CITY OF POLSON

LAKE COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

CITY OF POLSON

LAKE COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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CITY OF POLSON

LAKE COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

CITY COUNCIL

Jan Ruggless	Commissioner
Jake Holley	Commissioner
Lisa Rehard	Commissioner
Laura Dever	Commissioner
Carolyn Pardini	Commissioner
Graydon “Brodie” Moll	Commissioner

CITY OFFICIALS

Eric Huffine	Mayor
Ed Meece	City Manager
Kim Sassaman	Finance Officer
Cora Pritt	Clerk
George Simpson	Chief of Police
Clinton Cottle	Fire Chief
Michael Larson	City Judge
Dave Michie	City Attorney

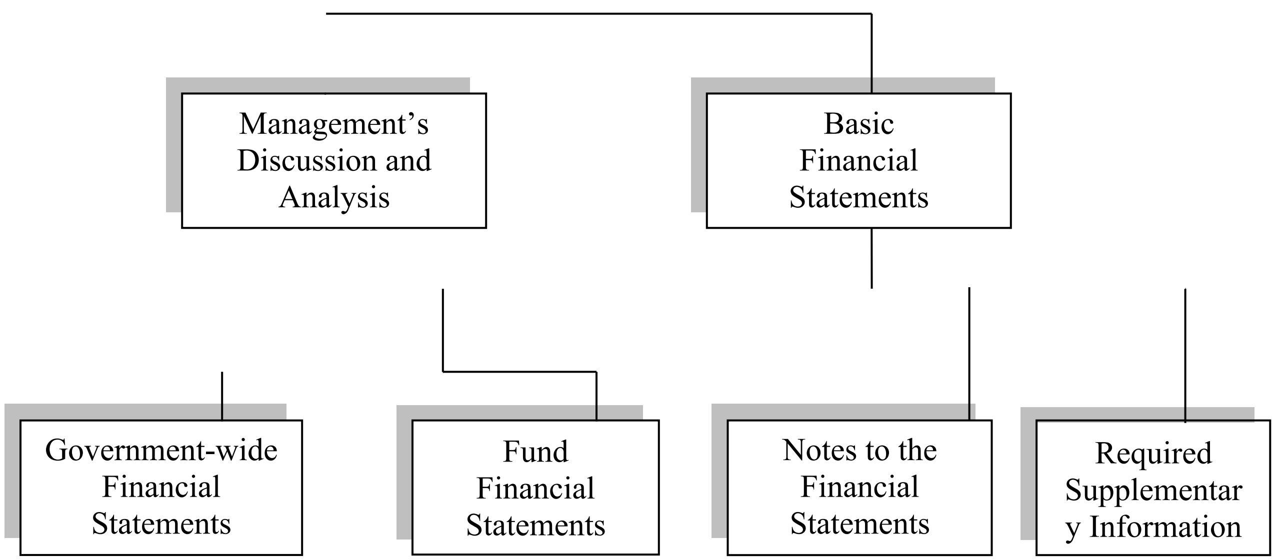
The Management Discussion & Analysis is an opportunity for the City of Polson to briefly and accurately overview their perspective on the financial health of the organization, with easy-to-understand formatting and content.

Community Profile

Polson is a community of 5,478 people (2020 US Census) located within the boundaries of the Flathead Indian Reservation and the southern bank of Flathead Lake; approximately 14% of residents are of American Indian ethnicity. Polson is a 2nd class city and operates under the *Commission-Manager* form of government (7-3-301 and 7-1-4111 Montana Code Annotated).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves. The following chart illustrates the required components of the annual financial report.



The Statement of Net Position and Statement of Activities which comprise the government- wide financial statements provide information about all City activities, presenting an aggregate view of the City’s finances and a longer-term view of those assets. The fund financial statements (governmental, proprietary, and fiduciary) provide the next level of detail. For governmental funds, these statements tell how services were financed in the short- term as well as what resources remain for future spending. The fund financial statements also look at the City’s most significant funds individually with all other funds presented in aggregate in a single column. The notes to the financial statements provide the most detail regarding individual components of the financial statements. The notes are an integral part of the financial statement presentation.

The government-wide prospective of the City of Polson

Statement of Net Position and the Statement of Activities
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, like a private-sector business. To answer the question, "How did the City do financially during the year?" we turn to the Statement of Net Position and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies, with the difference between the two reported as net position. This accounting basis considers all of the current year's revenues and expenses regardless of when the cash is received or paid. For example, property taxes billed but not paid are reported as revenue in the government-wide statements. Still, they are only considered revenue in the governmental funds statements once the money is received.

These two statements report the City's net position and the change in that position during the most recent fiscal year. The change in net position is an important indicator of whether the City's financial position is improving or deteriorating over time. However, in evaluating the overall position of the City, nonfinancial information, such as changes in the City's tax base, should also be assessed.

The Statement of Net Position and the Statement of Activities divide the City into two activities:

- Governmental Activities – Taxes and intergovernmental revenues principally support these activities. Most of the City's services include general government, public safety, public works, housing and community development, culture and recreation and conservation of natural resources.

- Business-Type Activities – These activities charge a usage fee to recover all or a significant portion of their costs. The business-type activities of the City include a golf course, water utility, and sewer utility.

The fund-level prospective of the City of Polson

Fund financial statements
A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In addition to the General Fund, the City has established other funds to account for the various services provided to our citizens. These funds typically restrict how monies can be spent, so using separate funds maintains the necessary control. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. The non-major funds are reported in aggregate.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may help evaluate the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is helpful. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains forty-three individual governmental funds. 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, which is considered a major fund. The City reports no other major funds for fiscal year 2023. Major funds are determined by a formula that considers the percentage of total governmental assets, liabilities, revenues, and expenditures contained in each fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining schedules* elsewhere in this report.

Proprietary funds - The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government- wide financial statements. The City has five enterprise funds; the golf course, water utility and associated impact fees (combined for reporting purposes), and the sewer utility and associated impact fees (combined for reporting purposes).

