

BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

**AUDIT REPORT**

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

# BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

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BROADWATER COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2021

**BOARD OF COUNTY COMMISSIONERS**

Michael Delger	Chairperson
Debi Randolph	Commissioner
Darrel Folkvord	Commissioner
Laura Obert	Commissioner

**COUNTY OFFICIALS**

Cory Swanson	County Attorney
Melissa Franks	Treasurer
Angie Paulsen	Clerk & Recorder
Valarie Hornsveld	Clerk of District Court
Kirk Flynn	Justice of the Peace
Melissa Franks	Superintendent of Schools
Wynn Meehan	Sheriff
Debbie Kelley	Finance Officer & Payroll Administrator

**BROADWATER COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2021**

In 1999, the Governmental Accounting Standard Board (GASB) issued a new accounting standard that essentially revised the form of governmental entities' financial statements. Broadwater County implemented the new financial report for fiscal year ending June 30, 2004.

The following discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2021. Reading this narrative in conjunction with the County's financial statements should give a complete overview of the activities and financial status of the County.

**Financial Highlights**

The assets of Broadwater County exceeded its liabilities. Total net position was \$9,024,262

- ✓ The total fiscal year end governmental funds fund balance was \$6,624,619.
- ✓ The total unassigned governmental fund balance at fiscal year-end was \$1,539,177. More information regarding the General Fund and other funds such as Public Safety, ARPA, and Solid Waste balances is contained in the financial analysis of governmental and proprietary funds toward the end of the Management Discussion and Analysis (MD&A).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of the following three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

Other supplementary information is also included at the end of the financial section.

**Government Wide Financial Statements**

The government wide financial statements are designed to provide readers with a broad overview of the County's finances using the accrual basis of accounting, the basis of accounting used by most private sector businesses.

The **Statement of Net Position** presents information on all of the County's assets and liabilities or per GASBS No. 65, classifies them as deferred outflows or deferred inflows of resources effective fiscal year ending June 30, 2021. The difference between the inflows and outflows are reported as net position. Over time, increases and decreases in net position may provide an indication of whether the County's financial position is staying the same, improving or deteriorating.

The **Statement of Activities** presents information reflecting how the County's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

**BROADWATER COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2021**

The government-wide financial statements distinguish functions of the County that are both principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that receive a significant portion of their costs from user fees and charges (Business-type Activities).

- **Governmental activities:** Are principally supported by taxes, intergovernmental revenues, and other non-exchange revenues. Examples are general government, public safety, culture and recreational services, economic development and public works (road, weed).
- **Business type activities:** Are financed in whole or in part by fees charged to external parties for goods or services. Examples are Solid Waste and the Silos Recreation area.

**Fund Financial Statements**

Traditional users of the County's financial statements will find the fund financial statement presentation more familiar. With GASB 34, the focus is now on major funds rather than fund types.

A major fund should generally meet both of the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities etc.) for that fund type (i.e., governmental or enterprise funds) and,
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into two categories: Governmental funds and Proprietary funds.

**Governmental Funds**

Governmental funds are used to report those same functions reported as governmental activities in the government wide financial statements. However, unlike the government wide statements, government fund financial statements focus on near term inflows and outflows of spendable resources and balances available at the end of the fiscal year. These funds are reported based on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long term debt and similar long term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. To facilitate this comparison, reconciliation is provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

**BROADWATER COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2021**

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Fund, and ARPA Fund. These funds are considered the major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

Broadwater County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

**Proprietary Funds**

Broadwater County maintains two enterprise proprietary funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds operate as self-supporting and they are presented as business-type activities in the government wide financial statements. The County uses enterprise funds to account for its Solid Waste and Silos Recreation Area operations.

**Government Wide Financial Analysis**

The County has presented its financial statements under the reporting model required by GASB 34.

Net position over time may serve useful as the indicator of a government's financial position. The net position for the fiscal year ending June 30, 2021 is \$9,024,262 (assets exceeded liabilities).

The County's largest portion of net position reflects investment in capital assets land, construction in progress, buildings, equipment and vehicles. These assets are used to provide services to the citizens of Broadwater County and are not available for future spending. The County's investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following MD & A Comparison Report Table 1, presents condensed financial information on the County's net position and Table 2, presents condensed financial information on the County's Changes in Net Position as of and for the fiscal year end June 30, 2021.

**BROADWATER COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021**

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 9,265,270	\$ 6,497,014	\$ 2,768,256	\$ 91,263	\$ (88,928)	\$ 180,191
Capital assets	5,914,168	6,171,986	(257,818)	363,870	407,463	(43,593)
Total assets	\$ 15,179,438	\$ 12,669,000	\$ 2,510,438	\$ 455,133	\$ 318,535	\$ 136,598
Long-term debt outstanding	\$ 4,421,392	\$ 3,555,390	\$ 866,002	\$ 390,375	\$ 270,911	\$ 119,464
Other liabilities	1,733,784	1,611,342	122,442	24,315	48,711	(24,396)
Total liabilities	\$ 6,155,176	\$ 5,166,732	\$ 988,444	\$ 414,690	\$ 319,622	\$ 95,068
Net investment in capital assets	\$ 5,862,911	\$ 5,933,484	\$ (70,573)	\$ 316,413	\$ 407,463	\$ (91,050)
Restricted	3,972,042	2,437,558	1,534,484	-	-	-
Unrestricted (deficit)	(810,691)	(868,774)	58,083	(275,970)	(408,550)	132,580
Total net position	\$ 9,024,262	\$ 7,502,268	\$ 1,521,994	\$ 40,443	\$ (1,087)	\$ 41,530

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,580,552	\$ 1,747,639	\$ (167,087)	\$ 708,146	\$ 661,627	\$ 46,519
Operating grants and contributions	1,602,465	987,931	614,534	-	-	-
Capital grants and contributions	-	27,144	(27,144)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	3,554,879	2,764,114	790,765	-	-	-
Licenses and permits	69,180	39,150	30,030	-	-	-
Video poker apportionment	4,400	5,600	(1,200)	-	-	-
Miscellaneous	150,793	563,768	(412,975)	39,371	-	39,371
Interest/investment earnings	(2,554)	56,228	(58,782)	-	-	-
Local option taxes	380,731	335,682	45,049	-	-	-
Unrestricted federal/state shared revenues	75,749	102,669	(26,920)	-	-	-
State entitlement	570,662	558,964	11,698	-	-	-
PILT	728,023	716,973	11,050	-	-	-
State contribution to retirement	121,065	39,632	81,433	15,142	5,070	10,072
Contributions & donations	37,300	48,000	(10,700)	-	-	-
Total revenues	\$ 8,873,245	\$ 7,993,494	\$ 879,751	\$ 762,659	\$ 666,697	\$ 95,962
<b>Program expenses</b>						
General government	\$ 2,187,542	\$ 1,828,204	\$ 359,338	\$ -	\$ -	\$ -
Public safety	2,490,955	2,448,807	42,148	-	-	-
Public works	923,713	929,757	(6,044)	-	-	-
Public health	499,087	539,806	(40,719)	-	-	-
Social and economic services	109,747	102,689	7,058	-	-	-
Culture and recreation	122,946	159,431	(36,485)	-	-	-
Housing and community development	25,000	25,000	-	-	-	-
Debt service - interest	5,725	4,178	1,547	-	-	-
Miscellaneous	998,812	938,020	60,792	-	-	-
Solid Waste	-	-	-	706,589	672,844	33,745
Silo Recreation Area	-	-	-	14,540	7,647	6,893
Total expenses	\$ 7,363,527	\$ 6,975,892	\$ 387,635	\$ 721,129	\$ 680,491	\$ 40,638
<b>Increase (decrease) in net position</b>	<b>\$ 1,509,718</b>	<b>\$ 1,017,602</b>	<b>\$ 492,116</b>	<b>\$ 41,530</b>	<b>\$ (13,794)</b>	<b>\$ 55,324</b>

**GOVERNMENTAL ACTIVITIES**

Net position in governmental activities increased by \$492,116 during fiscal year 2021. Program revenues in the capital grants and contributions column include grants from federal and state sources.



**BROADWATER COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2021**

**BUSINESS-TYPE ACTIVITIES**

Net position in business type activities increased by \$55,324 during the fiscal year 2021.

**Financial Analysis of the County's Funds**

As noted previously, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The total fund balance for governmental funds for the fiscal year ended 2021 was \$6,624,619. A fund balance of \$5,085,442 has been restricted or committed for specific purposes. Fund balance increased \$1,818,614 over the prior year. Most of the increase was in the Public Safety Fund. In the current year, the COVID-19 Cares Act fund was combined with the Public Safety Fund under GASB 54.

**Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

**General Fund Budgetary Highlights**

No significant variances existed between the final revenue budget and the actuals.

No significant variances existed between the final expenditure budget and the actuals.

**Capital Asset and Debt Administration**

**Capital Assets**

Broadwater County has set the capitalization threshold for reporting capital assets at \$5,000. The County's investment in capital assets for its governmental and business type activities includes buildings, vehicles, information technology, equipment, and improvements other than building. A decrease in total capital assets totaling \$301,411 is largely due to the current year depreciation. As of June 30, 2021, the capital assets used in governmental activities and not reported in the funds was \$5,914,168 and for proprietary funds was \$363,870.

