

BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

AUDIT REPORT

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

BROADWATER COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-6
Independent Auditor's Report	7-9
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	10
Statement of Activities	11
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Fund Types	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types	17
Statement of Cash Flows – Proprietary Fund Types	18
Statement of Net Position – Fiduciary Fund Types	19
Statement of Changes in Net Position – Fiduciary Fund Types	20
Notes to Financial Statements	21-62
Required Supplementary Information	
Budgetary Comparison Schedule	63-64
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	65
Schedule of Changes in Total OPEB Liability and Related Ratios	66
Schedule of Proportionate Share of the Net Pension Liability	67
Schedule of Contributions	68
Notes to Required Pension Supplementary Information	69-74
Single Audit Section	
Schedule of Expenditures of Federal Awards	75
Notes to the Schedule of Expenditures of Federal Awards	76

BROADWATER COUNTY, MONTANA

TABLE OF CONTENTS – Continued

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	77-78
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	79-81
Schedule of Findings and Questioned Costs	82-84
Report on Prior Audit Recommendations	85
Auditee’s Corrective Action Plan	86-87

BROADWATER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

BOARD OF COUNTY COMMISSIONERS

Debi Randolph	Chairperson
Darrel Folkvord	Commissioner
Lindsey Richtmyer	Commissioner

COUNTY OFFICIALS

Cory Swanson	County Attorney
Melissa Franks	Treasurer
Angie Paulsen	Clerk and Recorder / Auditor
Valarie Hornsveld	Clerk of District Clerk
Kirk Flynn	Justice of the Peace
Melissa Franks	School Superintendent
Nick Rauser	Sheriff

BROADWATER COUNTY, MONTANA
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2022

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, 2022. 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 \$10,487,083.

- ✓ The total fiscal year end governmental funds fund balance was \$7,500,447.
- ✓ The total unassigned governmental fund balance at fiscal year-end was \$1,820,833. 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, 2022, 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).

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).

BROADWATER COUNTY, MONTANA
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2022

- **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.

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, MONTANA
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2022**

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, 2022, is \$10,487,083 (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, 2022.

GOVERNMENTAL ACTIVITIES

Net position in governmental activities increased by \$1,273,662 during fiscal year 2022. Program revenues in the capital grants and contributions column include grants from federal and state sources.

BUSINESS-TYPE ACTIVITIES

Net position in business type activities increased by \$16,410 during the fiscal year 2022.

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 measuring of a government's net resources available for spending at the end of the fiscal year.

**BROADWATER COUNTY, MONTANA
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2022**

The total fund balance for governmental funds for the fiscal year ended 2022 was \$7,500,447.00. A fund balance of \$2,945,043.00 has been restricted and \$2,458,090 has been committed for other projects.

• **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. An increase in assets totaling \$182,399 is mainly due to the acquisition of the old opportunity bank building, now named Flynn Building and an increase in machinery and equipment. As of June 30, 2022, the capital assets used in governmental activities and not reported in the funds was \$6,096,567.

• **Debt Administration (liabilities)**

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 debts left for FY2022. The remaining liabilities include compensated absences and other post-employment benefits.

The compensated absence is the amount which employees will be paid for time off earned during their employment, such as sick and vacation.

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, 2022, 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.

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.

BROADWATER COUNTY, MONTANA
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2022

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY22	FY21	Change Inc (Dec)	FY22	FY21	Change Inc (Dec)
	Current and other assets	\$ 9,566,650	\$ 9,265,270	\$ 301,380	\$ 137,966	\$ 91,263
Capital assets	6,096,567	5,914,168	182,399	320,797	363,870	(43,073)
Total assets	\$ 15,663,217	\$ 15,179,438	\$ 483,779	\$ 458,763	\$ 455,133	\$ 3,630
Long-term debt outstanding	\$ 2,889,411	\$ 4,255,714	\$ (1,366,303)	\$ 293,598	\$ 377,905	\$ (84,307)
Other liabilities	2,286,723	1,899,462	387,261	108,312	36,785	71,527
Total liabilities	\$ 5,176,134	\$ 6,155,176	\$ (979,042)	\$ 401,910	\$ 414,690	\$ (12,780)
Net investment in capital assets	\$ 6,070,453	\$ 5,862,911	\$ 207,542	\$ 277,830	\$ 316,413	\$ (38,583)
Restricted	3,380,719	3,972,042	(591,323)	-	-	-
Unrestricted (deficit)	1,035,911	(810,691)	1,846,602	(220,977)	(275,970)	54,993
Total net position	\$ 10,487,083	\$ 9,024,262	\$ 1,462,821	\$ 56,853	\$ 40,443	\$ 16,410

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY22	FY21	Change Inc (Dec)	FY22	FY21	Change Inc (Dec)
	Revenues					
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,604,888	\$ 1,580,552	\$ 24,336	\$ 671,330	\$ 708,146	\$ (36,816)
Operating grants and contributions	1,331,729	1,602,465	(270,736)	-	-	-
Capital grants and contributions	115,261	-	115,261	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	3,918,263	3,554,879	363,384	4,271	-	4,271
Licenses and permits	68,397	69,180	(783)	-	-	-
Video poker apportionment	4,900	4,400	500	-	-	-
Taylor Grazing	310	-	310	-	-	-
Miscellaneous	232,955	150,793	82,162	62,446	39,371	23,075
Interest/investment earnings	21,379	(2,554)	23,933	-	-	-
Local option taxes	413,011	380,731	32,280	-	-	-
Unrestricted federal/state shared revenues	91,418	75,749	15,669	-	-	-
State entitlement	593,843	570,662	23,181	-	-	-
PILT	775,128	728,023	47,105	-	-	-
State contributions to retirement	230,850	121,065	109,785	17,442	15,142	2,300
Contributions & donations	219	37,300	(37,081)	-	-	-
Total revenues	\$ 9,402,551	\$ 8,873,245	\$ 529,306	\$ 755,489	\$ 762,659	\$ (7,170)
Program expenses						
General government	\$ 2,031,409	\$ 2,187,542	\$ (156,133)	\$ -	\$ -	\$ -
Public safety	2,833,738	2,490,955	342,783	-	-	-
Public works	1,242,410	923,713	318,697	-	-	-
Public health	593,635	499,087	94,548	-	-	-
Social and economic services	123,424	109,747	13,677	-	-	-
Culture and recreation	136,087	122,946	13,141	-	-	-
Housing and community development	19,557	25,000	(5,443)	-	-	-
Debt service - interest	1,981	5,725	(3,744)	-	-	-
Miscellaneous	1,154,854	998,812	156,042	-	-	-
Solid Waste	-	-	-	721,665	706,589	15,076
Silo Recreation Area	-	-	-	16,105	14,540	1,565
Total expenses	\$ 8,137,095	\$ 7,363,527	\$ 773,568	\$ 737,770	\$ 721,129	\$ 16,641
Excess (deficiency) before special items and transfers	\$ 1,265,456	\$ 1,509,718	\$ (244,262)	\$ 17,719	\$ 41,530	\$ (23,811)
Gain (loss) on sale of capital assets	6,897	-	6,897	-	-	-
Transfers - net	1,309	-	1,309	(1,309)	-	(1,309)
Increase (decrease) in net position	\$ 1,273,662	\$ 1,509,718	\$ (236,056)	\$ 16,410	\$ 41,530	\$ (25,120)

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Broadwater County
Townsend, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Broadwater County, Montana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Broadwater County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Broadwater County, Montana, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, Broadwater County adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Entity's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Broadwater County, Montana's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 20, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Broadwater County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broadwater County, Montana's internal control over financial reporting and compliance.