Enterprise funds provide the same information as the government-wide financial statements, only in more detail. Enterprise funds use the full accrual basis of accounting, which uses total (current and long-term) financial resources to measure its change in net position. The enterprise fund financial statements provide detailed information for the Golf Fund, Water Fund and associated Water Impact Fees and Sewer Fund and associated Sewer Impact Fees, which meet the criteria to be reported as major funds of the City.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the City of Polson. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a complete understanding of the government-wide and fund financial statements. The notes on the financial statements can be found immediately following the basic financial statements presentation.

Other Information – Besides the basic financial statements and accompanying notes, this report also includes the required supplementary information to enhance further the user's understanding of the City's financial position. The City adopts annual appropriated budgets for its governmental and proprietary funds. Schedules providing budgetary comparison for major governmental funds have been provided to demonstrate compliance with both the original and final budgets. Required supplementary information can be found following the notes to the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately after the required supplementary information.

Annual Budget

The City of Polson's annual budget is developed by the Administration and submitted to the Polson City Commission for desired modification and final legislative approval. During the fiscal year, the City Commission is provided monthly financial reports that track revenues, expenditures, and highlight financial trends of opportunity and concern. The FY 23 Annual Budget was approved on September 7, 2022. FY 2023 financial analysis demonstrates that FYE 2023 resulted in a $1,242,341 General Fund ending fund balance (35% of total actual expenditures).

The City of Polson's long-term debt consists of fourteen outstanding bonds or loans, total outstanding as of Fiscal Year End 2023:

- SRF & WRF Bonds - $14,007,000.00;
- Police Intercap Loan - $70,441;
- TIF Bonds - $190,907;
- Golf Bond - $714,546;
- Golf Loan - $236,756;
- Fire Engine Loan - $89,041;
- SID#42 Bond - $103,283

Total payments in FY2023 on this debt was $1,146,332.

Financial Position

The increase in revenue in the Municipal Services Levy allowed the City to fill a vacant police officer position that would have been eliminated in the FY24 budget.

During the State Legislative session, SB536 and HB76 were passed, which authorized a new appropriation of $764,299.00 for use on street projects.

During the State Legislative session, the BaRSAA program was closed, and the City of Polson received an additional $68,976.00 allocation.

During the State Legislative session, HB 355 was passed. This bill allocates money to fund the maintenance and repair of local government infrastructure facilities. The City of Polson has been allocated $384,978.00 and will be able to apply for funding not to exceed the allotted amount.

City of Polson
***Changes* in Net Position**
Fiscal Year 2023

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY23	**FY22**	**Change Inc (Dec)**	**FY23**	**FY22**	**Change Inc (Dec)**
Revenues						
Program revenues (by major source):						
Charges for services	$ 513,322	$ 500,765	$ 12,557	$ 4,988,323	$ 4,728,568	$ 259,755
Operating grants and contributions	301,374	276,482	24,892	-	2,299	(2,299)
Capital grants and contributions	8,918	3,741	5,177	443,575	626,944	(183,369)
General revenues (by major source):						
Property taxes for general purposes	2,262,942	2,136,700	126,242	-	-	-
Licenses and permits	4,850	4,950	(100)	-	-	-
Miscellaneous	55,672	62,837	(7,165)	25,570	20,866	4,704
Interest/investment earnings	35,357	5,309	30,048	89,734	12,617	77,117
Local option taxes	195,614	146,587	49,027	-	-	-
Unrestricted federal/state shared revenues	775,668	747,226	28,442	-	-	-
State retirement	344,638	242,197	102,441	24,001	46,435	(22,434)
Payments in Lieu of Taxes	63,536	67,843	(4,307)	-	-	-
Contributions & donations	250	-	250	-	-	-
Total revenues	$ 4,562,141	$ 4,194,637	$ 367,504	$ 5,571,203	$ 5,437,729	$ 133,474
Program expenses						
General government	$ 545,104	$ 1,321,933	$ (776,829)	$ -	$ -	$ -
Public safety	2,974,644	2,308,660	665,984	-	-	-
Public works	467,540	385,132	82,408	-	-	-
Culture and recreation	285,909	287,657	(1,748)	-	-	-
Housing and community development	209,722	121,159	88,563	-	-	-
Conservation of natural resources	16,332	2,690	13,642	-	-	-
Debt service - interest	18,765	19,069	(304)	-	-	-
Water	-	-	-	991,692	557,995	433,697
Sewer	-	-	-	1,684,785	1,159,198	525,587
Golf	-	-	-	1,488,120	1,148,313	339,807
Total expenses	$ 4,518,016	$ 4,446,300	$ 71,716	$ 4,164,597	$ 2,865,506	$ 1,299,091
Excess (deficiency) before special items and transfers	44,125	(251,663)	295,788	1,406,606	2,572,223	(1,165,617)
Gain (loss) on sale of capital assets	7,413	2,785	4,628	-	-	-
Transfers - net	371,915	311,575	60,340	(371,915)	(311,575)	(60,340)
Increase (decrease) in net position	$ 423,453	$ 62,697	$ 360,756	$ 1,034,691	$ 2,260,648	$ (1,225,957)

A review of the City of Polson's net position demonstrates a positive growth trend, which is one indicator of the overall financial health of an organization.

- Governmental Activities increased the City's Net Position by $48,476.
- Enterprise Fund Assets increased the City's Net Position by $1,585,614.