**Debt Administration**

The InterCap Loan that Solid Waste used to purchase new canisters, the lease of the CAD Technology System for the Sheriff's office was the two remaining long-term liabilities left for FY2021; these two totaled \$98,714 as of June 30, 2021. The remaining liabilities include compensated absences, other post-employment benefits, and net pension liability.

The compensated absence is the amount which employees will be paid for time off earned during their employment, such as sick and vacation. Total outstanding as of June 30, 2021 was \$305,797.

**BROADWATER COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**JUNE 30, 2021**

The other post-employment benefit is health care benefits for eligible employees and family provided they pay the premium. During fiscal year 2016, Broadwater County implemented GASB 75 – Accounting and Financial Report for Postemployment Benefits Other Than Pensions and calculated the OPEB liability using the alternative measurement method. As of June 30, 2021, the changes between actuarial assumptions, differences in expected vs. actual pension experiences, changes in proportionate share allocation and current year retirement contributions as they related to the net pension liability are a deferred outflow of resources and are not payable in the current period and are not reported in funds. The total liability as of June 30, 2021 was \$165,678. For net pension liability, the County reported \$3,898,660 as of June 30, 2021,

**Financial Contact**

Broadwater County's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the County's finances and to demonstrate the County's accountability. Questions concerning any of the information presented in this report or requesting additional information should be sent to Broadwater County Commissioners, %Finance Officer, 515 Broadway, Townsend, MT 59644.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Broadwater County  
Townsend, Montana

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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 Broadwater County, Montana, as of and for the year ended June 30, 2021, 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.

## **Change in Accounting Principle**

As described in Note 1 and Note 12 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84 Fiduciary Activities. As a result, funds formerly known as agency funds were classified as Custodial Funds. Custodial Funds recognize net position whereas agency funds did not. This created restatement in the Fiduciary Activities of \$(13,621,476). Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 7, and 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022, on our consideration of the Broadwater 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broadwater County, Montana's internal control over financial reporting and compliance.

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

March 25, 2022

**Broadwater County, Montana**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 7,456,668	\$ 6,527	\$ 7,463,195
Taxes and assessments receivable, net	106,215	154,957	261,172
Internal balances	161,547	(161,547)	-
Accounts receivable - net	-	15,647	15,647
Due from other governments	263,847	6,667	270,514
Prepaid expenses	430	-	430
Total current assets	<u>\$ 7,988,707</u>	<u>\$ 22,251</u>	<u>\$ 8,010,958</u>
Noncurrent assets			
Capital assets - land	\$ 263,404	\$ 2,959	\$ 266,363
Capital assets - construction in progress	130,444	-	130,444
Capital assets - depreciable, net	<u>5,520,320</u>	<u>360,911</u>	<u>5,881,231</u>
Total noncurrent assets	<u>\$ 5,914,168</u>	<u>\$ 363,870</u>	<u>\$ 6,278,038</u>
Total assets	<u>\$ 13,902,875</u>	<u>\$ 386,121</u>	<u>\$ 14,288,996</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 1,276,563	\$ 69,012	\$ 1,345,575
Total deferred outflows of resources	<u>\$ 1,276,563</u>	<u>\$ 69,012</u>	<u>\$ 1,345,575</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 15,179,438</u>	<u>\$ 455,133</u>	<u>\$ 15,634,571</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 573,371	\$ -	\$ 573,371
Accrued payroll	78,770	6,337	85,107
Revenues collected in advance	605,732	-	605,732
Current portion of long-term capital liabilities	25,143	4,490	29,633
Current portion of compensated absences payable	256,386	33,401	289,787
Total current liabilities	<u>\$ 1,539,402</u>	<u>\$ 44,228</u>	<u>\$ 1,583,630</u>
Noncurrent liabilities			
Noncurrent portion of Other Post Employment Benefits	\$ 165,678	\$ 12,470	\$ 178,148
Noncurrent portion of long-term capital liabilities	26,114	42,967	69,081
Noncurrent portion of compensated absences	49,411	2,587	51,998
Net pension liability	<u>3,898,660</u>	<u>294,460</u>	<u>4,193,120</u>
Total noncurrent liabilities	<u>\$ 4,139,863</u>	<u>\$ 352,484</u>	<u>\$ 4,492,347</u>
Total liabilities	<u>\$ 5,679,265</u>	<u>\$ 396,712</u>	<u>\$ 6,075,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 475,911	\$ 17,978	\$ 493,889
Total deferred inflows of resources	<u>\$ 475,911</u>	<u>\$ 17,978</u>	<u>\$ 493,889</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,862,911	\$ 316,413	\$ 6,179,324
Restricted for special projects	3,972,042	-	3,972,042
Unrestricted	<u>(810,691)</u>	<u>(275,970)</u>	<u>(1,086,661)</u>
Total net position	<u>\$ 9,024,262</u>	<u>\$ 40,443</u>	<u>\$ 9,064,705</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 15,179,438</u>	<u>\$ 455,133</u>	<u>\$ 15,634,571</u>

See accompanying Notes to the Financial Statements

**Broadwater County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2021**

Functions/Programs Primary government:	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Primary Government		Total
			Operating Grants and Contributions	Governmental Activities	Business- type Activities
Governmental activities:					
General government	\$ 2,187,542	\$ 369,500	\$ 55,690	\$ (1,762,352)	\$ -
Public safety	2,490,955	992,845	1,105,049	(393,061)	-
Public works	923,713	154,844	180,826	(588,043)	-
Public health	499,087	56,963	212,482	(229,642)	-
Social and economic services	109,747	-	3,418	(106,329)	-
Culture and recreation	122,946	6,400	45,000	(71,546)	-
Housing and community development	25,000	-	-	(25,000)	-
Debt service - interest	5,725	-	-	(5,725)	-
Miscellaneous	998,812	-	-	(998,812)	-
Total governmental activities	<u>\$ 7,363,527</u>	<u>\$ 1,580,552</u>	<u>\$ 1,602,465</u>	<u>\$ (4,180,510)</u>	<u>\$ -</u>
Business-type activities:					
Solid Waste	\$ 706,589	\$ 675,669	\$ -	\$ -	\$ (30,920)
Silo Recreation Area	14,540	32,477	-	-	17,937
Total business-type activities	<u>\$ 721,129</u>	<u>\$ 708,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,983)</u>
Total primary government	<u>\$ 8,084,656</u>	<u>\$ 2,288,698</u>	<u>\$ 1,602,465</u>	<u>\$ (4,180,510)</u>	<u>\$ (4,193,493)</u>
General Revenues:					
Property taxes for general purposes		\$		\$ 3,554,879	\$ -
Licenses and permits				69,180	-
Video poker apportionment				4,400	-
Miscellaneous				150,793	39,371
Interest/investment earnings				(2,554)	-
Local option taxes				380,731	-
Unrestricted federal/state shared revenues				75,749	-
State entitlement				570,662	-
PILT				728,023	-
State contribution to retirement				121,065	15,142
Contributions & donations				37,300	-
Total general revenues, special items and transfers		\$	\$ 5,690,228	\$ 54,513	\$ -
Change in net position		\$	\$ 1,509,718	\$ 41,530	\$ 1,551,248
Net position - beginning		\$		7,502,268	(1,087)
Restatements				12,276	-
Net position - beginning - restated		\$		7,514,544	(1,087)
Net position - end		\$		9,024,262	40,443

See accompanying Notes to the Financial Statements

**Broadwater County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General	Public Safety	ARPA	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,920,886	\$ 1,930,921	\$ 605,732	\$ 2,999,129	\$ 7,456,668
Taxes and assessments receivable, net	22,052	35,325	-	48,838	106,215
Due from other funds	258,943	-	-	-	258,943
Due from other governments	33,651	116,986	-	113,210	263,847
Prepaid expenses	430	-	-	-	430
<b>TOTAL ASSETS</b>	<b>\$ 2,235,962</b>	<b>\$ 2,083,232</b>	<b>\$ 605,732</b>	<b>\$ 3,161,177</b>	<b>\$ 8,086,103</b>
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable	\$ 573,371	\$ -	\$ -	\$ -	\$ 573,371
Accrued payroll	29,199	25,806	-	23,765	78,770
Due to other funds	-	-	-	97,396	97,396
Revenues collected in advance	-	-	605,732	-	605,732
Total liabilities	\$ 602,570	\$ 25,806	\$ 605,732	\$ 121,161	\$ 1,355,269
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - taxes and assessments	\$ 22,052	\$ 35,325	\$ -	\$ 48,838	\$ 106,215
Total deferred inflows of resources	\$ 22,052	\$ 35,325	\$ -	\$ 48,838	\$ 106,215
<b>FUND BALANCES</b>					
Restricted	\$ -	\$ 2,022,101	\$ -	\$ 1,865,778	\$ 3,887,879
Committed	-	-	-	1,197,563	1,197,563
Unassigned fund balance	1,611,340	-	-	(72,163)	1,539,177
Total fund balance	\$ 1,611,340	\$ 2,022,101	\$ -	\$ 2,991,178	\$ 6,624,619
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,235,962</b>	<b>\$ 2,083,232</b>	<b>\$ 605,732</b>	<b>\$ 3,161,177</b>	<b>\$ 8,086,103</b>