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

March 20, 2023

Broadwater County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 8,014,402	\$ 157,685	\$ 8,172,087
Taxes and assessments receivable, net	197,753	190,391	388,144
Internal balances	276,740	(276,740)	-
Accounts receivable - net	-	10,005	10,005
Due from other governments	-	10	10
Prepaid expenses	2,370	-	2,370
Total current assets	<u>\$ 8,491,265</u>	<u>\$ 81,351</u>	<u>\$ 8,572,616</u>
Noncurrent assets			
Capital assets - land	\$ 263,404	\$ 2,959	\$ 266,363
Capital assets - construction in progress	195,367	-	195,367
Capital assets - depreciable, net	5,637,796	317,838	5,955,634
Total noncurrent assets	<u>\$ 6,096,567</u>	<u>\$ 320,797</u>	<u>\$ 6,417,364</u>
Total assets	<u>\$ 14,587,832</u>	<u>\$ 402,148</u>	<u>\$ 14,989,980</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,075,385	\$ 56,615	\$ 1,132,000
Total deferred outflows of resources	<u>\$ 1,075,385</u>	<u>\$ 56,615</u>	<u>\$ 1,132,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,663,217</u>	<u>\$ 458,763</u>	<u>\$ 16,121,980</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 674,637	\$ -	\$ 674,637
Accounts payable	18,931	-	18,931
Accrued payroll	99,032	8,755	107,787
Due to other governments	465	-	465
Current portion of long-term capital liabilities	26,114	4,602	30,716
Current portion of compensated absences payable	302,518	41,406	343,924
Total current liabilities	<u>\$ 1,121,697</u>	<u>\$ 54,763</u>	<u>\$ 1,176,460</u>
Noncurrent liabilities			
Other post employment benefits	\$ 128,891	\$ 14,321	\$ 143,212
Noncurrent portion of long-term capital liabilities	-	38,365	38,365
Noncurrent portion of compensated absences	56,317	2,518	58,835
Net pension liability	2,504,462	206,707	2,711,169
Total noncurrent liabilities	<u>\$ 2,689,670</u>	<u>\$ 261,911</u>	<u>\$ 2,951,581</u>
Total liabilities	<u>\$ 3,811,367</u>	<u>\$ 316,674</u>	<u>\$ 4,128,041</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	1,364,767	85,236	1,450,003
Total deferred inflows of resources	<u>\$ 1,364,767</u>	<u>\$ 85,236</u>	<u>\$ 1,450,003</u>
NET POSITION			
Net investment in capital assets	\$ 6,070,453	\$ 277,830	\$ 6,348,283
Restricted for special projects	3,380,719	-	3,380,719
Unrestricted	1,035,911	(220,977)	814,934
Total net position	<u>\$ 10,487,083</u>	<u>\$ 56,853</u>	<u>\$ 10,543,936</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,663,217</u>	<u>\$ 458,763</u>	<u>\$ 16,121,980</u>

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,031,409	\$ 485,358	\$ 647,827	\$ -	\$ (898,224)	\$ -	\$ (898,224)
Public safety	2,833,738	859,504	333,482	-	(1,640,752)	-	(1,640,752)
Public works	1,242,410	165,316	156,120	115,261	(805,713)	-	(805,713)
Public health	593,635	82,160	193,690	-	(317,785)	-	(317,785)
Social and economic services	123,424	2,000	610	-	(120,814)	-	(120,814)
Culture and recreation	136,087	10,550	-	-	(125,537)	-	(125,537)
Housing and community development	19,557	-	-	-	(19,557)	-	(19,557)
Debt service - interest	1,981	-	-	-	(1,981)	-	(1,981)
Miscellaneous	1,154,854	-	-	-	(1,154,854)	-	(1,154,854)
Total governmental activities	\$ 8,137,095	\$ 1,604,888	\$ 1,331,729	\$ 115,261	\$ (5,085,217)	\$ -	\$ (5,085,217)
Business-type activities:							
Solid Waste	\$ 721,665	\$ 669,900	\$ -	\$ -	\$ -	\$ (51,765)	\$ (51,765)
Silo Recreation Area	16,105	1,430	-	-	-	(14,675)	(14,675)
Total business-type activities	\$ 737,770	\$ 671,330	\$ -	\$ -	\$ -	\$ (66,440)	\$ (66,440)
Total primary government	\$ 8,874,865	\$ 2,276,218	\$ 1,331,729	\$ 115,261	\$ (5,085,217)	\$ (66,440)	\$ (5,151,657)
General Revenues:							
Property taxes for general purposes					\$ 3,918,263	\$ 4,271	\$ 3,922,534
Licenses and permits					68,397	-	68,397
Video poker apportionment					4,900	-	4,900
Taylor Grazing					310	-	310
Miscellaneous					232,955	62,446	295,401
Interest/investment earnings					21,379	-	21,379
Local option taxes					413,011	-	413,011
Unrestricted federal/state shared revenues					91,418	-	91,418
State entitlement					593,843	-	593,843
PILT					775,128	-	775,128
State contributions to retirement					230,850	17,442	248,292
Contributions & donations					219	-	219
Gain (loss) on sale of capital assets					6,897	-	6,897
Transfers - net					1,309	(1,309)	-
Total general revenues, special items and transfers					\$ 6,358,879	\$ 82,850	\$ 6,441,729
Change in net position					\$ 1,273,662	\$ 16,410	\$ 1,290,072
Net position - beginning					\$ 9,024,262	\$ 40,443	\$ 9,064,705
Restatements					189,159	-	189,159
Net position - beginning - restated					\$ 9,213,421	\$ 40,443	\$ 9,253,864
Net position - end					\$ 10,487,083	\$ 56,853	\$ 10,543,936

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 2,523,662	\$ 884,616	\$ 4,606,124	\$ 8,014,402
Taxes and assessments receivable, net	38,558	68,243	90,952	197,753
Due from other funds	289	-	-	289
Prepaid expenses	2,370	-	-	2,370
Total current assets	<u>\$ 2,564,879</u>	<u>\$ 952,859</u>	<u>\$ 4,697,076</u>	<u>\$ 8,214,814</u>
Noncurrent assets:				
Advances to other funds	-	276,481	-	276,481
TOTAL ASSETS	<u><u>\$ 2,564,879</u></u>	<u><u>\$ 1,229,340</u></u>	<u><u>\$ 4,697,076</u></u>	<u><u>\$ 8,491,295</u></u>
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 674,637	\$ -	\$ -	\$ 674,637
Accounts payable	10	-	18,921	18,931
Accrued payroll	29,485	36,978	32,569	99,032
Due to other funds	-	-	30	30
Due to other governments	465	-	-	465
Total liabilities	<u>\$ 704,597</u>	<u>\$ 36,978</u>	<u>\$ 51,520</u>	<u>\$ 793,095</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	<u>\$ 38,558</u>	<u>\$ 68,243</u>	<u>\$ 90,952</u>	<u>\$ 197,753</u>
Total deferred inflows of resources	<u>\$ 38,558</u>	<u>\$ 68,243</u>	<u>\$ 90,952</u>	<u>\$ 197,753</u>
FUND BALANCES				
Restricted	\$ -	\$ 1,124,119	\$ 2,097,405	\$ 3,221,524
Committed	-	-	2,458,090	2,458,090
Unassigned fund balance	1,821,724	-	(891)	1,820,833
Total fund balance	<u>\$ 1,821,724</u>	<u>\$ 1,124,119</u>	<u>\$ 4,554,604</u>	<u>\$ 7,500,447</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,564,879</u></u>	<u><u>\$ 1,229,340</u></u>	<u><u>\$ 4,697,076</u></u>	<u><u>\$ 8,491,295</u></u>