City of Polson

Net Position – Assets

Fiscal Year 2023

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY23	FY22	Change Inc (Dec)	FY23	FY22	Change Inc (Dec)
Current and other assets	$ 6,439,360	$ 6,216,910	$ 222,450	$ 14,702,157	$ 13,570,560	$ 1,131,597
Capital assets	4,553,338	4,428,654	124,684	34,399,015	34,312,844	86,171
Total assets	$ 10,992,698	$ 10,645,564	$ 347,134	$ 49,101,172	$ 47,883,404	$ 1,217,768
Long-term debt outstanding	$ 2,910,194	$ 2,366,239	$ 543,955	$ 16,072,716	$ 16,337,082	$ (264,366)
Other liabilities	737,550	982,847	(245,297)	1,578,186	1,681,666	(103,480)
Total liabilities	$ 3,647,744	$ 3,349,086	$ 298,658	$ 17,650,902	$ 18,018,748	$ (367,846)
Net investment in capital assets	$ 4,098,692	$ 3,765,013	$ 333,679	$ 19,210,536	$ 18,603,312	$ 607,224
Restricted	3,906,922	3,782,408	124,514	4,022,162	3,807,824	214,338
Unrestricted (deficit)	(660,660)	(250,943)	(409,717)	8,217,572	7,453,520	764,052
Total net position	$ 7,344,954	$ 7,296,478	$ 48,476	$ 31,450,270	$ 29,864,656	$ 1,585,614

Major Projects

The Water and Sewer Funds planned $5,825,000.00 in capital expenditures; however, several of these projects were delayed until FY 2024 due to challenges with final engineering and funding arrangements. The completion of these major projects is through a mixture of Enterprise Fund Reserves, American Rescue Plan Act (ARPA) direct allocations from federal and state government, and competitive grant opportunities with the State of Montana:

Sewer:

- Hillcrest Sewer Main – new gravity line and lift station to serve Ridgewater development and relieve service pressure on Wal-Mart lift station.
- Riverview Lift Station – replace the antiquated lift station in direct proximity to Flathead Lake.
- Lakeview Lift Station- replace the antiquated lift station in direct proximity to Flathead Lake.
- Updated SCADA controls - to allow for enhanced remote monitoring and operation of pumps, lift stations, and processing plant systems.
- Sewer Main Sections w/Roots – Replacement of large sections of mainline throughout the collection system that currently experiences frequent blockage and failure.

Water:

- Wellhouse #8 – Finish construction of new water well to serve the community's southeastern quadrant, the sole source of water supply for Clearwater reservoir.
- 4th Avenue Water Main (5th to 6th) – Replace critical water main line portions that currently experience frequent failure or inadequate pressure/supply.
- Hillside Reservoir Replacement – Replace an antiquated water reservoir with apparent signs of distress to avoid failure.
- Wellhouse #5 – Rehabilitate a vital water supply source back to a reliable quality and operation level for the municipal water system.

Future Issues

In consideration of the ongoing economic and financial conditions experienced in FY 2023, the Administration intends to continue pursuing several important financial/operational initiatives:

- **Street Maintenance District:** The Administration intends to study and recommend the implementation of a city-wide, voter-approved mill levy dedicated to the repair, replacement, and maintenance of city streets and sidewalks. This is one of the few statutory tools available to supplement existing General Fund revenues to rehabilitate the City's severely deteriorating transportation system.

- **Impact Fee Study Recommendations:** The Administration is currently completing a comprehensive evaluation of the City's impact fees and making corresponding recommendations for adjustment. This work includes review by a local, citizen-based Impact Fee Advisory Committee and final recommendations to the City Commission.

- **FY24 Utility Rate Study:** The Administration is looking to begin a comprehensive evaluation of the City's water and sewer rates and make corresponding recommendations for adjustments.

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

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Polson
Lake County
Polson, 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 City of Polson, Lake County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Polson, Lake 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 City of Polson, Lake County, Montana, as of June 30, 2023, 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 City of Polson, Lake 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 2023, the City adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter 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 City of Polson, Lake 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 City of Polson, Lake 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 City of Polson, Lake 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.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report June 20, 2024, on our consideration of the City of Polson, Lake 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 City of Polson, Lake 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 City of Polson, Lake County, Montana's internal control over financial reporting and compliance.

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

June 20, 2024

City of Polson, Lake County, Montana
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 5,061,966	$ 9,440,421	$ 14,502,387
Taxes and assessments receivable, net	162,282	-	162,282
Accounts receivable - net	12,153	331,840	343,993
Due from other governments	144,726	311,451	456,177
Inventories	-	400,018	400,018
Total current assets	$ 5,381,127	$ 10,483,730	$ 15,864,857
Noncurrent assets			
Restricted cash and investments	$ 317,587	$ 4,022,162	$ 4,339,749
Deferred assessment receivables	124,593	-	124,593
Capital assets - land	267,322	2,289,560	2,556,882
Capital assets - construction in progress	75,490	3,679,453	3,754,943
Capital assets - depreciable, net	4,210,526	28,430,002	32,640,528
Total noncurrent assets	$ 4,995,518	$ 38,421,177	$ 43,416,695
Total assets	$ 10,376,645	$ 48,904,907	$ 59,281,552
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	$ 616,053	$ 196,265	$ 812,318
Total deferred outflows of resources	$ 616,053	$ 196,265	$ 812,318
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 10,992,698	$ 49,101,172	$ 60,093,870
LIABILITIES			
Current liabilities			
Warrants payable	$ 404,147	$ -	$ 404,147
Accounts payable	73,932	157,620	231,552
Accrued payroll	87,572	50,050	137,622
Revenues collected in advance	-	1,162,342	1,162,342
Current portion of long-term capital liabilities	217,016	531,776	748,792
Current portion of compensated absences payable	156,228	73,050	229,278
Total current liabilities	$ 938,895	$ 1,974,838	$ 2,913,733
Noncurrent liabilities			
Deposits payable	$ 3,562	$ 130,842	$ 134,404
Noncurrent portion of OPEB	46,950	20,390	67,340
Noncurrent portion of long-term capital liabilities	237,630	14,656,703	14,894,333
Noncurrent portion of compensated absences	63,036	33,388	96,424
Net pension liability	2,236,284	777,799	3,014,083
Total noncurrent liabilities	$ 2,587,462	$ 15,619,122	$ 18,206,584
Total liabilities	$ 3,526,357	$ 17,593,960	$ 21,120,317
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	$ 121,387	$ 56,942	$ 178,329
Total deferred inflows of resources	$ 121,387	$ 56,942	$ 178,329
NET POSITION			
Net investment in capital assets	$ 4,098,692	$ 19,210,536	$ 23,309,228
Restricted for capital projects	-	2,080,227	2,080,227
Restricted for debt service	358,901	734,496	1,093,397
Restricted for special projects	3,548,021	-	3,548,021
Restricted for other purposes	-	1,207,439	1,207,439
Unrestricted	(660,660)	8,217,572	7,556,912
Total net position	$ 7,344,954	$ 31,450,270	$ 38,795,224
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 10,992,698	$ 49,101,172	$ 60,093,870