See accompanying Notes to the Financial Statements



**Broadwater County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2021**

<b>Total fund balances - governmental funds</b>	\$ 6,624,619
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,914,168
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.	106,215
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(522,732)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,898,660)
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.	1,276,563
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.	(475,911)
<b>Total net position - governmental activities</b>	<b>\$ <u>9,024,262</u></b>

See accompanying Notes to the Financial Statements

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

	General	Public Safety	ARPA	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes and assessments	\$ 978,289	\$ 1,401,486	\$ -	\$ 1,568,874	\$ 3,948,649
Licenses and permits	76,905	5,750	-	225	82,880
Intergovernmental	1,151,913	959,934	-	1,011,291	3,123,138
Charges for services	256,506	950,308	-	259,425	1,466,239
Fines and forfeitures	75,636	-	-	823	76,459
Miscellaneous	119,956	3,643	-	67,908	191,507
Investment earnings	1,122	-	-	(3,709)	(2,587)
Total revenues	\$ 2,660,327	\$ 3,321,121	\$ -	\$ 2,904,837	\$ 8,886,285
<b>EXPENDITURES</b>					
General government	\$ 1,498,098	\$ -	\$ -	\$ 434,336	\$ 1,932,434
Public safety	43,042	2,063,643	-	99,250	2,205,935
Public works	-	-	-	693,796	693,796
Public health	256,172	-	-	235,599	491,771
Social and economic services	4,506	-	-	104,416	108,922
Culture and recreation	-	-	-	107,166	107,166
Housing and community development	-	-	-	25,000	25,000
Debt service - principal	163,038	-	-	24,207	187,245
Debt service - interest	2,808	-	-	2,917	5,725
Miscellaneous	-	-	-	998,812	998,812
Capital outlay	-	106,504	-	216,637	323,141
Total expenditures	\$ 1,967,664	\$ 2,170,147	\$ -	\$ 2,942,136	\$ 7,079,947
Excess (deficiency) of revenues over expenditures	\$ 692,663	\$ 1,150,974	\$ -	\$ (37,299)	\$ 1,806,338
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ -	\$ 75,000	\$ -	\$ 582,306	\$ 657,306
Transfers out	(532,632)	-	-	(124,674)	(657,306)
Total other financing sources (uses)	\$ (532,632)	\$ 75,000	\$ -	\$ 457,632	\$ -
Net Change in Fund Balance	\$ 160,031	\$ 1,225,974	\$ -	\$ 420,333	\$ 1,806,338
Fund balances - beginning	\$ 1,451,309	\$ 841,700	\$ -	\$ 2,512,996	\$ 4,806,005
Restatements	-	(45,573)	-	57,849	12,276
Fund balances - beginning, restated	\$ 1,451,309	\$ 796,127	\$ -	\$ 2,570,845	\$ 4,818,281
Fund balance - ending	\$ 1,611,340	\$ 2,022,101	\$ -	\$ 2,991,178	\$ 6,624,619

See accompanying Notes to the Financial Statements

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

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,806,338</b>
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	323,141
- Depreciation expense	(580,959)
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)	(13,040)
The change in compensated absences is shown as an expense in the Statement of Activities	(32,316)
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	187,245
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	(17,343)
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	(457,600)
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	294,252
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>1,509,718</u></b>

See accompanying Notes to the Financial Statements

**Broadwater County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Non-major Enterprise</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ -	\$ 6,527	\$ 6,527
Taxes and assessments receivable, net	154,957	-	154,957
Accounts receivable - net	15,647	-	15,647
Due from other governments	6,667	-	6,667
Total current assets	<u>\$ 177,271</u>	<u>\$ 6,527</u>	<u>\$ 183,798</u>
Noncurrent assets:			
Capital assets - land	\$ 2,959	\$ -	\$ 2,959
Capital assets - depreciable, net	321,261	39,650	360,911
Total noncurrent assets	<u>\$ 324,220</u>	<u>\$ 39,650</u>	<u>\$ 363,870</u>
Total assets	<u>\$ 501,491</u>	<u>\$ 46,177</u>	<u>\$ 547,668</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 69,012	\$ -	\$ 69,012
Total deferred outflows of resources	<u>\$ 69,012</u>	<u>\$ -</u>	<u>\$ 69,012</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 570,503</u>	<u>\$ 46,177</u>	<u>\$ 616,680</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued payroll	\$ 6,337	\$ -	\$ 6,337
Due to other funds	161,547	-	161,547
Current portion of long-term capital liabilities	4,490	-	4,490
Current portion of compensated absences payable	33,401	-	33,401
Total current liabilities	<u>\$ 205,775</u>	<u>\$ -</u>	<u>\$ 205,775</u>
Noncurrent liabilities:			
Noncurrent portion of OPEB	\$ 12,470	\$ -	\$ 12,470
Noncurrent portion of long-term capital liabilities	42,967	-	42,967
Noncurrent portion of compensated absences	2,587	-	2,587
Net pension liability	294,460	-	294,460
Total noncurrent liabilities	<u>\$ 352,484</u>	<u>\$ -</u>	<u>\$ 352,484</u>
Total liabilities	<u>\$ 558,259</u>	<u>\$ -</u>	<u>\$ 558,259</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 17,978	\$ -	\$ 17,978
Total deferred inflows of resources	<u>\$ 17,978</u>	<u>\$ -</u>	<u>\$ 17,978</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 276,763	\$ 39,650	\$ 316,413
Unrestricted	(282,497)	6,527	(275,970)
Total net position	<u>\$ (5,734)</u>	<u>\$ 46,177</u>	<u>\$ 40,443</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<u>\$ 570,503</u>	<u>\$ 46,177</u>	<u>\$ 616,680</u>

See accompanying Notes to the Financial Statements

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

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Non-major Enterprise</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 103,534	\$ 32,477	\$ 136,011
Miscellaneous revenues	39,371	-	39,371
Special assessments	567,489	-	567,489
Total operating revenues	<u>\$ 710,394</u>	<u>\$ 32,477</u>	<u>\$ 742,871</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 390,524	\$ -	\$ 390,524
Supplies	45,372	-	45,372
Purchased services	205,814	11,490	217,304
Fixed charges	5,352	-	5,352
Loss/bad debt expense	18,403	-	18,403
Depreciation	40,543	3,050	43,593
Total operating expenses	<u>\$ 706,008</u>	<u>\$ 14,540</u>	<u>\$ 720,548</u>
Operating income (loss)	<u>\$ 4,386</u>	<u>\$ 17,937</u>	<u>\$ 22,323</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes/assessments revenue	\$ 4,646	\$ -	\$ 4,646
Intergovernmental revenue	15,142	-	15,142
Debt service interest expense	(581)	-	(581)
Total non-operating revenues (expenses)	<u>\$ 19,207</u>	<u>\$ -</u>	<u>\$ 19,207</u>
Income (loss) before contributions and transfers	<u>\$ 23,593</u>	<u>\$ 17,937</u>	<u>\$ 41,530</u>
Change in net position	<u>\$ 23,593</u>	<u>\$ 17,937</u>	<u>\$ 41,530</u>
Net Position - Beginning of the year	\$ (29,327)	\$ 28,240	\$ (1,087)
Net Position - End of the year	<u>\$ (5,734)</u>	<u>\$ 46,177</u>	<u>\$ 40,443</u>

See accompanying Notes to the Financial Statements

**Broadwater County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2021**

	<b>Business - Type Activities - Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Non-major Enterprise</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from providing services	\$ 634,032	\$ 35,581	\$ 669,613
Cash received from miscellaneous sources	39,371	-	39,371
Cash payments to suppliers	(256,538)	-	(256,538)
Cash payments for professional services	-	(11,490)	(11,490)
Cash payments to employees	(370,816)	-	(370,816)
Net cash provided (used) by operating activities	<u>\$ 46,049</u>	<u>\$ 24,091</u>	<u>\$ 70,140</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on debt	\$ (2,243)	\$ -	\$ (2,243)
Interest paid on debt	(581)	-	(581)
Proceeds/payments from loans	49,700	-	49,700
Net cash provided (used) by capital and related financing activities	<u>\$ 46,876</u>	<u>\$ -</u>	<u>\$ 46,876</u>
<b>Cash flows from non-capital financing activities:</b>			
Tax levies and contributions from the County	\$ 4,646	\$ -	\$ 4,646
Payment on short term loans from other funds	(276,481)	(17,564)	(294,045)
Proceeds from short term loan from other funds	161,547	-	161,547
Cash received from other governments	15,142	-	15,142
Net cash provided (used) from non-capital financing activities	<u>\$ (95,146)</u>	<u>\$ (17,564)</u>	<u>\$ (274,257)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ (2,221)</u>	<u>\$ 6,527</u>	<u>\$ (157,241)</u>
<b>Cash and cash equivalents at beginning</b>	<u>2,221</u>	<u>-</u>	<u>2,221</u>
<b>Cash and cash equivalents at end</b>	<u><u>\$ -</u></u>	<u><u>\$ 6,527</u></u>	<u><u>\$ (155,020)</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 4,386	\$ 17,937	\$ 22,323
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	40,543	3,050	43,593
Changes in assets and liabilities:			
Taxes/assessments receivable	(5,114)	-	(5,114)
Accounts receivable	(10,757)	-	(10,757)
Due from other governments	(2,717)	3,104	387
Other post-employment benefits	1,305	-	1,305
Net pension liability and related deferred inflows and outflows	15,510	-	15,510
Compensated absences liability	5,955	-	5,955
Accrued payroll	<u>\$ (3,062)</u>	<u>\$ -</u>	<u>\$ (3,062)</u>
Net cash provided (used) by operating activities	<u><u>\$ 46,049</u></u>	<u><u>\$ 24,091</u></u>	<u><u>\$ 70,140</u></u>

