,231	\$ 3,001	\$ 2,385	\$ 2,091
Total	<u>\$ 275,485</u>	<u>\$ 411,408</u>	<u>\$ 321,969</u>	<u>\$ 270,521</u>	<u>\$ 273,765</u>	<u>\$ 248,609</u>	<u>\$ 196,544</u>	<u>\$ 173,297</u>
Employer's covered payroll	\$ 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	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	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, 2022

	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Contractually required contributions	\$ 18,939	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contributions in relation to the contractually required contributions	\$ 18,939	\$ 18,387	\$ 17,449	\$ 16,507	\$ 13,540	\$ 14,423	\$ 14,437	\$ 13,357
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 213,517	\$ 207,486	\$ 199,161	\$ 191,928	\$ 159,860	\$ 172,312	\$ 172,716	\$ 162,094
Contributions as a percentage of covered payroll	8.87%	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, 2022

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.
- 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:

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, 2022

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

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

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

Town of Broadus, Powder River County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022

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

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

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

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

Town Council
Town of Broadus
Powder River County
Broadus, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Broadus, Powder River County, Montana, as of and for the Year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Broadus's basic financial statements and have issued our report thereon dated August 23, 2023.

Internal Control Over Financial Reporting

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

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

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

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 items 2022-002 through 2022-004.

2022-001 Supporting Documentation of Disbursements (Repeat Finding 2020/2021-002)

Condition:

The Town could not provide supporting documentation for a portion of expenditures.

Context:

We selected a sample of transactions during our testing on disbursements. The Town could not provide documentation for 6 claims which totaled \$53,886.

Criteria:

Adequate supporting documentation should be maintained for all disbursements.

Effect:

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

Cause:

The Town has a lack of controls over disbursements.

Recommendation:

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

2022-002 Segregation of Duties (Repeat Findings 15-1, 2020/2021-007)

Condition:

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

Context:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

2022-003 Required Supplementary Information (Repeat Finding 2020/2021-010)

Condition:

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

Context:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

2022-004 Pledge Securities

Condition:

The Town had deposits that were not insured or collateralized in fiscal year 2022 of \$128,053.

Context:

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

Criteria:

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

Effect:

There is a deficiency in coverage of \$128,203 in fiscal year 2022.

Cause:

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

Recommendation:

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

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 items 2022-005 through 2022-008.

2022-005 Revenue Bond Requirements (Repeat Finding 2020/2021-011)

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 2022.

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	\$44,961	(\$6,601)

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.

2022-006 Cash Reserve Limitations

Condition:

The Town exceeded the allowable cash reserve limitations in one of its levied funds.

Context:

During our recalculation of the tax levy requirements schedule, it was determined that the Employer Contributions fund exceeded the cash reserve limitation of ½ of the appropriation.

Criteria:

MCA 7-6-4034 states in part, a City or Town is allowed to maintain cash reserves up to ½ of appropriations.

Effect:

The Town had cash reserves of 71% or excess of \$1,492 in cash reserves in the Employer Contributions fund.

Cause:

The Town did not review the tax levy requirement schedule to determine if all levied funds were in compliance with MCA 7-6-4034.

Recommendation:

We recommend that the Town limit the cash reserves to ½ of appropriations by implementing a procedure when preparing the budget to compare the calculated cash reserve versus the budgeted amount to ensure compliance with MCA 7-6-4034.

2022-007 Timely Filing of Reports (Repeat Finding 2020/2021-012)

Condition:

The Town did not file the Annual Financial Report (AFR) or Audit for fiscal year 2022 by the State deadlines.

Context:

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

Criteria:

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

Effect:

The Town is not in compliance with MCA 2-7-503 in filing its fiscal year 2022 for the AFR or Audit.

Cause:

The 2022 AFR was due December 31, 2022 but not received by the State until June 26, 2023. The 2021 The audit for fiscal year 2022 was not completed until August of 2023.