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, 2022

Total fund balances - governmental funds	\$ 7,500,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,096,567
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.	197,753
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(513,840)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,504,462)
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.	1,075,385
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.	(1,364,767)
Total net position - governmental activities	\$ <u>10,487,083</u>

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, 2022

	<u>General</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 1,037,510	\$ 1,474,687	\$ 1,727,539	\$ 4,239,736
Licenses and permits	73,001	3,080	896	76,977
Intergovernmental	1,852,043	216,999	937,352	3,006,394
Charges for services	408,384	812,313	244,790	1,465,487
Fines and forfeitures	83,893	-	5,068	88,961
Miscellaneous	155,561	4,782	74,611	234,954
Investment earnings	1,926	-	14,635	16,561
Total revenues	<u>\$ 3,612,318</u>	<u>\$ 2,511,861</u>	<u>\$ 3,004,891</u>	<u>\$ 9,129,070</u>
EXPENDITURES				
General government	\$ 1,619,959	\$ 31,350	\$ 431,042	\$ 2,082,351
Public safety	51,490	2,358,422	121,344	2,531,256
Public works	187	-	1,011,067	1,011,254
Public health	325,277	-	261,042	586,319
Social and economic services	4,085	-	118,514	122,599
Culture and recreation	-	-	121,339	121,339
Housing and community development	-	-	19,557	19,557
Debt service - principal	-	-	25,143	25,143
Debt service - interest	-	-	1,981	1,981
Miscellaneous	-	-	1,154,854	1,154,854
Capital outlay	68,246	112,625	613,083	793,954
Total expenditures	<u>\$ 2,069,244</u>	<u>\$ 2,502,397</u>	<u>\$ 3,878,966</u>	<u>\$ 8,450,607</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,543,074</u>	<u>\$ 9,464</u>	<u>\$ (874,075)</u>	<u>\$ 678,463</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 6,897	\$ 6,897
Transfers in	110,808	76,498	2,431,340	2,618,646
Transfers out	(1,443,498)	(983,944)	(189,895)	(2,617,337)
Total other financing sources (uses)	<u>\$ (1,332,690)</u>	<u>\$ (907,446)</u>	<u>\$ 2,248,342</u>	<u>\$ 8,206</u>
Net Change in Fund Balance	<u>\$ 210,384</u>	<u>\$ (897,982)</u>	<u>\$ 1,374,267</u>	<u>\$ 686,669</u>
Fund balances - beginning	\$ 1,611,340	\$ 2,022,101	\$ 2,991,178	\$ 6,624,619
Restatements	-	-	189,159	189,159
Fund balances - beginning, restated	<u>\$ 1,611,340</u>	<u>\$ 2,022,101</u>	<u>\$ 3,180,337</u>	<u>\$ 6,813,778</u>
Fund balance - ending	<u>\$ 1,821,724</u>	<u>\$ 1,124,119</u>	<u>\$ 4,554,604</u>	<u>\$ 7,500,447</u>

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, 2022

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

Net change in fund balances - total governmental funds \$ 686,669

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 793,954
- Depreciation expense (611,555)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Proceeds from the sale of capital assets (6,897)
- Gain on the sale of capital assets 6,897

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) 91,538

The change in compensated absences is shown as an expense in the Statement of Activities (53,038)

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 25,143

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 36,787

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 122,221

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance 181,943

Change in net position - Statement of Activities \$ 1,273,662

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 154,523	\$ 3,162	\$ 157,685
Taxes and assessments receivable, net	190,391	-	190,391
Accounts receivable - net	10,005	-	10,005
Due from other governments	10	-	10
Total current assets	\$ 354,929	\$ 3,162	\$ 358,091
Noncurrent assets:			
Capital assets - land	\$ 2,959	\$ -	\$ 2,959
Capital assets - depreciable, net	281,238	36,600	317,838
Total noncurrent assets	\$ 284,197	\$ 36,600	\$ 320,797
Total assets	\$ 639,126	\$ 39,762	\$ 678,888
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 56,615	\$ -	\$ 56,615
Total deferred outflows of resources	\$ 56,615	\$ -	\$ 56,615
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 695,741	\$ 39,762	\$ 735,503
LIABILITIES			
Current liabilities:			
Accrued payroll	\$ 8,755	\$ -	\$ 8,755
Due to other funds	259	-	259
Current portion of long-term capital liabilities	4,602	-	4,602
Current portion of compensated absences payable	41,406	-	41,406
Total current liabilities	\$ 55,022	\$ -	\$ 55,022
Noncurrent liabilities:			
Advances payable	\$ 276,481	\$ -	\$ 276,481
Other post employment benefits	14,321	-	14,321
Noncurrent portion of long-term capital liabilities	38,365	-	38,365
Noncurrent portion of compensated absences	2,518	-	2,518
Net pension liability	206,707	-	206,707
Total noncurrent liabilities	\$ 538,392	\$ -	\$ 538,392
Total liabilities	\$ 593,414	\$ -	\$ 593,414
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 85,236	\$ -	\$ 85,236
Total deferred inflows of resources	\$ 85,236	\$ -	\$ 85,236
NET POSITION			
Net investment in capital assets	\$ 241,230	\$ 36,600	\$ 277,830
Unrestricted	(224,139)	3,162	(220,977)
Total net position	\$ 17,091	\$ 39,762	\$ 56,853
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 695,741	\$ 39,762	\$ 735,503

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, 2022

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Non-major Enterprise	Totals
OPERATING REVENUES			
Charges for services	\$ 74,316	\$ 1,430	\$ 75,746
Miscellaneous revenues	54,186	8,260	62,446
Special assessments	595,584	-	595,584
Total operating revenues	\$ 724,086	\$ 9,690	\$ 733,776
OPERATING EXPENSES			
Personal services	\$ 410,236	\$ -	\$ 410,236
Supplies	81,480	-	81,480
Purchased services	188,762	13,055	201,817
Fixed charges	400	-	400
Depreciation	40,023	3,050	43,073
Total operating expenses	\$ 720,901	\$ 16,105	\$ 737,006
Operating income (loss)	\$ 3,185	\$ (6,415)	\$ (3,230)
NON-OPERATING REVENUES (EXPENSES)			
Taxes/assessments revenue	\$ 4,271	\$ -	\$ 4,271
Intergovernmental revenue	17,442	-	17,442
Debt service interest expense	(764)	-	(764)
Total non-operating revenues (expenses)	\$ 20,949	\$ -	\$ 20,949
Income (loss) before contributions and transfers	\$ 24,134	\$ (6,415)	\$ 17,719
Transfers out	(1,309)	-	(1,309)
Change in net position	\$ 22,825	\$ (6,415)	\$ 16,410
Net Position - Beginning of the year	\$ (5,734)	\$ 46,177	\$ 40,443
Net Position - End of the year	\$ 17,091	\$ 39,762	\$ 56,853

See accompanying Notes to the Financial Statements

Broadwater County, Montana
Statement of Cash Flows
Proprietary Types
Fiscal Year Ended June 30, 2022