**Broadwater County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<u>Custodial Funds</u>	
	<u>Custodial Funds</u>	<u>External Investment Pool Fund</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 4,474,859	\$ 26,499,018
Taxes receivable	<u>225,243</u>	<u>-</u>
Total receivables	<u>225,243</u>	<u>-</u>
Total assets	<u>\$ 4,700,102</u>	<u>\$ 26,499,018</u>
<b>LIABILITIES</b>		
Warrants payable	\$ 1,968,610	\$ -
Due to others	<u>1,599,292</u>	<u>-</u>
Total liabilities	<u>\$ 3,567,902</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations, and other governments	\$ <u>1,132,200</u>	\$ <u>26,499,018</u>
Total net position	<u>\$ 1,132,200</u>	<u>\$ 26,499,018</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<u>\$ 4,700,102</u>	<u>\$ 26,499,018</u>

See accompanying Notes to the Financial Statements

**Broadwater County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Custodial Funds</b>	
	<b>Custodial Funds</b>	<b>External Investment Pool Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Contributions to Investment Trust Fund	\$ -	\$ 24,169,940
Interest and change in fair value of investments	-	65,467
Taxes, licenses, and fees collected for other governments	6,956,000	-
Property taxes collected for school districts	3,403,104	-
Intergovernmental grants and entitlements collected for school districts	4,897,310	-
Miscellaneous	17,235,323	-
Total additions	<u>\$ 32,491,737</u>	<u>\$ 24,235,407</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$ -	\$ 4,088,794
Taxes, licenses, and fees distributed to other governments	6,313,129	-
School district claims and payroll expense	11,424,932	-
Total deductions	<u>\$ 17,738,061</u>	<u>\$ 4,088,794</u>
Change in net position	<u>\$ 14,753,676</u>	<u>\$ 20,146,613</u>
Net Position - Beginning of the year	\$ -	\$ 6,352,405
Restatements	(13,621,476)	-
Net Position - Beginning of the year - Restated	<u>\$ (13,621,476)</u>	<u>\$ 6,352,405</u>
Net Position - End of the year	<u>\$ 1,132,200</u>	<u>\$ 26,499,018</u>

See accompanying Notes to the Financial Statements



BROADWATER COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

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

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

**New Accounting Pronouncements**

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the County, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the County disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The County has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The County has implemented this pronouncement in the current fiscal year.

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

**Financial Reporting Entity**

In determining the financial reporting entity, the County 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 County appointed a voting majority of the component unit's board; the County is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the County 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 County.

*Primary Government*

The County is a political subdivision of the State of Montana governed by elected Commissioners duly elected by the registered voters of the County. The County utilizes the commission form of government. The County 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 County except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

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

BROADWATER COUNTY, MONTANA  
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*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 County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

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

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

Major Funds:

The County reports the following major governmental funds:

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

*Public Safety Fund* - A special revenue fund used to account for the activities for the Sheriff's Office and confinement of lawfully committed persons of the County's detention center.

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***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 County's policy to use restricted resources first, then unrestricted resources as they are needed.

**Major Funds:**

The County reports the following major proprietary funds:

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

***Fiduciary Funds***

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

*Custodial Funds* – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the County in a custodial capacity. This fund primarily consist reporting of resources held by the County 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**Cash Composition**

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,650
Cash in banks:	
Savings deposits	2,418,264
Time deposits	3,957,104
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	28,973,042
U.S. Government Securities	997,865
Common Stock/Equities	1,771,313
Preferred Stock	62,403
Corporate Bonds & Notes	160,285
Exchange Traded Funds/Closed End Fund - Fixed	73,805
FNMA Pool - mortgage backed securities	21,341
Total	<u>\$ 38,437,072</u>

The Canyon Ferry Trust, which is included above, is made up of several investments presented in detail below. This is a separate trust and therefore it is not limited in their investments as the County is as noted below.

	<u>Canyon Ferry Trust</u>
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Savings deposits	\$ 230,384
Time deposits	458,266
<u>Investments:</u>	
Common Stock/Equities	1,771,313
Preferred Stock	62,403
Exchange Traded Funds/Closed End Fund - Fixed	73,805
Bank of America Corp Bonds and Notes	27,205
General Electric Co Corporate Bonds & Notes	51,908
Goldman Sachs Group Corporate Bonds & Notes	26,631
Goldman Sachs Group Corporate Bonds & Notes	27,206
Wells Fargo & Co. Corporate Bonds & Notes	27,335
FNMA Pool - mortgage backed securities	21,341
Total	<u>\$ 2,777,797</u>

The remaining cash in the trust fund is pooled with other County cash.

BROADWATER COUNTY, MONTANA  
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**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 County's cash and cash equivalents (including restricted assets) are considered to be cash on hand, savings and time deposits, U.S. Government Securities, STIP, 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 fund consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

**Fair Value Measurements**

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

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

- (a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.
- (b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.
- (c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Treasury Bills and U.S Government Securities are valued using quoted market prices (Level 1 inputs).

**Credit Risk**

As a means of limiting exposure to credit risk, the County 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).

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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.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2021, (in thousands):

<u>Security Investment Type</u>	<u>Total Fixed Income Investments at Fair Value</u>	<u>Credit Quality Rating</u>	<u>WAM (Days)</u>
Treasuries	\$ 789,021	A-1+	99
Agency or Government Related Corporate:	724,008	A-1+	87
Commercial Paper	913,481	A-1+	153
Notes	250,494	A-1	111
Certificates of Deposit	<u>405,071</u>	A-1	142
Total Investments	\$ <u>3,082,075</u>		



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Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3<sup>rd</sup> Floor in Helena, Montana.

**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, 2021, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2021
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 4,173,193
- Collateral held by the pledging bank's trust department but not in the County's name	901,273
- Uninsured and Uncollateralized Deposits	1,518,748
Total deposits and investments	\$ <u><u>6,593,214</u></u>

Deposit Security

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

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

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2021, did not meet the amount required by State statutes.

**Interest Rate Risk**

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2021 alone with their related interest rates and maturity dates.

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Investment	Interest Rate	Maturity	Amount
Fedl Home Loan Bank Bond	0.52%	10/23/2024	\$ 498,260
Fedl Home Loan Bank Bond Step	0.75%	6/30/2026	499,605
STIP	0.98%	NA	28,973,042
Common Stock/Equities	3.10 -5.10%	NA	\$1,771,313
Preferred Stock	4.75-5.65%	NA	\$62,403
Exchange traded funds/Closed End Fund - Fixed		NA	\$73,805
Bank of America Corp Bonds and Notes	4.13%	1/22/2024	\$27,205
General Electric Co Corporate Bonds & Notes	3.10%	1/9/2023	\$51,908
Goldman Sachs Group Corporate Bonds & Notes	5.00%	12/15/2023	\$26,631
Goldman Sachs Group Corporate Bonds & Notes	5.10%	6/15/2024	\$27,206
Wells Fargo & Co. Corporate Bonds & Notes	4.48%	1/16/2024	\$27,335
FNMA Pool - mortgage backed securities	2.81%	4/1/2025	\$21,341
Total			\$ <u>32,060,054</u>

**Cash and Investment Pool**

The government maintains a cash and investment pool that is available for use by all funds, except the Canyon Ferry Trust Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." In addition, investments are separately held by several of the government's funds. The deposits and investments of the Townsend School District fund are held separately from those of other government funds.

**Investment in the Treasurer's Pools**

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment funds. There are two types of investment funds reported by the County, pooled and individually directed investment funds.

The County has one pooled investment fund which was invested in STIP, certificates of deposits, and U.S. Government Securities. The County also has one externally directed investment fund invested in a certificate of deposit and a savings account for an external entity as described above.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2021 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2021.

As noted above state statutes limit the type of investments but provide no other regulatory oversight, and the pool is not registered with the Securities and Exchange Commission.

BROADWATER COUNTY, MONTANA  
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Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

**Condensed statements of investments pools**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2021.

**Statement of Net Position**

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 6,970,727
Equity of external pool participants	26,499,018
Total equity	<u>\$ 33,469,745</u>

**Condensed Statement of Changes in Net Position**

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 65,467	\$ 17,194
Contributions to trust	24,169,940	5,947,675
Distributions paid	(4,088,794)	(2,814,967)
Net change in net position	\$ 20,146,613	\$ 3,149,902
Net position at beginning of year	6,352,405	3,820,825
Net position at end of year	<u>\$ 26,499,018</u>	<u>\$ 6,970,727</u>

**NOTE 3. RECEIVABLES**

**Tax Receivables**

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

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.