Recommendation:

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

2022-008 Exceeded Budgeted Authority

Condition:

The Town exceeded its budgeted authority in the Insurance Fund and The Other Maintenance Fund in fiscal year 2022.

Context:

We compared the final budgeted appropriations per the Annual Financial Report to the actual expenditures in each fund and found the expenditures exceeded the budgeted appropriations two funds.

Criteria:

Per MCA 7-6-4005. Expenditures limited to appropriations. (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 budget is not in compliance with MCA 7-6-4005 as the following funds exceeded their budget authority by the following amounts:

<u>Fund</u>	<u>Excess over Budget</u>
Insurance	\$3,001
Other Maintenance	\$2,016

Cause:

The Town does not have procedures in place to regularly review funds for excess spending.

Recommendation:

We recommend the Town limit expenditures to the amount budgeted.

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.

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

August 23, 2023

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

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Town Council
Town of Broadus
Powder River County
Broadus, Montana

The prior audit report contained 12 recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2020/2021-001 Accounting System Basis of Accounting	Implemented
2020/2021-002 Supporting Documentation for Disbursements	Repeated
2020/2021-003 Deficit Cash	Implemented
2020/2021-004 Fund Balance and Net Position Classifications	Implemented
2020/2021-005 Revenue Coding and Controls	Implemented
2020/2021-006 Financial Reporting	Implemented
2020/2021-007 Segregation of Duties	Repeated
2020/2021-008 Pledged Securities	Repeated
2020/2021-009 Accounts Receivables Controls	Implemented
2020/2021-010 Required Supplementary Information	Repeated
2020/2021-011 Revenue Bond Requirements	Repeated
2020/2021-012 Timely Filing of Reports	Repeated

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

August 23, 2023

TOWN OF BROADUS **MONTANA**

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Fax (406) 436-2558

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Josie Morris, Clerk/Treasurer
townofbroadus@rangeweb.net

Contact Person:

Josie Morris, Clerk/Treasurer
townofbroadus@rangeweb.net
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fax (406) 436-2558

Expected Completion Date of Corrective Action Plan:

Expected completion dates individually listed below.

CORRECTIVE ACTION PLAN

FINDING 2022-001: Supporting Documentation for Disbursements

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

FINDING 2022-002: Segregation of Duties

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

FINDING 2022-003: Required Supplementary Information

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

FINDING 2022-004: Pledged Securities

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



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Chad Gatlin, Mayor
tobmayor@rangeweb.net
Josie Morris, Clerk/Treasurer
townofbroadus@rangeweb.net

FINDING 2022-005: Revenue Bond Requirements

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

FINDING 2022-006: Cash Reserve Limitations

Response: The new clerk for the Town will learn how to limit the cash reserves to ½ of appropriations by implementing a procedure when preparing the budget to compare the calculated cash reserve versus the budgeted amount to ensure compliance with MCA 7-6-4034. This will take training and assistance from the county clerk and accounting firm in the fiscal year 2023-24.

FINDING 2022-007: Timely Filing of Reports

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

FINDING 2022-008: Exceeded Budgeted Authority

Response: With new management, 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 will be completed in the fiscal year 2023-24.

STATUS OF PRIOR AUDIT FINDINGS

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

Response: Implemented

FINDING 2020/2021-002: Supporting Documentation for Disbursements

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

FINDING 2020/2021-003: Deficit Cash

Response: Implemented



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

Response: Implemented

FINDING 2020/2021-005: Revenue Coding and Controls

Response: Implemented

FINDING 2020/2021-006: Financial Reporting

Response: Implemented

FINDING 2020/2021-007: Segregation of Duties

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

FINDING 2020/2021-008: Pledged Securities

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

FINDING 2020/2021-009: Accounts Receivable Controls

Response: Implemented

FINDING 2020/2021-010: Required Supplementary Information

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

FINDING 2020/2021-011: Revenue Bond Requirements

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



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FINDING 2020/2021-012: Timely Filing of Reports

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