Business - Type Activities - Enterprise Funds

	Solid Waste	Non-major enterprise	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 640,108	\$ 1,430	\$ 641,538
Cash received from miscellaneous sources	54,186	8,260	62,446
Cash payments to suppliers	(81,480)	-	(81,480)
Cash payments for professional services	(189,162)	(13,055)	(202,217)
Cash payments to employees	(388,687)	-	(388,687)
Net cash provided (used) by operating activities	<u>\$ 34,965</u>	<u>\$ (3,365)</u>	<u>\$ 31,600</u>
Cash flows from capital and related financing activities:			
Principal paid on debt	(4,490)	-	(4,490)
Interest paid on debt	(764)	-	(764)
Net cash provided (used) by capital and related financing activities	<u>\$ (5,254)</u>	<u>\$ -</u>	<u>\$ (5,254)</u>
Cash flows from non-capital financing activities:			
Tax levies and contributions from the County	4,271	-	4,271
Cash received from (paid to) other funds	113,884	-	113,884
Cash received from other governments	6,657	-	6,657
Net cash provided (used) from non-capital financing activities	<u>\$ 124,812</u>	<u>\$ -</u>	<u>\$ 124,812</u>
Net increase (decrease) in cash and cash equivalents	\$ 154,523	\$ (3,365)	\$ 151,158
Cash and cash equivalents at beginning	-	6,527	6,527
Cash and cash equivalents at end	<u>\$ 154,523</u>	<u>\$ 3,162</u>	<u>\$ 157,685</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 3,185	\$ (6,415)	\$ (3,230)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	40,023	3,050	43,073
Other post-employment benefits	1,851	-	1,851
Pension expense	9,344	-	9,344
Changes in assets and liabilities:			
Accounts receivable	5,642	-	5,642
Taxes and/or assessments receivable	(35,434)	-	(35,434)
Compensated absences	7,936	-	7,936
Accrued payroll	2,418	-	2,418
Net cash provided (used) by operating activities	<u>\$ 34,965</u>	<u>\$ (3,365)</u>	<u>\$ 31,600</u>

On behalf public employees retirement system payments of \$17,442 are a non cash transaction

See accompanying notes to the financial statements

Broadwater County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 356,320	\$ 16,783,222
Taxes receivable	395,256	-
TOTAL ASSETS	\$ 751,576	\$ 16,783,222
LIABILITIES		
Due to others	\$ 1,450,181	\$ -
Total liabilities	\$ 1,450,181	\$ -
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 16,783,222
Individuals, organizations, and other governments	(698,605)	-
Total net position	\$ (698,605)	\$ 16,783,222
TOTAL LIABILITIES AND NET POSTION	\$ 751,576	\$ 16,783,222

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, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions to investment fund	\$ -	\$ 5,482,426
Interest and change in fair value of investments	-	77,998
Taxes, licenses, and fees collected for other governments	5,884,687	-
Property taxes collected for school districts	3,444,299	-
Intergovernmental grants and entitlements collected for school districts	5,621,031	-
Miscellaneous	369,180	-
Transfers from External Investment Pool Fund	9,715,796	-
Total additions	\$ 25,034,993	\$ 5,560,424
DEDUCTIONS		
Distributions from investment trust fund	\$ -	\$ 15,276,220
Taxes, licenses, and fees distributed to other governments	6,373,719	-
School district claims and payroll expense	22,460,689	-
Total deductions	\$ 28,834,408	\$ 15,276,220
Change in net position	\$ (3,799,415)	\$ (9,715,796)
Net Position - Beginning of the year	\$ 1,132,200	\$ 26,499,018
Restatements	1,968,610	-
Net Position - Beginning of the year - Restated	\$ 3,100,810	\$ 26,499,018
Net Position - End of the year	\$ (698,605)	\$ 16,783,222

See accompanying Notes to the Financial Statements

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County has implemented this pronouncement in the current fiscal year.

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Fiduciary Funds

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

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the 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.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,650
Cash in banks:	
Savings deposits	1,854,544
Time deposits	3,400,916
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	16,255,460
Federal Home Loan Bank*	1,235,000
Common Stock/Equities*	1,825,525
Corporate Bonds and Notes*	271,671
FNMA Pool - mortgage backed securities*	19,722
US Treasury Notes*	447,141
Total	<u>\$ 25,311,629</u>

* Held in the Canyon Ferry Trust Fund.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 the investments as the County and is noted below.

	Canyon Ferry Trust
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Savings deposits	\$ 12,822
Time deposits	200,916
<u>Investments:</u>	
Common Stock/Equities	1,825,525
Bank of America Corporate Bonds and Notes	25,246
General Electric Co. Corporate Bonds and Notes	49,862
Goldman Sachs Group Corporate Bonds and Notes	25,118
Goldman Sachs Group Corporate Bonds and Notes	25,116
JP Morgan Chase Corporate Bonds and Notes	25,036
JP Morgan Chase Corporate Bonds and Notes	49,907
Royal Bank of Canada Corporate Bonds and Notes	46,097
Wells Fargo and Co Corporate Bonds and Notes	25,289
FNMA Pool - mortgage backed securities	19,722
US Treasury Notes	447,141
Total	\$ 2,777,797

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

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 funds 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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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).

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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, 2022, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 520,928	A-1	17
Asset Backed Commercial Paper	69,929	A-1	2
Agency of Government Related	1,242,500	A-1	40
Corporate:			
Commercial Paper	838,725	A-1	27
Notes	253,992	A-1	8
Certificates of Deposit	<u>752,070</u>	A-1	24
Total Investments	<u>\$ 3,678,144</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd 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, 2022, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2022 <u>Balance</u>
Insured	\$ 3,360,441
- Uninsured and Uncollateralized	<u>1,825,781</u>
Total deposits and investments	<u><u>\$ 5,186,222</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, 2022, did not meet the amount required by State statutes. See finding 2022-003.

Interest Rate Risk

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022, along with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
Common Stock/Equities	NA	NA	\$ 1,825,525
Bank of America Corp Bonds and Notes	4.125%	1/22/2024	25,246
General Electric Co Corporate Bonds & Notes	3.100%	1/9/2023	49,862
Goldman Sachs Group Corporate Bonds & Notes	5.000%	12/15/2023	25,118
Goldman Sachs Group Corporate Bonds & Notes	5.100%	6/15/2024	25,116
JP Morgan Chase	3.625%	5/13/2024	25,036
JP Morgan Chase	3.875%	9/10/2024	49,907
Royal Bank of Canada	1.150%	6/10/2025	46,097
Wells Fargo & Co. Corporate Bonds & Notes	4.480%	1/16/2024	25,289
FNMA Pool #AM8674	2.810%	4/1/2025	19,722
US Treasury Note	2.250%	11/15/2024	98,313
US Treasury Note	2.625%	3/31/2025	49,477
US Treasury Note	2.625%	6/30/2023	49,859
US Treasury Note	2.750%	2/15/2024	49,820
US Treasury Note	2.750%	8/31/2023	49,875
US Treasury Note	2.875%	9/30/2023	99,875
US Treasury Note	2.875%	11/30/2023	49,922
Fedl Home Loan Bank	0.520%	11/23/2024	500,000
Fedl Home Loan Bank	2.250%	4/25/2025	235,000
Fedl Home Loan Bank	0.750%	6/30/2026	500,000
STIP	1.67%	NA	16,255,460
Total			\$ <u>20,054,519</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 trust funds. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has one pooled investment fund which was invested in S TIP, certificates of deposits, and U.S. Government Securities. The County also has one externally directed

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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, 2022, 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, 2022.

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.

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, 2022.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 3,907,391
Equity of external pool participants	16,783,222
Total equity	<u>\$ 20,690,613</u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 77,998	\$ 18,378
Contributions to trust	5,482,426	1,144,150
Distributions paid	(15,276,220)	(4,225,864)
Net change in net position	\$ (9,715,796)	\$ (3,063,336)
Net position at beginning of year	26,499,018	6,970,727
Net position at end of year	\$ 16,783,222	\$ 3,907,391

NOTE 3. RECEIVABLES

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Tax Receivables

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

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

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

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 2022 Basic Financial Statements.