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

**NOTE 4. CAPITAL ASSETS**

The County's assets are capitalized at historical cost or estimated historical cost. County 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	50 years
Improvements	20 – 30 years
Equipment	5 – 20 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 County has included the value of all infrastructure into the 2021 Basic Financial Statements.

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

Governmental activities:

	Balance July 1, 2020	Additions	Balance June 30, 2021
Capital assets not being depreciated:			
Land	\$ 263,404	\$ -	\$ 263,404
Construction in progress	80,944	49,500	130,444
Total capital assets not being depreciated	<u>\$ 344,348</u>	<u>\$ 49,500</u>	<u>\$ 393,848</u>
Other capital assets:			
Buildings	\$ 4,666,118	\$ -	\$ 4,666,118
Improvements other than buildings	383,718	16,576	400,294
Machinery and equipment	6,484,473	257,065	6,741,538
Infrastructure	2,071,703	-	2,071,703
Total other capital assets at historical cost	<u>\$ 13,606,012</u>	<u>\$ 273,641</u>	<u>\$ 13,879,653</u>
Less: accumulated depreciation	<u>(7,778,374)</u>	<u>(580,959)</u>	<u>(8,359,333)</u>
Total	<u><u>\$ 6,171,986</u></u>	<u><u>\$ (257,818)</u></u>	<u><u>\$ 5,914,168</u></u>

BROADWATER COUNTY, MONTANA  
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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 40,854
Public safety	286,267
Public works	229,917
Public health	7,316
Social and economic services	825
Culture and recreation	<u>15,780</u>
Total governmental activities depreciation expense	<u>\$580,959</u>

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

Business-type activities:

	Balance July 1, 2020	Additions	Balance June 30, 2021
Capital assets not being depreciated:			
Land	\$ 2,959	\$ -	\$ 2,959
Total capital assets not being depreciated	<u>\$ 2,959</u>	<u>\$ -</u>	<u>\$ 2,959</u>
Other capital assets:			
Buildings	\$ 260,497	\$ -	\$ 260,497
Improvements other than buildings	222,471	-	222,471
Machinery and equipment	<u>775,088</u>	-	<u>775,088</u>
Total other capital assets at historical cost	\$ 1,258,056	\$ -	\$ 1,258,056
Less: accumulated depreciation	<u>(853,552)</u>	<u>(43,593)</u>	<u>(897,145)</u>
Total	<u>\$ 407,463</u>	<u>\$ (43,593)</u>	<u>\$ 363,870</u>

## NOTE 5. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities.

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, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Capital leases	\$ 75,464	\$ -	\$ (24,207)	\$ 51,257	\$ 25,143
Intercept loans from direct borrowings	163,038	-	(163,038)	-	-
Compensated absences	<u>273,481</u>	<u>32,316</u>	-	<u>305,797</u>	<u>256,386</u>
Total	<u>\$ 511,983</u>	<u>\$ 32,316</u>	<u>\$ (187,245)</u>	<u>\$ 357,054</u>	<u>\$ 281,529</u>

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

Business-type Activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
Intercap loans from direct borrowings	\$ -	\$ 49,700	\$ (2,243)	\$ 47,457	\$ 4,490
Compensated absences	30,033	5,955	-	35,988	33,401
Total	<u>\$ 30,033</u>	<u>\$ 55,655</u>	<u>\$ (2,243)</u>	<u>\$ 83,445</u>	<u>\$ 37,891</u>

**Intercap Loans**

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans from direct borrowings outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
Solid Waste Cannisters	2/15/21	1.65- 2.50%	10yrs	2/15/25	\$ <u>49,700</u>	Varies	\$ <u>47,457</u>
Reported in business-type activities.							

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 4,490	\$ 765
2023	4,602	728
2024	4,718	690
2025	4,837	652
2026	4,959	614
2027	5,083	575
2028	5,211	535
2029	5,342	495
2030	5,477	455
2031	2,738	414
Total	<u>\$ 47,457</u>	<u>\$ 5,923</u>

**Capital Leases**

The County has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
CAD Technology System - Sheriff	9/1/16	3.865%	7yrs	9/1/22	\$ <u>169,937</u>	\$ <u>27,124</u>	\$ <u>51,257</u>

Reported in governmental activities.

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Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2022	\$ 25,143	\$ 1,981
2023	26,114	1,009
Total	<u>\$ 51,257</u>	<u>\$ 2,990</u>

**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 County'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 County 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 6. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the County. 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.

BROADWATER COUNTY, MONTANA  
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*Employees covered by benefit terms.* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	60
Total employees	<u>60</u>

**Total OPEB Liability**

The County's total OPEB liability of \$178,148 at June 30, 2021, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020, and roll forward procedures applied to this measurement for the June 30, 2021 liability.

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

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

<u>Year</u>	<u>% Increase</u>
2022	5.7%
2023	5.6%
2024	5.5%
2025	5.7%
2026	5.8%
2027	5.6%
2028	5.6%
2029	5.6%
2030 and after	5.6%

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

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

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



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Changes in the Total OPEB Liability

Balance at 6/30/2020	\$ <u>159,500</u>
Changes for the year:	
Service Cost	\$ <u>18,648</u>
Net Changes	\$ <u>18,648</u>
Balance at 6/30/2021	\$ <u><u>178,148</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 (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability \$	\$ <u>182,004</u>	\$ <u>159,500</u>	\$ <u>141,190</u>

*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 \$	\$ <u>136,836</u>	\$ <u>159,500</u>	\$ <u>187,812</u>

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

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

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

For the year ended June 30, 2021, the County recognized an OPEB expense of \$18,648. The County 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 County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

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**NOTE 7. NET PENSION LIABILITY (NPL)**

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

County's Proportionate Share Associated With:

	<u>PERS</u>	<u>SRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 2,648,829	\$ 1,544,291	\$ 4,193,120
Deferred outflows of resources*	\$ 620,801	\$ 724,774	\$ 1,345,575
Deferred inflows of resources	\$ 161,722	\$ 332,167	\$ 493,889
Pension expense	\$ 473,277	\$ 146,620	\$ 619,897

\*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$165,257 and \$147,366 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

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

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

**Summary of Significant Accounting Policies**

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

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**Plan Descriptions**

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

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

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

**Summary of Benefits**

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

- 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.

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

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

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

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

**Vesting**

- 5 years of membership service

**Member's highest average compensation (HAC)**

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

**Compensation Cap**

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

**Monthly benefit formula**

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

**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

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

**Contributions**

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

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

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

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

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

1. Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. The State legislature has the authority to establish and amend contribution rates to the plan.

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

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

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

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The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The County 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 County recorded a liability of \$2,648,829 and the County's proportionate share was 0.100405 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,648,829	\$ 225,491	0.100402%	0.096899%	0.003503%
State of Montana Proportionate Share associated with Employer	832,848	658,447	0.031569%	0.031500%	0.000069%
Total	<u>\$ 3,481,677</u>	<u>\$ 883,938</u>	<u>0.131971%</u>	<u>0.128399%</u>	<u>0.003572%</u>

*Changes in actuarial assumptions and methods:*

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

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

*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$337,071 for its proportionate share of the pension expense. The County also recognized grant revenue of \$136,206 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

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	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 337,071	\$ 196,325
State of Montana Proportionate Share associated with the Employer	136,206	44,702
Total	<u>\$ 473,277</u>	<u>\$ 241,027</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$155,884.

*Recognition of Deferred Inflows and Outflows:*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,758	\$ 75,734
Actual vs. Expected Investment Earnings	229,365	-
Changes in Assumptions	183,421	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	85,988
Employer contributions subsequent to the measurement date - FY21*	165,257	-
Total	<u>\$ 620,801</u>	<u>\$ 161,722</u>

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



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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ (11,996)
2022	\$ 168,372
2023	\$ 80,142
2024	\$ 57,304
Thereafter	\$ -

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

**Guaranteed Annual Benefit Adjustment (GABA)**

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

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

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

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

**Discount Rate**

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

<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
\$ 3,645,956	\$ 2,648,829	\$ 1,811,249

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

**PERS Disclosure for the defined contribution plan**

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

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

Member and employer 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, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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

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**Sheriff's Retirement System**

**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. 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 Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature.

The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

**Summary of Benefits**

Service retirement:

- 20 years of membership service.
- 2.5% of HAC x years of service credit.

Early retirement:

- Age 50 with 5 years of membership service.
- This benefit calculated using HAC and service credit at early retirement, and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

Second Retirement:

Applies to retirement system members re-employed in an SRS position on or after July 1, 2017:

1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

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

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

- HAC = Highest Average Compensation
- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

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**Contributions**

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

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2021	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.2.45%	9.535%

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

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

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$1,544,291 and the County's proportionate share was 1.2670 percent.

	<u>Net Pension Liability as of 6/30/2021</u>	<u>Net Pension Liability as of 6/30/2020</u>	<u>Percent of Collective NPL as of 6/30/2021</u>	<u>Percent of Collective NPL as of 6/30/2020</u>	<u>Change in Percent of Collective NPL</u>
Employer Proportionate Share	\$ 1,544,291	\$ 1,099,294	1.26700%	1.3181%	-0.0511%
Total	\$ 1,544,291	\$ 1,099,294	1.2670%	1.3181%	-0.0511%

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Changes in actuarial assumptions and methods:*

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

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.57% to 2.40%

*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$146,620 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 146,620	\$ 73,953
Total	\$ <u>146,620</u>	\$ <u>73,953</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$141,088.