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
			Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government		
Primary government:								
Governmental activities:								
General government	$ 545,104	$ 400,577	$ 55,392	$ -	$ -	$ (890,289)	$ -	$ (890,289)
Public safety	2,974,644		269,121	58,059	8,918	(2,638,546)	-	(2,638,546)
Public works	467,540	(13,444)	153,829	234,728	-	(65,539)	-	(65,539)
Culture and recreation	285,909		34,980	8,587	-	(242,342)	-	(242,342)
Housing and community development	209,722	(15,218)	-	-	-	(194,504)	-	(194,504)
Conservation of natural resources	16,332		-	-	-	(16,332)	-	(16,332)
Debt service - interest	18,765		-	-	-	(18,765)	-	(18,765)
Total governmental activities	$ 4,518,016	$ 371,915	$ 513,322	$ 301,374	$ 8,918	$ (4,066,317)	$ -	$ (4,066,317)
Business-type activities:								
Water	$ 991,692	$ (70,748)	$ 1,313,208	$ -	$ 380,821	$ -	$ 773,085	$ 773,085
Sewer	1,684,785	(212,711)	1,948,534	-	62,754	-	539,214	539,214
Golf	1,488,120	(88,456)	1,726,581	-	-	-	326,917	326,917
Total business-type activities	$ 4,164,597	(371,915)	$ 4,988,323	$ -	$ 443,575	$ -	$ 1,639,216	$ 1,639,216
Total primary government	$ 8,682,613	-	$ 5,501,645	$ 301,374	$ 452,493	$ (4,066,317)	$ 1,639,216	$ (2,427,101)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Property taxes for general purposes	$ 2,262,942	$ -	$ 2,262,942
Licenses and permits	4,850	-	4,850
Miscellaneous	55,672	25,570	81,242
Interest/investment earnings	35,357	89,734	125,091
Local option taxes	195,614	-	195,614
Unrestricted federal/state shared revenues	775,668	-	775,668
State retirement	344,638	24,001	368,639
Payments in Lieu of Taxes	63,536	-	63,536
Contributions & donations	250	-	250
Gain (loss) on sale of capital assets	7,413	-	7,413
Transfers - net	371,915	(371,915)	-
Total general revenues, special items and transfers	$ 4,117,855	$ (232,610)	$ 3,885,245
Change in net position	$ 51,538	$ 1,406,606	$ 1,458,144
Net position - beginning	$ 7,296,478	$ 29,864,656	$ 37,161,134
Restatements	(3,062)	179,008	175,946
Net position - beginning - restated	$ 7,293,416	$ 30,043,664	$ 37,337,080
Net position - end	$ 7,344,954	$ 31,450,270	$ 38,795,224

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	General	Police Municipal Services Levy	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and investments	$ 1,652,580	$ 74,186	$ 3,335,200	$ 5,061,966
Taxes and assessments receivable, net	104,831	14,829	42,622	162,282
Accounts receivable - net	-	-	12,153	12,153
Due from other governments	97,366	11,466	35,894	144,726
Total current assets	$ 1,854,777	$ 100,481	$ 3,425,869	$ 5,381,127
Noncurrent assets:				
Restricted cash and investments	$ -	$ -	$ 317,587	$ 317,587
Deferred assessment receivables	-	-	124,593	124,593
Total noncurrent assets	$ -	$ -	$ 442,180	$ 442,180
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,854,777	$ 100,481	$ 3,868,049	$ 5,823,307
LIABILITIES				
Current liabilities:				
Warrants payable	$ 404,147	$ -	$ -	$ 404,147
Accounts payable	20,238	1,688	52,006	73,932
Accrued payroll	79,660	3,142	4,770	87,572
Total current liabilities	$ 504,045	$ 4,830	$ 56,776	$ 565,651
Noncurrent liabilities:				
Deposits payable	$ 3,560	$ -	$ 2	$ 3,562
Total liabilities	$ 507,605	$ 4,830	$ 56,778	$ 569,213
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	$ 104,831	$ 14,829	$ 167,215	$ 286,875
Total deferred inflows of resources	$ 104,831	$ 14,829	$ 167,215	$ 286,875
FUND BALANCES				
Restricted	$ -	$ 80,822	$ 3,644,056	$ 3,724,878
Unassigned fund balance	1,242,341	-	-	1,242,341
Total fund balance	$ 1,242,341	$ 80,822	$ 3,644,056	$ 4,967,219
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,854,777	$ 100,481	$ 3,868,049	$ 5,823,307

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	$	4,967,219
Capital assets and leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,553,338
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.		286,875
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(720,860)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(2,236,284)
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.		616,053
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.		(121,387)
Total net position - governmental activities	$	7,344,954

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Police Municipal Services Levy	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	$ 1,708,723	$ 213,621	$ 497,413	$ 2,419,757
Licenses and permits	52,626	-	190,964	243,590
Intergovernmental	838,724	303,341	256,999	1,399,064
Charges for services	25,709	-	182,405	208,114
Fines and forfeitures	35,150	-	5,615	40,765
Miscellaneous	106,044	35	23,716	129,795
Investment earnings	4,785	263	30,311	35,359
Total revenues	$ 2,771,761	$ 517,260	$ 1,187,423	$ 4,476,444
EXPENDITURES				
General government	$ 1,070,184	$ -	$ 9,619	$ 1,079,803
Public safety	1,739,996	495,279	192,171	2,427,446
Public works	221,532	-	88,447	309,979
Culture and recreation	258,745	-	1,333	260,078
Housing and community development	-	-	161,051	161,051
Conservation of natural resources	-	-	16,332	16,332
Debt service - principal	10,705	69,298	132,054	212,057
Debt service - interest	2,941	1,835	13,989	18,765
Capital outlay	281,353	50,000	200,844	532,197
Total expenditures	$ 3,585,456	$ 616,412	$ 815,840	$ 5,017,708
Excess (deficiency) of revenues over expenditures	$ (813,695)	$ (99,152)	$ 371,583	$ (541,264)
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	$ -	$ -	$ 13,253	$ 13,253
Transfers in	531,860	-	21,579	553,439
Transfers out	(15,000)	-	(166,524)	(181,524)
Total other financing sources (uses)	$ 516,860	$ -	$ (131,692)	$ 385,168
Net Change in Fund Balance	$ (296,835)	$ (99,152)	$ 239,891	$ (156,096)
Fund balances - beginning	$ 1,539,176	$ 179,974	$ 3,404,165	$ 5,123,315
Fund balance - ending	$ 1,242,341	$ 80,822	$ 3,644,056	$ 4,967,219