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Governmental activities:

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>July 1, 2021</u>		<u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 263,404	\$ -	\$ 263,404
Construction in progress	130,444	64,923	195,367
Total capital assets not being depreciated	<u>\$ 393,848</u>	<u>\$ 64,923</u>	<u>\$ 458,771</u>
Other capital assets:			
Buildings	\$ 4,666,118	\$ 110,902	\$ 4,777,020
Improvements other than buildings	400,294	-	400,294
Machinery and equipment	6,741,538	618,129	7,359,667
Infrastructure	2,071,703	-	2,071,703
Total other capital assets at historical cost	<u>\$ 13,879,653</u>	<u>\$ 729,031</u>	<u>\$ 14,608,684</u>
Less: accumulated depreciation	<u>(8,359,333)</u>	<u>(611,555)</u>	<u>(8,970,888)</u>
Total	<u>\$ 5,914,168</u>	<u>\$ 182,399</u>	<u>\$ 6,096,567</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 55,028
Public safety	302,482
Public works	231,156
Public health	7,316
Culture and recreation	825
Housing and community development	<u>14,748</u>
Total governmental activities depreciation expense	<u>\$611,555</u>

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

Business-type activities:

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>July 1, 2021</u>		<u>June 30, 2022</u>
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	775,088	-	775,088
Total other capital assets at historical cost	<u>\$ 1,258,056</u>	<u>\$ -</u>	<u>\$ 1,258,056</u>
Less: accumulated depreciation	<u>(897,145)</u>	<u>(43,073)</u>	<u>(940,218)</u>
Total	<u>\$ 363,870</u>	<u>\$ (43,073)</u>	<u>\$ 320,797</u>

NOTE 5. LONG TERM DEBT OBLIGATIONS

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Compensated absences	\$ 305,797	\$ 53,038	\$ -	\$ 358,835	\$ 302,518
Capital leases	51,257	-	(25,143)	26,114	26,114
Total	<u>\$ 357,054</u>	<u>\$ 53,038</u>	<u>\$ (25,143)</u>	<u>\$ 384,949</u>	<u>\$ 328,632</u>

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

Business-type Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Compensated absences	\$ 35,988	\$ 7,936	\$ -	\$ 43,924	\$ 41,406
Intercap loans	47,457	-	(4,490)	42,967	4,602
Total	<u>\$ 83,445</u>	<u>\$ 7,936</u>	<u>\$ (4,490)</u>	<u>\$ 86,891</u>	<u>\$ 46,008</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 16th 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 outstanding as of June 30, 2022, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2022</u>
Solid Waste Cannisters	2/15/21	1.65- 2.50%	10yrs	2/15/25	\$ <u>49,700</u>	Varies	\$ <u>42,967</u>
	Reported in business-type activities.						

Annual requirement to amortize debt:

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

For Fiscal Year Ended	Principal	Interest
2023	\$ 4,602	\$ 645
2024	4,718	575
2025	4,837	505
2026	4,959	432
2027	5,083	358
2028	5,211	282
2029	5,342	203
2030	5,477	123
2031	2,738	41
Total	<u>\$ 42,967</u>	<u>\$ 3,164</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, 2022, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2022</u>
CAD Technology System – Sheriff	9/1/16	3.865%	7yrs	9/1/22	\$ <u>169,937</u>	\$ <u>27,124</u>	\$ <u>26,114</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2023	\$ 26,114	\$ 1,009
Total	<u>\$ 26,114</u>	<u>\$ 1,009</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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	77
Total employees	77

Total OPEB Liability

The County's total OPEB liability of \$143,212 at June 30, 2022, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

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

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

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

<u>Year</u>	<u>% Increase</u>
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BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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

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

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

Changes in the Total OPEB Liability

Balance at 6/30/2021	\$ <u>178,148</u>
Changes for the year:	
Service Cost	\$ 15,026
Restatement	<u>(49,962)</u>
Net Changes	\$ <u>(34,936)</u>
Balance at 6/30/2022	\$ <u><u>143,212</u></u>

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability \$	164,186	\$ 143,212	\$ 126,747

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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	\$ 122,234	\$ 143,212	\$ 169,611

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

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

For the year ended June 30, 2022, the County recognized an OPEB expense of \$(34,936). 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.

NOTE 7. NET PENSION LIABILITY (NPL)

As of June 30, 2022, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:	PERS	SRS	Pension Totals
Net Pension Liability	\$ 1,810,596	\$ 900,573	\$ 2,711,169
Deferred outflows of resources*	\$ 495,907	\$ 636,093	\$ 1,132,000
Deferred inflows of resources	\$ 746,598	\$ 703,405	\$ 1,450,003
Pension expense	\$ 208,939	\$ (5,680)	\$ 203,259

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$193,570 and \$178,395, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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).

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

- 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.

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

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

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

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

Member's highest average compensation (HAC)

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

Compensation Cap

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

<u>Fiscal Year</u>	<u>Member</u>		<u>School Districts</u>	
	<u>Hired<07/01/11</u>	<u>Hired>07/01/11</u>	<u>Employer</u>	<u>State</u>
2022	7.900%	7.900%	8.600%	0.370%
2021	7.900%	7.900%	8.500%	0.370%
2020	7.900%	7.900%	8.400%	0.370%
2019	7.900%	7.900%	8.300%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	6.800%	0.370%
2010 – 2011	6.900%		6.800%	0.370%
2008 – 2009	6.900%		6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,290,660.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

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

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2022, and 2021, are displayed below. The 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 \$1,810,596 and the County’s proportionate share was 0.099855 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,810,596	\$ 2,648,829	0.099855%	0.100402%	-0.000547%
State of Montana Proportionate Share associated with Employer	532,509	832,848	0.029368%	0.031569%	-0.002201%
Total	\$ 2,343,105	\$ 3,481,677	0.129223%	0.131971%	-0.002748%

Changes in actuarial assumptions and methods:

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

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

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Pension Expense:

At June 30, 2022, the County recognized a Pension Expense of \$56,158 for its proportionate share of the pension expense. The County also recognized grant revenue of \$152,781 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
Employer Proportionate Share	\$ 56,158	\$ 337,071
State of Montana Proportionate Share associated with the Employer	152,781	136,206
Total	<u>\$ 208,939</u>	<u>\$ 473,277</u>

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$165,257.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 19,322	\$ 13,107
Actual vs. Expected Investment Earnings	-	733,491
Changes in Assumptions	268,183	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	14,832	-
Employer contributions subsequent to the measurement date - FY21*	193,570	-
Total	<u>\$ 495,907</u>	<u>\$ 746,598</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, 2022.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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
2022	\$ 27,460
2023	\$ (60,415)
2024	\$ (177,157)
2025	\$ (234,149)
Thereafter	\$ -

Actuarial Assumptions

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Target Allocations

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

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

Discount Rate

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

1.0% Decrease	Current	1.0% Increase
<u>(6.06%)</u>	<u>Discount Rate</u>	<u>(8.06%)</u>
\$ 2,874,039	\$ 1,810,596	\$ 918,614

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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:
 - 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;

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

- 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.

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

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>
2018-2022	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

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

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County’s and the state of Montana’s NPL for June 30, 2022, and 2021, 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 \$900,573 and the County’s proportionate share was 1.2364 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 900,573	\$ 1,544,291	1.2364%	1.2670%	-0.0306%
Total	<u>\$ 900,573</u>	<u>\$ 1,544,291</u>	<u>1.2364%</u>	<u>1.2670%</u>	<u>-0.0306%</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 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Pension Expense:

At June 30, 2022, the County recognized a Pension Expense of \$(5,680) for its proportionate share of the pension expense.