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*Recognition of Deferred Inflows and Outflows:*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 69,932	\$ 433
Actual vs. Expected Investment Earnings	189,834	-
Changes in Assumptions	317,642	240,429
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	91,305
Employer contributions subsequent to the measurement date - FY21*	147,366	-
Total	<u>\$ 724,774</u>	<u>\$ 332,167</u>

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

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ (41,772)
2022	\$ 95,632
2023	\$ 99,022
2024	\$ 92,359
Thereafter	\$ -



BROADWATER COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**Actuarial Assumptions**

The TPL 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) 7.34%
- Admin Expense as % of payroll 0.16%
- General Wage Growth\* 3.50%  
    \*includes inflation at 2.40%
- Merit Increases 0% to 6.30%
- Post Retirement Benefit Increased  
    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.
  - 3.0% for members hired prior to July 1, 2007
  - 1.5% for members hired on or after July 1, 2007
- 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, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2020, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	4.55%
International Equity	16.00%	6.35%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 2,456,345	\$ 1,544,291	\$ 798,225

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, was as follows:

<b>Due to/from other funds</b>			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term loan to cover deficit cash balance	Crime Victim – Nonmajor Governmental	PILT* - Major Governmental	55,485
Short term loan to cover deficit cash balance	Homeland Security – Nonmajor Governmental	PILT* - Major Governmental	6,686
Short term loan to cover deficit cash balance	CDBG Growth – Nonmajor Governmental	PILT* - Major Governmental	35,225
Short term loan to cover deficit cash balance	Solid Waste – Major Proprietary	PILT* - Major Governmental	161,547
			<u>\$258,943</u>

\*PILT is combined with the General Fund in accordance with GASB #54.

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	District Court – Nonmajor Governmental	PILT* - Major Governmental	\$ 5,800
Operating	District Court - Involuntary Psych – Nonmajor Governmental	District Court – Nonmajor Governmental	10,000
Operating	Comp Insurance – Nonmajor Governmental	PILT* - Major Governmental	207,831
Operating	Public Safety – Major Governmental	PILT* - Major Governmental	50,000
Operating	Public Safety – Major Governmental	PILT* - Major Governmental	25,000
Operating	Juv Transportation – Nonmajor Governmental	PILT* - Major Governmental	12,813
Operating	Economic Development – Nonmajor Governmental	PILT* - Major Governmental	25,000
Operating	Group Health – Nonmajor Governmental	PILT* - Major Governmental	28,200
Operating	Litigation Case – Nonmajor Governmental	PILT* - Major Governmental	88,101
Operating	MCH – Nonmajor Governmental	PILT* - Major Governmental	6,000
Operating	Home health – Nonmajor Governmental	PILT* - Major Governmental	6,000
Operating	3B Admin Skilled – Nonmajor Governmental	General – Major Governmental	450
Operating	3B Admin Skilled – Nonmajor Governmental	General – Major Governmental	1,216
Operating	3B Admin Skilled – Nonmajor Governmental	General – Major Governmental	847

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

Operating	COVID 19 Pandemic Health Dept – Nonmajor Governmental	General – Major Governmental	374
Future Capital Projects and/or capital asset purchases	CIP Maintenance – Nonmajor Governmental	PILT* - Major Governmental	20,000
Future Capital Projects and/or capital asset purchases	CIP Search n Recovery – Nonmajor Governmental	Search and Rescue – Nonmajor Governmental	6,200
Future Capital Projects and/or capital asset purchases	CIP Ambulance – Nonmajor Governmental	PILT* - Major Governmental	15,000
Future Capital Projects and/or capital asset purchases	CIP Ambulance – Nonmajor Governmental	Ambulance – Nonmajor Governmental	12,074
Future Capital Projects and/or capital asset purchases	CIP Sheriff Vehicle – Nonmajor Governmental	PILT* - Major Governmental	40,000
Future Capital Projects and/or capital asset purchases	CIP Weed – Nonmajor Governmental	Weed – Nonmajor Governmental	90,000
Future Capital Projects and/or capital asset purchases	CIP Junk Vehicle – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	4,400
Future Capital Projects and/or capital asset purchases	CIP Extension – Nonmajor Governmental	Extension Service – Nonmajor Governmental	<u>2,000</u>

\$657,306

\*PILT is combined with the General Fund in accordance with GASB #54.

**NOTE 9. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The Entity offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Entity employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

BROADWATER COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. The County 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 board. This is the government's highest level of decision-making authority, Commissioners, and a formal action is required to establish, modify, or rescind the fund balance commitment.

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

The County 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 County 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>
Public Safety	\$ 2,022,101	Law Enforcement, emergency services, and supplies
All Other Aggregate	465,641	General Government administration and services
	306,643	Law Enforcement, emergency services, and supplies
	443,645	Road Repair, maintenance and supplies
	212,980	Public Health Services and Supplies
	201,633	Noxious Weed Management
	25,732	Animal Control
	5,660	Economic development
	29,593	Social and Economic Services and travel
	40,055	Culture and recreation
	62	Housing and Community Development
	50,384	Parks and recreation services and supplies
	<u>83,750</u>	Airport Services
	<u>\$3,887,879</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 1,197,563</u>	Constructions and/or capital asset purchases

BROADWATER COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**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>
Crime Victims Assistance	\$ 12,276	Prior year understated due from other government
Cares Act report with Public Safety Fund	45,573	In the PY the Covid Pandemic Health Dept. Monies were reported combined with the Cares Act Fund. The County made a separate fund in FY21 and moved the monies and activity to the Covid Pandemic Health Dept. Fund
Covid Pandemic Health Dept.	(45,573)	In the PY the Covid Pandemic Health Dept. Monies were reported combined with the Cares Act Fund. The County made a separate fund in FY21 and moved the monies and activity to the Covid Pandemic Health Dept. Fund
Custodial Funds	(13,621,476)	Implementation of GASB 84 in which the former agency funds, which did not have a net position, were reclassified to custodial funds in which do have a net position.
	<u>\$(13,609,200)</u>	

**NOTE 12. JOINT VENTURES**

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

**Law Enforcement and City Judge Services**

The County participated in a law enforcement service agreement and a city judge services agreement with the City of Townsend for the fiscal year ended June 30, 2021. Broadwater County was paid \$266,337 from the City of Townsend, for providing law enforcement and \$19,092 for providing City Judge services for the fiscal year ended June 30, 2021.

**Townsend City-County Airport**

Broadwater County and the City of Townsend agreed to give the responsibility of the City-County Airport general operation to the City-County Airport board which is a joint board consisting of members appointed by the governing body to plan, acquire, establish, develop, construct, enlarge, improve, maintain, equip, operate, regulate, protect and police any airport or air navigation facility or airport hazard to be jointly acquired controlled and operated. The County is the fiscal agent with the City paying the County an approved budget amount each fiscal year. The County was paid \$14,000 in 2021.

**Disaster and Emergency Services**

Broadwater County agreed to provide disaster and emergency services to the City.

BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Canyon Ferry-Broadwater County Trust**

In 1999 Congress created the Canyon Ferry-Broadwater County trust. Section of 1008 of P.L. 105-277 required the County commissioners to establish a nonprofit charitable permanent perpetual public trust fund. In 2001, \$3,000,000 was deposited into the trust fund for the following purposes:

- A. Principal — A sum not to exceed \$500,000 may be expended from the corpus to pay for the planning and construction of a harbor at the Silos recreation area.
- B. Interest — The balance of the Trust shall be held and the income shall be expended annually for the improvement of access to the portions of the Reservoir lying within Broadwater County, Montana, and for the creation and improvement of new and existing recreational areas within Broadwater County.

**NOTE 13. JOINTLY GOVERNED ORGANIZATIONS**

An organization that is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility.

**Broadwater Community Library**

The County Commissioners of Broadwater County and the Board of Trustees of Townsend Public Schools entered into an interlocal agreement to support the functions of the joint school-public library to all residents of Broadwater County. The joint school-public library is known as the Broadwater Community Library. The financial activity is accounted for as Interlocal Agreement Trust Fund (an expendable trust) by the District.

**NOTE 14. SERVICES PROVIDED FROM OTHER GOVERNMENTS**

Broadwater County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also serves as a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

**NOTE 15. RISK MANAGEMENT**

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BROADWATER COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

Property and Casualty Insurance

The County is part of a public entity risk pool called the Montana Association of Counties Property and Casualty Trust (MACo PCT). The MACo PCT pool is a group self-insurance program that offers a package concept combining multiple lines of coverages designed to meet the coverage and service needs for Montana Counties and Special Districts. Liability coverages are provided for at \$750,000/claim and \$1,500,000/occurrence.

PCT Coverage Includes:

- Public officials' errors and omissions
- Employment practices including legal advice on employment issues
- Law enforcement liability
- Auto liability
- General liability
- Defense only coverage for subdivisions approval and denials
- Property
- Faithful performance of duty
- Boiler and Machinery
- Fidelity and Crime
- Professional liability

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers' compensation called the Montana Association of Counties Workers' Compensation Trust (MACo WCT). Coverage is provided to member counties to protect member employees from on-the-job injuries and occupational diseases.