See accompanying Notes to the Financial Statements

City of Polson, Lake 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, 2023

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

Net change in fund balances - total governmental funds	$	(156,096)
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		532,197
- Depreciation and amortization expense		(401,673)
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:		
- Gain (loss) on the sale of capital assets		(5,840)
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)		70,450
The change in compensated absences is shown as an expense in the Statement of Activities		(2,732)
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		212,057
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		(3,992)
Pension expense related to the net pension liablity is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(426,739)
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		15,247
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.		218,659
Change in net position - Statement of Activities	$	51,538

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	**Sewer**	**Golf**	**Totals**
ASSETS				
Current assets:				
Cash and investments	$ 3,511,919	$ 4,855,305	$ 1,073,197	$ 9,440,421
Accounts receivable - net	133,357	198,483	-	331,840
Due from other governments	248,697	62,754	-	311,451
Inventories	252,004	-	148,014	400,018
Total current assets	$ 4,145,977	$ 5,116,542	$ 1,221,211	$ 10,483,730
Noncurrent assets:				
Restricted cash and investments	$ 1,856,269	$ 1,998,932	$ 166,961	$ 4,022,162
Capital assets - land	227,873	19,456	2,042,231	2,289,560
Capital assets - construction in progress	1,373,253	2,306,200	-	3,679,453
Capital assets - depreciable, net	8,192,525	18,341,166	1,896,311	28,430,002
Total noncurrent assets	$ 11,649,920	$ 22,665,754	$ 4,105,503	$ 38,421,177
Total assets	$ 15,795,897	$ 27,782,296	$ 5,326,714	$ 48,904,907
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	$ 63,389	$ 63,931	$ 68,945	$ 196,265
Total deferred outflows of resources	$ 63,389	$ 63,931	$ 68,945	$ 196,265
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 15,859,286	$ 27,846,227	$ 5,395,659	$ 49,101,172
LIABILITIES				
Current liabilities:				
Accounts payable	$ 76,952	$ 23,935	$ 56,733	$ 157,620
Accrued payroll	9,678	10,209	30,163	50,050
Revenues collected in advance	302,342	860,000	-	1,162,342
Current portion of long-term capital liabilities	28,000	435,000	68,776	531,776
Current portion of compensated absences payable	27,556	28,576	16,918	73,050
Total current liabilities	$ 444,528	$ 1,357,720	$ 172,590	$ 1,974,838
Noncurrent liabilities:				
Deposits payable	$ 54,733	$ 76,109	$ -	$ 130,842
Noncurrent portion of OPEB	4,680	5,023	10,687	20,390
Noncurrent portion of long-term capital liabilities	240,000	13,534,000	882,703	14,656,703
Noncurrent portion of compensated absences	10,002	15,218	8,168	33,388
Net pension liability	251,198	253,387	273,214	777,799
Total noncurrent liabilities	$ 560,613	$ 13,883,737	$ 1,174,772	$ 15,619,122
Total liabilities	$ 1,005,141	$ 15,241,457	$ 1,347,362	$ 17,593,960
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	$ 18,390	$ 18,550	$ 20,002	$ 56,942
Total deferred inflows of resources	$ 18,390	$ 18,550	$ 20,002	$ 56,942
NET POSITION				
Net investment in capital assets	$ 9,525,651	$ 6,697,822	$ 2,987,063	$ 19,210,536
Restricted for capital projects	863,238	1,191,849	25,140	2,080,227
Restricted for debt service	30,233	686,510	17,753	734,496
Restricted for other purposes	962,798	120,573	124,068	1,207,439
Unrestricted	3,453,835	3,889,466	874,271	8,217,572
Total net position	$ 14,835,755	$ 12,586,220	$ 4,028,295	$ 31,450,270
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	$ 15,859,286	$ 27,846,227	$ 5,395,659	$ 49,101,172

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	**Sewer**	**Golf**	**Totals**
OPERATING REVENUES				
Charges for services	$ 1,312,708	$ 1,948,034	$ 1,726,581	$ 4,987,323
Miscellaneous revenues	796	18,500	7,274	26,570
Total operating revenues	$ 1,313,504	$ 1,966,534	$ 1,733,855	$ 5,013,893
OPERATING EXPENSES				
Personal services	$ 331,363	$ 310,806	$ 515,613	$ 1,157,782
Supplies	68,216	65,246	296,742	430,204
Purchased services	164,413	237,683	368,301	770,397
Building materials	-	-	8,063	8,063
Fixed charges	5,290	24,514	7,544	37,348
Loss/bad debt expense	-	-	376	376
Depreciation	346,721	477,625	170,283	994,629
Total operating expenses	$ 916,003	$ 1,115,874	$ 1,366,922	$ 3,398,799
Operating income (loss)	$ 397,501	$ 850,660	$ 366,933	$ 1,615,094
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	$ 388,572	$ 70,573	$ 8,431	$ 467,576
Interest revenue	39,864	44,304	5,566	89,734
Debt service interest expense	(4,941)	(356,200)	(32,742)	(393,883)
Total non-operating revenues (expenses)	$ 423,495	$ (241,323)	$ (18,745)	$ 163,427
Income (loss) before contributions and transfers	$ 820,996	$ 609,337	$ 348,188	$ 1,778,521
Transfers out	(70,748)	(212,711)	(88,456)	(371,915)
Change in net position	$ 750,248	$ 396,626	$ 259,732	$ 1,406,606
Net Position - Beginning of the year	$ 13,906,499	$ 12,189,594	$ 3,768,563	$ 29,864,656
Restatements	179,008	-	-	179,008
Net Position - Beginning of the year - Restated	$ 14,085,507	$ 12,189,594	$ 3,768,563	$ 30,043,664
Net Position - End of the year	$ 14,835,755	$ 12,586,220	$ 4,028,295	$ 31,450,270