	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ (5,680)	\$ 146,620
Total	\$ (5,680)	\$ 146,620

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$147,366.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 116,592	\$ -
Actual vs. Expected Investment Earnings	-	608,711
Changes in Assumptions	341,106	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	94,694
Employer contributions subsequent to the measurement date - FY21*	178,395	-
Total	\$ 636,093	\$ 703,405

*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, 2022.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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
2022	\$ (38,504)
2023	(35,064)
2024	(41,124)
2025	(131,014)
Thereafter	\$ -

Actuarial Assumptions

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

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of payroll 0.17%
- 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.

Target Allocations

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

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 1,902,166	\$ 900,573	\$ 83,175

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term loan	PILT * - Major Governmental	Crime Victims Assistance – Nonmajor Governmental	\$ 30
Short term loan	PILT * - Major Governmental	Solid Waste – Major Governmental	<u>259</u>
			<u>\$ 289</u>

* - combined with the General fund in accordance with GASB 54

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

The following balances are not expected to be paid within one year:

Advances to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Loan for deficit	Solid Waste – Major Governmental	COVID 19 CARES ** - Major Governmental	\$ <u>276,481</u>
	** - reported with Public Safety in accordance with GASB 54		

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	Home Health – Nonmajor Governmental	General – Major Governmental	\$ 350
Operating	3B Admin Skilled Nursing – Nonmajor Governmental	General – Major Governmental	882
Operating	Parks/Recreation Civic Center – Nonmajor Governmental	General – Major Governmental	6,649
Operating	Home Health – Nonmajor Governmental	General – Major Governmental	6,116
Future Capital purchases	CIP - Weed – Nonmajor Governmental	Weed – Nonmajor Governmental	68,500
Future Capital purchases	CIP - Fair – Nonmajor Governmental	Fair – Nonmajor Governmental	13,156
Future Capital purchases	CIP - Airport – Nonmajor Governmental	Airport – Nonmajor Governmental	46,000
Operating	District Court - Involuntary Psych Services – Nonmajor Governmental	District Court – Nonmajor Governmental	10,000
Future Capital purchases	CIP - Mosquito – Nonmajor Governmental	Mosquito – Nonmajor Governmental	3,000
Future Capital purchases	CIP - Ambulance – Nonmajor Governmental	Ambulance – Nonmajor Governmental	9,000
Future Capital purchases	CIP - Planning/GIS – Nonmajor Governmental	Planning – Nonmajor Governmental	8,000
Future Capital purchases	CIP - Senior Center – Nonmajor Governmental	Senior Citizen Meals – Nonmajor Governmental	14,575

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Future Capital purchases	CIP - Extension – Nonmajor Governmental	Extension Service – Nonmajor Governmental	2,000
Future Capital purchases	CIP - Search N Recovery – Nonmajor Governmental	Search & Recovery – Nonmajor Governmental	10,000
Future Capital purchases	CIP - Junk Vehicle – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	5,664
Operating	General – Major Governmental	PILT * – Major Governmental	101,050
Operating	Economic Development – Nonmajor Governmental	PILT * – Major Governmental	19,557
Operating	MCH – Nonmajor Governmental	PILT * – Major Governmental	6,000
Operating	Home Health – Nonmajor Governmental	PILT * – Major Governmental	6,000
Operating	Comp. Insurance – Nonmajor Governmental	PILT * – Major Governmental	230,756
Operating	Public Safety	PILT * – Major Governmental	75,000
Operating	Litigation Case – Nonmajor Governmental	PILT * – Major Governmental	35,000
Future Capital purchases	CIP - Ambulance – Nonmajor Governmental	PILT * – Major Governmental	15,000
Operating	Extension Service – Nonmajor Governmental	PILT * – Major Governmental	2,400
Operating	CDBG Growth Policy – Nonmajor Governmental	PILT * – Major Governmental	7,427
Future Capital purchases	CIP - Meridian Bridge Project – Nonmajor Governmental	PILT * – Major Governmental	115,000
Operating	Parks/Recreation Civic Center – Nonmajor Governmental	PILT * – Major Governmental	8,000
Operating	Comp. Insurance – Nonmajor Governmental	PILT * – Major Governmental	12,453
Operating	Search & Recovery – Nonmajor Governmental	PILT * – Major Governmental	39,611

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Operating	Homeland Security – Nonmajor Governmental	PILT * – Major Governmental	136,767
Operating	Crime Victims Assistance – Nonmajor Governmental	PILT * – Major Governmental	13,748
Future Capital purchases	CIP - Maintenance – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	60,000
Future Capital purchases	CIP - Commission Engineering – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	15,000
Future Capital purchases	CIP - Accounting Office – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Public Health Office – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	10,000
Future Capital purchases	CIP - Sanitarian – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	26,000
Future Capital purchases	CIP - Disaster Emergency Services – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Planning/GIS – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Attorney – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - District Court – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Weed – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	2,500
Future Capital purchases	CIP - Mosquito – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	2,500

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Future Capital purchases	CIP - Public Safety/Sheriff – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	50,000
Future Capital purchases	CIP - Solid Waste – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	50,000
Future Capital purchases	CIP - Election Equipment – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	10,000
Future Capital purchases	CIP - Fair – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Extension – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	5,000
Future Capital purchases	CIP - Road – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	50,000
Operating	Group Health – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	214,000
Operating	General – Major Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	7,600
Operating	District Court – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	184
Operating	General – Major Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	2,158
Operating	Extension Service – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	140
Operating	Fair – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	793

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Operating	Weed – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	2,216
Operating	Mosquito – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	1,046
Operating	Public Safety – Major Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	1,142
Operating	Public Safety – Major Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	356
Future Capital purchases	CIP – Flyn Building – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	6,708
Future Capital purchases	CIP - Public Safety/Sheriff – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	135,000
Operating	Group Health – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	51,000
Future Capital purchases	CIP - Controlled General Projects – Nonmajor Governmental	COVID-19 CARES Act Reimbursement ** – Major Governmental	250,601
Future Capital purchases	CIP - SERC – Nonmajor Governmental	ARPA Recovery Funds * – Major Governmental	605,732
Future Capital purchases	CIP - Solid Waste – Nonmajor Governmental	Solid Waste – Major Business-type	567
Future Capital purchases	CIP - Solid Waste – Nonmajor Governmental	Solid Waste – Major Business-type	742
			<u>\$ 2,618,646</u>

*Reported with the General Fund in accordance with GASB 54

**Reported with the Public Safety Fund in accordance with GASB 54 as the monies were mainly used for Public Safety.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 9. 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	\$ 1,124,119	Law Enforcement, emergency services, and supplies
All Other Aggregate	542,116	General Government administration and services
	295,429	Law Enforcement, emergency services, and supplies
	497,500	Road Repair, maintenance, and supplies
	237,913	Public Health Services and Supplies
	199,311	Noxious Weed Management
	34,665	Animal Control
	5,664	Economic development
	11,080	Social and Economic Services and travel
	67,396	Culture and recreation
	62	Housing and Community Development
	52,034	Parks and recreation services and supplies
	<u>154,235</u>	Airport services
	<u>\$ 3,221,524</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>2,458,090</u>	Constructions and/or capital asset purchases

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 10. 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>
Wheatland Rd	\$ 31,809	Reclassify fund from agency to special revenue
Rolling Glen Ranch Rd	145,114	Reclassify fund from agency to special revenue
Price Rd	6,954	Reclassify fund from agency to special revenue
Springville Rd Improvement	3,970	Reclassify fund from agency to special revenue
Carroll Dr Road Improvement	1,312	Reclassify fund from agency to special revenue
Custodial Funds	<u>1,968,610</u>	
	<u>\$2,157,769</u>	

NOTE 11. 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 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, 2022. Broadwater County was paid \$274,327 from the City of Townsend, for providing law enforcement and \$19,092 for providing City Judge services for the fiscal year ended June 30, 2022.