Health Care Insurance

The County is part of a public entity risk sharing pool that provides group health benefits for Montana Counties called the Montana Association of Counties Health Care Trust (MACo HCT). The plan provides medical, pharmacy, Vision and Dental benefits.

**NOTE 16. PENDING LITIGATION**

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case. The County has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Isaiah Wheeler v. Tony Cordova, Broadwater County Sheriff</i>	1,000,000	Unknown
<i>Durwood Belmont Osterhout v. Captain Seth M. Wenzel and Officer Costalickey</i>	Unknown	Unknown



BROADWATER COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 17. SUBSEQUENT EVENTS**

In response to the COVID- 19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF)). The State of Montana received \$1.25 billion from the Coronavirus Relief Fund. The County was eligible to receive assistance through reimbursement requests. The County has received and spent \$1,331,447 in Coronavirus Relief Funding under the CARES Act.

In response to the COVID-19 pandemic, Congress also passed the American Rescue Plan Act of 2021. The State received \$542 million in funding. The County was allocated \$605,732 which was received in fiscal year 2021 but was not spent.

COVID-19 continues to impact local communities, and it is unknown the potential future impacts on the government.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 1,968,470	\$ 1,968,470	\$ 978,289	\$ (990,181)
Licenses and permits	38,020	38,020	76,905	38,885
Intergovernmental	356,349	356,349	423,853	67,504
Charges for services	243,036	243,171	256,506	13,335
Fines and forfeitures	65,000	65,009	75,636	10,627
Miscellaneous	17,500	66,761	71,601	4,840
Investment earnings	6,500	(1,201)	1,122	2,323
Amounts available for appropriation	<u>\$ 2,694,875</u>	<u>\$ 2,736,579</u>	<u>\$ 1,883,912</u>	<u>\$ (852,667)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 1,685,429	\$ 1,686,479	\$ 1,471,631	\$ 214,848
Public safety	44,094	44,666	43,042	1,624
Public health	288,638	289,602	256,172	33,430
Social and economic services	10,000	11,380	4,506	6,874
Debt service - principal	10,722	10,722	-	10,722
Debt service - interest	2,794	2,794	-	2,794
Capital outlay	200	200	-	200
Total charges to appropriations	<u>\$ 2,041,877</u>	<u>\$ 2,045,843</u>	<u>\$ 1,775,351</u>	<u>\$ 270,492</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 81,374	\$ 81,374	\$ 78,374	\$ (3,000)
Transfers out	-	(2,513)	(2,887)	(374)
Total other financing sources (uses)	<u>\$ 81,374</u>	<u>\$ 78,861</u>	<u>\$ 75,487</u>	<u>\$ (3,374)</u>
Net change in fund balance			<u>\$ 184,048</u>	
Fund balance - beginning of the year			<u>\$ 474,138</u>	
Fund balance - end of the year			<u><u>\$ 658,186</u></u>	

**Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

<b>Public Safety</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 1,421,857	\$ 1,421,857	\$ 1,401,486	\$ (20,371)
Licenses and permits	-	-	5,750	5,750
Intergovernmental	215,678	215,678	201,089	(14,589)
Charges for services	736,664	736,664	950,308	213,644
Miscellaneous	3,000	3,000	3,643	643
Amounts available for appropriation	\$ <u>2,377,199</u>	\$ <u>2,377,199</u>	\$ <u>2,562,276</u>	\$ <u>185,077</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public safety	\$ 2,321,116	\$ 2,252,987	\$ 2,063,643	\$ 189,344
Capital outlay	33,000	116,641	106,504	10,137
Total charges to appropriations	\$ <u>2,354,116</u>	\$ <u>2,369,628</u>	\$ <u>2,170,147</u>	\$ <u>199,481</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ <u>75,000</u>	\$ <u>75,000</u>	\$ <u>75,000</u>	\$ -
Total other financing sources (uses)	\$ <u>75,000</u>	\$ <u>75,000</u>	\$ <u>75,000</u>	\$ -
Net change in fund balance			\$ <u>467,129</u>	
Fund balance - beginning of the year			\$ <u>263,197</u>	
Fund balance - end of the year			\$ <u><u>730,326</u></u>	

**Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

<u>ARPA</u>				
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u> <u>BASIS) See Note A</u>	<u>WITH FINAL</u> <u>BUDGET</u>
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	\$ 365,368	\$ 478,724	\$ -	\$ (478,724)
Amounts available for appropriation	\$ 365,368	\$ 478,724	\$ -	\$ (478,724)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ 36,423	\$ -	\$ 36,423
Public health	-	94,397	-	94,397
Total charges to appropriations	\$ -	\$ 130,820	\$ -	\$ 130,820
Net change in fund balance			\$ -	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			\$ -	

**Broadwater County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Public Safety</u>	<u>ARPA</u>
<b>Sources/Inflows of resources</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,883,912	\$ 3,321,121	\$ -
Combined funds (GASBS 54) revenues	<u>776,415</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 2,660,327</u>	<u>\$ 3,321,121</u>	<u>\$ -</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,775,351	\$ 2,170,147	\$ -
Combined funds (GASBS 54) expenditures	<u>192,313</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,967,664</u>	<u>\$ 2,170,147</u>	<u>\$ -</u>

**Broadwater County, Montana**  
**Required Supplementary Information**  
**Schedule of Changes in the Entity's Total OPEB Liability**  
**and Related Ratios**  
**For the Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service Cost	\$ 18,648	\$ 18,649	\$ 14,272	\$ 14,271
Change in assumptions and inputs	<u>-</u>	<u>(7,539)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	18,648	11,110	14,272	14,271
Total OPEB Liability - beginning	159,500	148,390	134,118	121,457
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,611)</u>
Total OPEB Liability - ending	\$ <u><u>178,148</u></u>	\$ <u><u>159,500</u></u>	\$ <u><u>148,390</u></u>	\$ <u><u>134,117</u></u>
Covered-employee payroll	\$ 2,778,860	\$ 2,778,860	\$ 2,768,677	\$ 2,768,677
 Total OPEB liability as a percentage of covered -employee payroll	 6%	 6%	 5%	 5%

*\*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.*

**Broadwater County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2021**

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.100402%	0.096899%	0.100680%	0.127274%	0.123913%	0.126003%	0.121677%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,648,829	\$ 2,025,491	\$ 2,101,342	\$ 2,478,813	\$ 2,110,673	\$ 1,761,358	\$ 1,516,108
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 832,848	\$ 658,447	\$ 702,856	\$ 322,226	\$ 25,790	\$ 21,635	\$ 18,514
Total	\$ 3,481,677	\$ 2,683,938	\$ 2,804,198	\$ 2,801,039	\$ 2,136,463	\$ 1,782,993	\$ 1,534,622
Employer's covered payroll	\$ 1,684,594	\$ 1,598,726	\$ 1,655,743	\$ 1,579,447	\$ 1,484,265	\$ 1,470,479	\$ 1,383,635
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.24%	126.69%	126.91%	156.94%	142.20%	119.78%	111.22%
pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
Employer's proportion of the net pension liability	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportionate share of the net pension liability associated with the Employer	1.2670%	1.3181%	1.4081%	1.4320%	1.4068%	1.3623%	1.2073%
Total	\$ 1,544,291	\$ 1,099,294	\$ 1,058,490	\$ 1,089,735	\$ 2,471,408	\$ 1,313,248	\$ 502,439
Employer's covered payroll	\$ 1,544,291	\$ 1,099,294	\$ 1,058,490	\$ 1,089,735	\$ 2,471,408	\$ 1,313,248	\$ 502,439
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	\$ 1,075,780	\$ 1,058,640	\$ 1,092,504	\$ 1,071,446	\$ 993,096	\$ 926,989	\$ 780,787
pension liability	143.55%	103.84%	96.89%	101.71%	248.86%	141.67%	64.35%
	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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



**Broadwater County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2021**

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 165,257	\$ 147,592	\$ 137,509	\$ 140,242	\$ 132,151	\$ 124,063	\$ 121,173
Contributions in relation to the contractually required contributions	\$ 165,257	\$ 147,592	\$ 137,509	\$ 140,242	\$ 132,151	\$ 127,332	\$ 124,250
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,884,344	\$ 1,684,594	\$ 1,598,726	\$ 1,655,743	\$ 1,579,447	\$ 1,484,265	\$ 1,470,479
Contributions as a percentage of covered payroll	8.77%	8.76%	8.60%	8.47%	8.37%	8.58%	8.45%
	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 145,646	\$ 141,589	\$ 139,360	\$ 145,965	\$ 108,377	\$ 102,930	\$ 94,033
Contributions in relation to the contractually required contributions	\$ 145,646	\$ 141,589	\$ 139,360	\$ 145,965	\$ 108,377	\$ 102,930	\$ 94,033
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,110,530	\$ 1,075,780	\$ 1,058,640	\$ 1,092,504	\$ 1,071,446	\$ 993,096	\$ 926,989
Contributions as a percentage of covered payroll	13.12%	13.16%	13.16%	13.36%	10.12%	10.36%	10.14%

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

**Broadwater 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, 2021**

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

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

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

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

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

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

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

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

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

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

**2015 Legislative Changes**

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

**Second Retirement Benefit - for PERS**

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

**Broadwater 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, 2021**

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

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

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

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

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

**Broadwater 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, 2021**

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

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

**Sheriffs' Retirement System of Montana (SRS)**

**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. SRS working retirees may still work up to 480 hours a year, without returning to active service.