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2023

	Business - Type Activities			
	Golf	**Water**	**Sewer**	**Totals**
Cash flows from operating activities:				
Cash received from providing services	$ 1,726,205	$ 1,210,383	$ 1,930,692	$ 4,867,280
Cash received from miscellaneous sources	7,274	796	18,500	26,570
Cash payments to suppliers	(271,584)	(62,854)	(65,246)	(399,684)
Cash payments for professional services	(375,845)	(169,703)	(262,197)	(807,745)
Cash payments to employees	(515,430)	(291,792)	(278,615)	(1,085,837)
Net cash provided (used) by operating activities	$ 570,620	$ 686,830	$ 1,343,134	$ 2,600,584
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	$ (169,385)	$ (698,930)	$ (135,506)	$ (1,003,821)
Principal paid on debt	(69,053)	(28,000)	(424,000)	(521,053)
Interest paid on debt	(32,742)	(4,941)	(356,200)	(393,883)
Net cash provided (used) by capital and related financing activities	$ (271,180)	$ (731,871)	$ (915,706)	$ (1,918,757)
Cash flows from non-capital financing activities:				
Cash transferred to other funds	$ (88,456)	$ (70,748)	$ (212,711)	$ (371,915)
Cash received from other governments	-	132,124	-	132,124
Net cash provided (used) from non-capital financing activities	$ (88,456)	$ 61,376	$ (212,711)	$ (239,791)
Cash flows from investing activities:				
Interest on investments	$ 5,566	$ 39,864	$ 44,304	$ 89,734
Net cash provided (used) by investing activities	$ 5,566	$ 39,864	$ 44,304	$ 89,734
Net increase (decrease) in cash and cash equivalents	$ 216,550	$ 56,199	$ 259,021	$ 531,770
Cash and cash equivalents at beginning	1,023,608	5,311,989	6,595,216	12,930,813
Cash and cash equivalents at end	$ 1,240,158	$ 5,368,188	$ 6,854,237	$ 13,462,583
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 366,933	$ 397,501	$ 850,660	$ 1,615,094
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	170,283	346,721	477,625	994,629
Other post-employment benefits expense	909	398	427	1,734
Pension expense	(11,235)	32,169	26,043	46,977
Changes in assets and liabilities:				
Accounts receivable	-	(24,821)	(17,342)	(42,163)
Accounts payable	53,106	-	-	53,106
Accrued wages	1,829	1,707	3,349	6,885
Inventory	(19,885)	5,362	-	(14,523)
Deposits payable	-	(77,504)	-	(77,504)
Compensated absences	8,680	5,297	2,372	16,349
Net cash provided (used) by operating activities	$ 570,620	$ 686,830	$ 1,343,134	$ 2,600,584
Noncash investing and financing activities:				
On behalf public employees retirement system payments	$ 8,431	$ 7,751	$ 7,819	$ 24,001

See accompanying notes to the financial statements

City of Polson, Lake County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

		Custodial Funds
		Custodial Funds
ASSETS		
Cash and short-term investments	$	2,497
Total assets	$	2,497
LIABILITIES		
Due to others	$	35
Total liabilities	$	35
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	$	2,462
Total net position	$	2,462
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	$	2,497

See accompanying Notes to the Financial Statements

City of Polson, Lake County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

		Custodial Funds
		Custodial Funds
ADDITIONS		
Miscellaneous	$	259
Total additions	$	259
DEDUCTIONS		
Other expenditures	$	1,357
Total deductions	$	1,357
Change in net position	$	(1,098)
Net Position - Beginning of the year	$	3,560
Net Position - End of the year	$	2,462

See accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The City has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus,* and includes all component unit's of which the City appointed a voting majority of the component unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the City 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 City.

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the City 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 City at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

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

Fund Financial Statements

Basis of Presentation
Fund financial statements of the reporting City 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 City 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 City defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

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

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

<u>*Major Funds:*</u>
The City reports the following major governmental funds:

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

> *Police Municipal Services Levy Fund* – This is a new special revenue fund to account for the revenues and expenditures of the City Police department.

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

<u>*Major Funds:*</u>
The City reports the following major proprietary funds:

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

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

Golf Fund – An enterprise fund that accounts for the activities of the City's solid waste service.

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

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the City in a custodial capacity. This fund primarily consist reporting of resources held by the City 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, 2023, are as follows:

	Primary Government
Cash on hand and deposits:	
Cash on hand	
Petty Cash	$ 1,250
Cash in banks:	
Demand deposits	5,502,073
Savings deposits	4,990
Time deposits	240,000
Investments:	
State Short-Term Investment Pool (STIP)	1,500,000
Repurchase agreements	11,596,320
Total	$ 18,844,633

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 City's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, repurchase agreements, 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 and internal services funds consider all funds (including restricted assets) held in the City's cash management pool to be cash equivalents.

Repurchase Agreements
An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

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

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

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

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

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

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

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

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

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2023, (in thousands):

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 543,893	A-1+	8
Agency of Government Related	847,891	A-1+	12
Corporate:			
Commercial Paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of Deposit	1,254,156	A-1+	40
Total Investments	$ 3,978,820		

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, 2023, the government's bank balance was exposed to custodial credit risk as follows:

Depository Account	June 30, 2023 Balance
Insured	$ 494,990
- Collateral held by the pledging bank's trust department but not in the County's name	4,818,365
Total deposits and investments	$ 5,313,355

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 City deposits at June 30, 2023, equaled or exceeded the amount required by State statutes.