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 2022.

Disaster and Emergency Services

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

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

- 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 12. 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 13. 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 14. 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.

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.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

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> , Cause No. CV 22-91-H-SEH	Undetermined	Not Stated

NOTE 17. SUBSEQUENT EVENTS

The County passed Resolution 2022-33 on October 3, 2022, allocating \$447,124 the Minimum Allocation funds received under the American Rescue Plan funding for the Townsend Water System Improvements project which includes fire hydrant replacements, installation of isolation valves and new water transmission mains. This was approved by the Montana Department of Natural Resources and Conservation.

Resolution 28 was passed and adopted 9/12/22 approving the application of Trident Solar I, LLC for a new and expanding industry tax abatement beginning at 25% starting in the tax year 2023. Resolution 38 passed and adopted on October 31, 2022, conditionally approving the application of Trident Solar I, LLC for a new and expanding industry tax abatement beginning at 25% starting in tax year 2025, if approved by the Department of Revenue.

BROADWATER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Resolution 29 passed and adopted 9/21/22 stating the County's intention to proceed with issuance of industrial development revenue bonds pursuant to Title 90, Chapter 5, Part 1, MCA on behalf of Montana Opticom, a Montana LLC for the purpose of expanding its fiber optic network and calling a hearing on the public interests to be promoted via the project. Resolution 35 passed and adopted on 10/12/22 authorizing a project under Title 90, Chapter 5, Part 1, as amended, and the issuance and sale of the County's Industrial Development Revenue Bonds (Montana Opticom Project) in one or more series, in an aggregate principal amount of not to exceed \$60,000,000 to finance the project. The Bonds will be a special limited obligation of the County payable solely from and secured by the payments to be made by the Company under the Loan Agreement and will not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the County except the County's interest in the Loan Agreement and the Project, if any, and the Bonds, when, as, and if issued, shall recite in substance that the Bonds, including interest thereon, is payable solely from revenues derived from the Company and the Project, the property pledged to the payment thereof and other sources of security for the Bonds, and shall not constitute a pecuniary liability of, or a general or moral obligation of the County, within the meaning of any constitutional or statutory limitation. The full faith, credit and taxing power of the County are not pledged to the payment of the Bonds.

In February 2023 the County awarded the construction of the fairgrounds pavilion to Dick Anderson Construction for \$383,000, The wastewater system to Gruber Excavating for \$183,322.42 and the bath and restrooms to AV Construction for \$318,300.

In July 2022 the County received the second and final payment of the Coronavirus State and Local Fiscal Recovery funds of \$605,732.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,322,812	\$ 1,018,431	\$ 1,037,510	\$ 19,079
Licenses and permits	50,420	50,420	73,001	22,581
Intergovernmental	377,000	422,906	471,164	48,258
Charges for services	244,049	251,977	408,384	156,407
Fines and forfeitures	60,000	60,000	83,893	23,893
Miscellaneous	10,693	127,561	152,893	25,332
Investment earnings	3,600	(1,216)	1,926	3,142
Amounts available for appropriation	\$ 2,068,574	\$ 1,930,079	\$ 2,228,771	\$ 298,692
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,909,572	\$ 1,937,388	\$ 1,590,539	\$ 346,849
Public safety	59,266	59,266	51,490	7,776
Public works	-	-	187	(187)
Public health	319,327	320,823	325,277	(4,454)
Social and economic services	11,000	11,000	4,085	6,915
Capital outlay	18,800	60,323	56,649	3,674
Total charges to appropriations	\$ 2,317,965	\$ 2,388,800	\$ 2,028,227	\$ 360,573
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 120,150	\$ 120,150	\$ 110,808	\$ (9,342)
Transfers out	(7,881)	(7,881)	(13,997)	(6,116)
Total other financing sources (uses)	\$ 112,269	\$ 112,269	\$ 96,811	\$ (15,458)
Net change in fund balance			\$ 297,355	
Fund balance - beginning of the year			\$ 658,186	
Fund balance - end of the year			\$ 955,541	

Broadwater County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,424,857	\$ 1,423,857	\$ 1,474,687	\$ 50,830
Licenses and permits	3,500	3,500	3,080	(420)
Intergovernmental	299,699	352,278	216,999	(135,279)
Charges for services	777,625	777,625	812,313	34,688
Miscellaneous	3,500	3,500	4,782	1,282
Amounts available for appropriation	\$ 2,509,181	\$ 2,560,760	\$ 2,511,861	\$ (48,899)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ 31,350	\$ 31,350	\$ -
Public safety	\$ 2,497,793	\$ 2,437,865	\$ 2,358,422	\$ 79,443
Capital outlay	34,500	94,428	112,625	(18,197)
Total charges to appropriations	\$ 2,532,293	\$ 2,563,643	\$ 2,502,397	\$ 61,246
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 76,498	\$ 76,498	\$ 76,498	\$ -
Transfers out	(547,343)	(983,944)	(983,944)	-
Total other financing sources (uses)	\$ (470,845)	\$ (907,446)	\$ (907,446)	\$ -
Net change in fund balance			\$ (897,982)	
Fund balance - beginning of the year			\$ 2,022,101	
Fund balance - end of the year			\$ 1,124,119	

**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>
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,228,771	\$ 2,511,861
Combined funds (GASBS 54) revenues	<u>1,383,547</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,612,318</u>	<u>\$ 2,511,861</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,028,227	\$ 2,502,397
Combined funds (GASBS 54) expenditures	<u>41,017</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,069,244</u>	<u>\$ 2,502,397</u>

Broadwater County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service Cost	\$ 15,026	\$ 18,648	\$ 18,649	\$ 14,272	\$ 14,271
Change in assumptions and inputs	<u>(49,962)</u>	<u>-</u>	<u>(7,539)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(34,936)	18,648	11,110	14,272	14,271
Total OPEB Liability - beginning	178,148	159,500	148,390	134,118	121,457
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,611)</u>
Total OPEB Liability - ending	<u>\$ 143,212</u>	<u>\$ 178,148</u>	<u>\$ 159,500</u>	<u>\$ 148,390</u>	<u>\$ 134,117</u>
Covered-employee payroll	\$ 3,499,003	\$ 2,778,860	\$ 2,778,860	\$ 2,768,677	\$ 2,768,677
 Total OPEB liability as a percentage of covered -employee payroll	 4%	 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, 2022

	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.099855	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	\$ 1,810,596	\$ 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	\$ 532,509	\$ 832,848	\$ 658,447	\$ 702,856	\$ 322,226	\$ 25,790	\$ 21,635	\$ 18,514
Total	<u>\$ 2,343,105</u>	<u>\$ 3,481,677</u>	<u>\$ 2,683,938</u>	<u>\$ 2,804,198</u>	<u>\$ 2,801,039</u>	<u>\$ 2,136,463</u>	<u>\$ 1,782,993</u>	<u>\$ 1,534,622</u>
Employer's covered payroll	\$ 1,755,518	\$ 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	103.14%	157.24%	126.69%	126.91%	156.94%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