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

- All SRS 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 SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

**2015 Legislative Changes**

There were no legislative changes with regards to SRS in 2015.

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2015:

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%
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**Broadwater 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, 2021**

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

Admin Expense as % of Payroll	0.17%
SRS Discount Rate – Used to measure the TPL	7.75%, which is the assumed long-term expected rate of return on System's investments

The following change to the actuarial assumptions was adopted in 2013:

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System's investments and a municipal bond index rate of 4.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

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

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

## **SINGLE AUDIT SECTION**

**Broadwater County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures</i>
<b><i>Forest Service Schools and Roads Cluster</i></b>			
<b><u>United States Department of Agriculture</u></b>			
<i>N/A</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 75,421
<b>Total United States Department of Agriculture</b>			<b>\$ 75,421</b>
<b>Total Forest Service Schools and Roads Cluster</b>			<b>\$ 75,421</b>
<b><i>Other Programs</i></b>			
<b><u>Department of Homeland Security</u></b>			
<i>Montana Department of Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	EMPG2020-21	\$ 17,122
Homeland Security Grant Program	97.067	20HS-Brdw-Security	30,949
Homeland Security Grant Program	97.067	21HSBDWTR	29,636
<b>Total Department of Homeland Security</b>			<b>\$ 77,707</b>
<b><u>United States Department of Justice</u></b>			
<i>Montana Board of Crime Control</i>			
Crime Victim Assistance	16.575	18V0192397	\$ 48,013
Public Safety Partnership and Community Policing Grants	16.710	N/A	68,378
<b>Total United States Department of Justice</b>			<b>\$ 116,391</b>
<b><u>Department of Transportation</u></b>			
<i>N/A</i>			
Airport Improvement Program and COVID-19 Airports Programs	20.106	N/A	\$ 6,245
<b>Total Department of Transportation</b>			<b>\$ 6,245</b>
<b><u>Department of Health and Human Services</u></b>			
<i>Rocky Mountain Development Council Area IV Agency on Aging</i>			
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2021-004-007	\$ 27,086
<i>Montana Department of Public Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-005-0	23,585
Immunization Cooperative Agreements	93.268	21-07-4-31-103-0	5,117
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20-07-6-11-005-0	91,812
Maternal and Child Health Services Block Grant to the States	93.994	21-25-5-01-004-0	5,382
<b>Total Department of Health and Human Services</b>			<b>\$ 152,982</b>
<b><u>Department of Housing and Urban Development</u></b>			
<i>Montana Department of Commerce</i>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-PL-17-03B	\$ 7,677
<b>Total Department of Housing and Urban Development</b>			<b>\$ 7,677</b>
<b><u>Department of the Treasury</u></b>			
<i>Montana Governors Office</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 1,163,886
<i>Montana Department of Public Health and Human Services</i>			
Coronavirus Relief Fund	21.019	N/A	91,704
<b>Total Department of the Treasury</b>			<b>\$ 1,255,590</b>
<b><u>United States Department of Agriculture</u></b>			
<i>N/A</i>			
Forest Health Protection	10.68	N/A	\$ 20,000
<b>Total United States Department of Agriculture</b>			<b>\$ 20,000</b>
<b>Total Other Programs</b>			<b>\$ 1,636,592</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,712,013</b>

The accompanying notes are an integral part of this schedule

BROADWATER COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2021

*Basis of Presentation and Significant Accounting Policies*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Broadwater County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.



**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***

Board of County Commissioners  
Broadwater County  
Townsend, 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 Broadwater County, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 25, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Broadwater 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 Broadwater County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of County'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 statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item(s) 2021-001 & 2021-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Broadwater County's Response to Findings**

Broadwater County's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Broadwater County'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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 25, 2022

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

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

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

Board of County Commissioners  
Broadwater County  
Townsend, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Broadwater County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Broadwater County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Broadwater County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

March 25, 2022

BROADWATER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2021

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Section II – Financial Statement Findings**

#### **2021-001      Uninsured and Uncollateralized Deposits (Repeat 2020-002, 2019-001)**

**Condition:**

As of June 30, 2021 the County had a significant amount of deposits that were not uninsured and uncollateralized and the County was not in compliance with MCA 7-6-207 (1).

**Context:**

While testing the adequacy of pledged securities for the uninsured portion of the County's deposits against MCA, we noted that the County is not in compliance with the minimum level of pledged securities as required by MCA. Per MCA, the County is required to have at least \$1,210,011 in pledged securities and they only had \$901,273.

**Criteria:**

MCA 7-6-207(1) requires the local government to require pledged securities for 50% of the uninsured balance. Furthermore, an adequate system of internal control would ensure that public monies deposited in financial institutions are either fully insured or fully collateralized to limit the risk of loss.

**Effect:**

The County has \$1,518,748 in deposits that are not insured or collateralized. The County is also not in compliance with MCA 7-6-207(1).

**Cause:**

The County had a large balance in a money market account that exceeded the FDIC insurance. The uninsured balance in the money market account did not have adequate pledged securities. The County also had certificates of deposit with values that exceeded the \$250,000 FDIC insurance.

**Recommendation:**

We recommend that the County spread out the deposits to ensure they are fully insured and/or require the banks to collateralize the amount uninsured.

#### **2021-002      Solid Waste Fund Deficit (Repeat 2020-2, 2019-002, 2018-002)**

**Condition:**

The Solid Waste Fund had a deficit cash balance at year end resulting in a short-term loan from PILT totaling \$161,547 a decrease of \$114,934 over the prior fiscal year.

**Context:**

We reviewed the reasons for the short-term loans to and from other funds.

**Criteria:**

The short-term loan from another fund should be for shortfalls which will be corrected soon after year-end. In addition, the County internal control monitoring procedures should identify when a fund's revenues are not meeting expenditure needs, thus reducing expenditures or increasing rates to correct the negative balances.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Effect:**

The Solid Waste fund continues have a large loan from the PILT fund which is clearly not a short-term loan between funds as the Solid Waste has been unable to repay the PILT fund in its entirety.

### **Cause:**

In adequate monitoring of the financial activity of the fund and not making necessary changes in the expenses to compensate for the reduction of revenues.

### **Recommendation:**

The County should continue to work on the plan to eliminate the deficit in the Solid Waste fund and set up a system to monitor the fund closely to ensure revenues budgeted are received and if not, expenses are reduced to match the revenue and cash available in the fund.

## **Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of County Commissioners  
Broadwater County  
Townsend, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Solid Waste Fund Deficit	Repeated
Uninsured and Uncollateralized Deposits	Repeated
Health Insurance Mill Levy Calculation	Implemented

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

March 25, 2022



# BROADWATER COUNTY MONTANA

515 Broadway, Townsend, MT 59644

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Broadwater County Finance Officer/Payroll

Debbie Kelley

515 Broadway ~ Townsend Montana 59644 ~ 406.266-9201 ~ dkelley@co.broadwater.mt.us

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**Contact Person:**

Debbie Kelley, Finance Officer: Phone, address and email listed above.

**Expected Completion Date of Corrective Action Plan:**

Action plan will be implemented by or before June 30, 2022

**CORRECTIVE ACTION PLAN**

**FINDING 2021-001: Uninsured and Uncollateralized Deposits**

**Response:**

- The Treasurer has contacted Opportunity Bank and requested that our limit be raised so that our deposits are fully insured and/or that they collateralize the amounts that are uninsured. The County spread out its deposits to ensure they are fully funded and/or required the bank to collateralize the uninsured amount. The bank complied under protest.

**FINDING 2021-002: Solid Waste Fund Deficit**

**Response:**

- A plan was made to borrow money from the county with a contract outlining the repayment terms of the loan. A draft contract was set up and implemented in August of FY21/22. A loan was made along with an amortization schedule delineating the repayment of said loan. In addition to the loan, the Public Works Supervisor has worked hard to reduce administrative costs, found cheaper vendors, and revised fees for services to further reduce expenses and increase revenues to ensure the loan payment can be made without further debt.

**STATUS OF PRIOR AUDIT FINDINGS**

**FINDING 2020-001: Solid Waste Fund Deficit**

**Response:**

- See response to finding 2021-002

# BROADWATER COUNTY MONTANA

515 Broadway, Townsend, MT 59644

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Broadwater County Finance Officer/Payroll

Debbie Kelley

515 Broadway ~ Townsend Montana 59644 ~ 406.266-9201 ~ dkelley@co.broadwater.mt.us

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## **FINDING 2020-002: Uninsured and Uncollateralized Deposits**

### Response:

- See response to finding 2021-001

## **FINDING 2020-003: Health Insurance Mill Levy Calculation**

### Response:

- Implemented

Signed this date: June 30, 2022

  
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Debbie Kelley  
Broadwater County Finance Officer