Concentration of Credit Risk
The government places no limit on the amount the entity may invest in any one issuer. The government's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

	% of credit risk
Repurchase agreements	88%

Interest Rate Risk
The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2023 alone with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
Money Market	4.38%	N/A	$ 4,990
Certificate of Deposit	5.09%	10/29/2024	240,000
Total			$ 244,990

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2023. These amounts are reported within the cash/investment account on the Statement of Net Position.

Fund	Description	Amount
TIF District	Revenue Bond current	$ 26,606
TIF District	Revenue Bond Reserve	40,000
Fire Impact	Impact Fees	85,916
Park Impact	Impact Fees	127,566
SID #42	Revenue Bond Reserve	37,500
Golf	Revenue Bond current	17,753
Golf	Replacement & Depreciation	25,140
Golf	Surplus Reserve	124,068
Water	Impact Fees	854,935
Water	Revenue Bond current	13,256
Water	Revenue Bond Reserve	16,977
Water	Replacement & Depreciation	863,238
Water	Surplus Reserve	107,863
Sewer	Impact Fees	120,573
Sewer	Revenue Bond current	300,751
Sewer	Revenue Bond Reserve	385,759
Sewer	Replacement & Depreciation	1,191,849
Total		$4,339,750

NOTE 4. RECEIVABLES

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

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

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

NOTE 5. INVENTORIES AND PREPAIDS

Enterprise Fund inventories are valued at cost using the (First In First Out (FIFO) method.

The cost of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

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

Governmental Activities	
Buildings	10 – 50 years
Land Improvements	10 – 40 years
Vehicles and Equipment	5 – 40 years
Enterprise Activities	
Buildings	40 – 50 years
Water Distribution and Sewer Collection System	10 – 50 years
Machinery, Vehicles and Equipment	10 – 25 years
Land Improvements	10 – 40 years

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

Governmental activities:	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 267,322	$ -	$ -	$ -	$ 267,322
Construction in progress	150,000	75,490	-	(150,000)	75,490
Total capital assets not being depreciated	$ 417,322	$ 75,490	$ -	$ (150,000)	$ 342,812
Other capital assets:					
Buildings	$ 814,406	$ 26,620	$ -	$ -	$ 841,026
Improvements other than buildings	1,217,332	-	-	-	1,217,332
Machinery and equipment	4,154,840	311,129	(54,488)	-	4,411,481
Infrastructure	3,263,352	118,958	-	150,000	3,532,310
Total other capital assets at historical cost	$ 9,449,930	$ 456,707	$ (54,488)	$ 150,000	$ 10,002,149
Less: accumulated depreciation	(5,438,598)	(401,673)	48,648	-	(5,791,623)
Total	$ 4,428,654	$ 130,524	$ (5,840)	$ -	$ 4,553,338

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	$ 39,114
Public safety	159,158
Public works	144,117
Culture and recreation	25,831
Housing and community development	33,453
Total governmental activities depreciation expense	$401,673

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

Business-type activities:

	Balance July 1, 2022	Additions	Balance June 30, 2023
Capital assets not being depreciated:			
Land	$ 2,289,560	$ -	$ 2,289,560
Construction in progress	2,943,681	735,772	3,679,453
Total capital assets not being depreciated	$ 5,233,241	$ 735,772	$ 5,969,013
Other capital assets:			
Buildings	$ 1,055,703	$ -	$ 1,055,703
Improvements other than buildings	1,159,522	46,387	1,205,909
Machinery and equipment	1,519,578	122,998	1,642,576
Source of supply	2,458,710	-	2,458,710
Pumping Plant	1,364,873	8,263	1,373,136
Treatment system	19,546,552	-	19,546,552
Transmission and distribution	16,934,776	133,826	17,068,602
General Plant	889,018	33,554	922,572
Total other capital assets at historical cost	$ 44,928,732	$ 345,028	$ 45,273,760
Less: accumulated depreciation	(15,849,129)	(994,629)	(16,843,758)
Total	$ 34,312,844	$ 86,171	$ 34,399,015

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Revenue bonds	$ 263,397	$ -	$ (72,488)	$ 190,909	$ 74,669
Special assessment bond	163,814	-	(59,566)	104,248	62,540
Loans/Contracted debt	98,073	-	(9,025)	89,048	9,366
Intercap loans	139,739	-	(69,298)	70,441	70,441
Compensated absences	216,532	2,732	-	219,264	156,228
Total	$ 881,555	$ 2,732	$ (210,377)	$ 673,910	$ 373,244

In prior years the General Fund was used to liquidate Compensated Absences and claims and judgments.

Business-type Activities:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Revenue bonds	$ 15,452,089	$ -	$ (500,431)	$ 14,951,658	$ 510,162
Loans/Contracted debt	257,443	-	(20,622)	236,821	21,614
Compensated absences	90,089	16,349	-	106,438	73,050
Total	$ 15,799,621	$ 16,349	$ (521,053)	$ 15,294,917	$ 604,826

Special Assessment Debt – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts which become a lien on the property. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. The bonds are backed by the full faith and credit of the City. The City maintains a reserve fund to cover defaults by property owners. The City issued one amortization bond on September 15, 2010 for $750,000 to assist in construction of the Main Street Streetscape project. A reserve account in the amount of $37,500 was established as required by the bond resolution. The bond is a special, limited obligation of the City and does not constitute a general obligation of the City. If there are insufficient funds in the reserve account and/or the SID revolving fund, the General Fund will loan an amount as may be necessary to the SID revolving fund to ensure a minimum fund balance of 5% of the outstanding bond principal to ensure payments are made.