-67-

	<u>SRS 2022</u>	<u>SRS 2021</u>	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	1.2364%	1.2670%	1.3181%	1.4081%	1.4320%	1.4068%	1.3623%	1.2073%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 900,573	\$ 1,544,291	\$ 1,099,294	\$ 1,058,490	\$ 1,089,735	\$ 2,471,408	\$ 1,313,248	\$ 502,439
Total	<u>\$ 900,573</u>	<u>\$ 1,544,291</u>	<u>\$ 1,099,294</u>	<u>\$ 1,058,490</u>	<u>\$ 1,089,735</u>	<u>\$ 2,471,408</u>	<u>\$ 1,313,248</u>	<u>\$ 502,439</u>
Employer's covered payroll	\$ 1,123,643	\$ 1,075,780	\$ 1,058,640	\$ 1,092,504	\$ 1,071,446	\$ 993,096	\$ 926,989	\$ 780,787
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	80.15%	143.55%	103.84%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	75.92%	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

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

Broadwater County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022

	PERS							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 193,570	\$ 165,257	\$ 147,592	\$ 137,509	\$ 140,242	\$ 132,151	\$ 124,063	\$ 121,173
Contributions in relation to the contractually required contributions	\$ 193,570	\$ 165,257	\$ 147,592	\$ 137,509	\$ 140,242	\$ 132,151	\$ 127,332	\$ 124,250
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,250,814	\$ 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	8.60%	8.77%	8.76%	8.60%	8.47%	8.37%	8.58%	8.45%

-8-

	SRS	SRS	SRS	SRS	SRS	SRS	SRS	SRS
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 178,395	\$ 147,091	\$ 141,589	\$ 139,360	\$ 145,965	\$ 108,377	\$ 102,930	\$ 94,033
Contributions in relation to the contractually required contributions	\$ 178,395	\$ 147,091	\$ 141,589	\$ 139,360	\$ 145,965	\$ 108,377	\$ 102,930	\$ 94,033
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$	\$ 1,123,643	\$ 1,075,780	\$ 1,058,640	\$ 1,092,504	\$ 1,071,446	\$ 993,096	\$ 926,989
Contributions as a percentage of covered payroll		13.09%	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, 2022

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

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, 2022

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

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

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

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

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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, 2022

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using
Mortality (Healthy members)	Scale BB, males set back 1 year
	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year’s actuarial administrative expenses.

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, 2022

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.

2017 Legislative Changes

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

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

Second Retirement Benefit – for SRS

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

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

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, 2022

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions.

The following Actuarial Assumptions were adopted from the June 30, 2020, actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open

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, 2022

Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.17%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020, valuation, were developed in the six-year experience study for the period ending 2016.

SINGLE AUDIT SECTION

Broadwater County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Aging Cluster</i>			
<u>Department of Health and Human Services</u>			
<i>Passed through Rocky Mountain Development Corporation</i>			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2022-004-007 Covid Home Health	\$ 20,787
Total Department of Health and Human Services			\$ 20,787
Total Aging Cluster			\$ 20,787
<i>Forest Service Schools and Roads Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 91,418
Total United States Department of Agriculture			\$ 91,418
Total Forest Service Schools and Roads Cluster			\$ 91,418
<i>Other Programs</i>			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	EMD-2021-EP-00003	\$ 25,933
Homeland Security Grant Program	97.067	20HSBDWESEC	10,755
Homeland Security Grant Program	97.067	N/A	136,767
Total Department of Homeland Security			\$ 173,455
<u>United States Department of Justice</u>			
<i>Passed through Montana Board of Crime Control</i>			
Coronavirus Emergency Supplemental Funding	16.034	20CV01-92729 Covid-19	\$ 16,616
Crime Victim Assistance	16.575	V01-774	22,617
<i>Direct</i>			
Public Safety Partnership and Community Policing Grants	16.710	N/A	89,007
Total United States Department of Justice			\$ 128,240
<u>Department of Transportation</u>			
<i>Direct</i>			
Airport Improvement Program	20.106	N/A	\$ 115,261
Total Department of Transportation			\$ 115,261
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-005-0	\$ 38,669
Immunization Cooperative Agreements	93.268	21-07-47-31-103-1	3,865
Immunization Cooperative Agreements	93.268	21-07-47-31-103-0	16,345
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20-07-6-11-005-0	119,086
Maternal and Child Health Block Grant to the States	93.994	N/A	1,680
Maternal and Child Health Block Grant to the States	93.994	21-25-5-01-004-0	1,794
Total Department of Health and Human Services			\$ 181,439
<u>Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-PL-17-03C	\$ 2,202
Total Department of Housing and Urban Development			\$ 2,202
<u>Department of the Treasury</u>			
<i>Direct</i>			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	N/A	\$ 605,732
Total Department of the Treasury			\$ 605,732
Total Other Programs			\$ 1,206,329
Total Federal Financial Assistance			\$ 1,318,534

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, 2022

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, 2022, 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 20, 2023.

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 Broadwater County’s internal control over financial reporting.

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. We did identify certain deficiencies in internal control, described below that we consider to be material weaknesses listed as item 2022-002.

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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2022-001 and 2022-002.

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.

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

March 20, 2023

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

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

**INDEPENDENT AUDITOR’S REPORT ON 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

Opinion on Each Major Federal Program

We have audited Broadwater County’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Broadwater County’s Major federal programs for the year ended June 30, 2022. Broadwater County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Broadwater County 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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Broadwater County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Broadwater County’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Broadwater County’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Broadwater County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Broadwater County's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Broadwater County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Broadwater County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Broadwater County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Broadwater County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Broadwater County's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a types 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 20, 2023

BROADWATER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2022

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?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	Yes

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>
21.027	Coronavirus State and Local Fiscal Recovery Funds
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

2022-001 Operating Transfer

Condition:

The County transferred monies from the COVID-19 CARES Act Reimbursement fund which was combined with the Public Safety fund in accordance with GASB 54, to unrelated Public Safety funds.

Context:

We reviewed transfers in and transfers out to determine if the transfers were allowable.

Criteria:

Transfers are allowed for the following purposes:

1. From unrestricted funds to any fund
2. From restricted fund to a related restricted fund
3. From a restricted fund to a related capital projects fund.

Effect:

\$797,446 was transferred from the Public Safety fund to various unrelated funds.

Cause:

The County made an error when determining the transfers.

Recommendation:

The County should limit operating transfers to those that are allowed.

2022-002 Uninsured and Uncollateralized Deposits (Repeat 2021-002, 2020-002, 2019-001)

Condition:

As of June 30, 2022, 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 \$1,825,120 in pledged securities.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

The County has \$1,825,120 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.

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Broadwater County
Townsend, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2021-001 Uninsured and Uncollateralized Deposits	Repeated
2021-002 Solid Waste Deficit	Implemented

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

March 20, 2023

BROADWATER COUNTY



MONTANA

515 Broadway, Townsend, MT 59644

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, 2023

### CORRECTIVE ACTION PLAN

#### **FINDING 2022-001: Operating Transfer**

##### Response:

- As a result of the original COVID-19 funding by the U.S. Federal government, there was a lot of confusion as to how to account for the funding. Was it a grant or was it revenue replacement? The County made the decision to treat it as revenue replacement. However, the County is aware of its error and will not engage in unallowable transfers in the future.

#### **FINDING 2022-002: Uninsured and Uncollateralized Deposits (repeat 2021-002, 2020-002, 2019-001)**

##### Response:

- The Treasurer has contacted Opportunity Bank and requested that our deposits be 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 has slowly complied under protest. As a result of two major banks being found lacking in their insured deposits, we are confident that the bank will expedite the implementation of fully insuring its deposits.

### STATUS OF PRIOR AUDIT FINDINGS

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

##### Response:

- See response to finding 2022-002



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

Response:

- It has been resolved

Signed this date:      March 21, 2023

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Debbie Kelley  
Broadwater County Finance Officer