Special assessment bonds outstanding as of June 30, 2023, were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2023
SID #42 Streetscape Project - (Glacier Bank)	9/15/10	3.95%	15yrs	6/15/25	$ 750,000	$ 62,540	$ 104,248

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 62,540	$ 4,118
2025	41,708	1,647
Total	$ 104,248	$ 5,765

Tax Increment Urban Renewal Bonds

On August 15, 2013 the City issued $800,000 of tax increment urban renewal bonds to finance the construction of the City Dock and the walking path under the bridge that connects Sacajawea Park and Riverside Park. Five bonds were issued in an amount of $160,000 each to five local banks and bear interest at the rate of 2.987%. The bonds require semi-annual payments of $79,818 on August 15th and February 15th each fiscal year. This debt matures on August 15, 2025. The bonds are special, limited obligations of the City. The bonds are not general obligations of the City and neither the general credit nor the taxing power of the City is pledged to payment of the bonds. Tax revenues from the tax increment financing district (TIFD) are pledged to pay the principal and interest on the bonds. In the event the Constitution or laws of the State are amended to abolish or substantially reduce or eliminate real or personal property taxation and State law then or thereafter provides to the City an alternate or supplemental source or sources of revenue specifically to replace or supplement reduced or eliminated Tax Increment, then the City pledges and covenants to appropriate annually, subject to the limitations of then applicable law, an amount that will, with money on hand or available be sufficient to pay the principal and interest payable in that Fiscal Year.

The tax increment urban renewal bonds had requirements for the City to establish a sinking and interest accounting and future reserve account. The requirements per the bond resolution state that the City create and maintain a revenue bond account with deposits each month which will be sufficient to cover the next installment of principal and interest. This amount at the end of June 30, 2023 was required to equal $26,606. In addition, the City is required to maintain a revenue bond account with an additional reserve amount equal to $40,000. The City met both of these bond requirements for fiscal year ended June 30, 2023. The restricted amounts are reported in restricted cash.

Tax Increment Urban Renewal bonds outstanding reported in the governmental activities as of June 30, 2023 were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2023
Tax Increment Urban Renewal Bonds, Series 2013 - 5 Banks	8/15/13	2.987%	12yrs	8/15/25	$ 800,000	$ 74,669	$ 190,909

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 74,669	$ 5,149
2025	76,919	2,899
2026	39,321	590
Total	$ 190,909	$ 8,638

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

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2023
Municipal Golf Course Revenue Bond, Series 2017 (Valley Bank)	6/30/17	Varies	18yrs	10/1/35	$ 951,300	Varies	$ 714,658
WRF Polson ARRA-B	10/16/09	0.75%	20yrs	7/1/29	333,700	Varies	117,000
WRF Series 2015 B	5/20/15	2.50%	20yrs	7/1/35	463,000	Varies	151,000
SRF Series 2017 B	6/15/17	2.50%	30yrs	7/1/47	7,737,000	Varies	6,714,000
SRF Series 2018 C	4/11/18	2.50%	30yrs	1/1/48	7,000,000	Varies	5,997,000
SRF Series 2021B	7/1/21	2.00%	20yrs	7/1/41	1,337,500	Varies	1,258,000
					$ 17,822,500		$ 14,951,658

Reported in business-type activities.

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

1. The City is required to maintain a revenue bond account (current reserves) for the all of the above revenue bonds. The amounts required for the Golf, Water, and Sewer Fund Bonds is amount equal to one-sixth of the interest to become due and one-twelfth of the next installment of principal. This requirement at June 30, 2023 calculates to equal $17,753 for the Golf bonds, $13,256 for the Water bonds, and $300,751 for the Sewer bonds. These restricted amounts are reported in the restricted cash as disclosed in Note 3. The City is in compliance with these requirements.

2. The City is required to maintain a future reserve account the SRF Water and Sewer Bonds. These future reserves are required to equal one-half the maximum principal and interest payments of these bonds. This requirement at June 30, 2023 calculates to equal $16,977 for the Water bonds and $385,759 for the Sewer bonds. These restricted amounts are reported in the restricted cash as disclosed in Note 3. The City is in compliance with these requirements.

3. The City is to maintain a replacement and depreciation account on the all of the revenue bonds above. The revenue bond covenants do not specifically define the amount to the set aside for these accounts, and is at the City's discretion. The total amount the City has set aside restricted amounts for these accounts at June 30, 2023 equal to $25,140 for the Golf bonds, $863,238 for the Water bonds, and $1,191,849 for the Sewer bonds.

4. The City is also required to maintain net revenues in the Golf, Water and Sewer Funds. The Golf Fund net revenues amounts are required to equal not less than 125% of the maximum annual principal and interest payable on all outstanding bonds. The Water Fund and Sewer Fund net revenues amounts are required to equal not less than 110% of the maximum annual principal and interest payable on all outstanding bonds. The City is incompliance with these requirements.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 510,162	$ 283,354
2025	526,862	273,629
2026	538,478	263,758
2027	551,196	253,595
2028	564,939	243,197
2029	577,841	232,470
2030	584,709	221,557
2031	590,674	210,408
2032	607,686	198,986
2033	622,819	187,193
2034	637,976	176,156
2035	653,221	162,811
2036	623,095	150,210
2037	602,000	139,260
2038	618,000	128,650
2039	633,000	117,770
2040	649,000	106,620
2041	666,000	95,180
2042	639,000	83,450
2043	612,000	71,420
2044	628,000	59,100
2045	644,000	46,460
2046	663,000	33,500
2047	677,000	20,200
2048	331,000	6,700
Total	$ 14,951,658	$ 3,765,634

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2023, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2023
2009 Pierce Rescue Pumper Truck (Glacier Bank) (1)	12/17/19	3.00%	12yrs	12/1/31	$ 120,000	$ 89,048
Commercial Loan (Valley Bank) - Golf Cart Fleet (2)	5/2/17	4.75%	15yrs	4/1/32	348,707	236,821
					$ 468,707	$ 325,869

(1) Reported in the governmental activities.
(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 30,980	$ 13,626
2025	32,332	12,274
2026	33,714	10,892
2027	35,156	9,450
2028	36,647	7,959
2029	38,237	6,369
2030	39,881	4,725
2031	41,598	3,008
2032	37,199	1,220
2033	125	3
Total	$ 325,869	$ 69,526

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, 2023, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2023
2021 Police Vehicle Loan	3/26/21	Variable	3yrs	2/15/24	$177,450	$ 70,441

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 70,441	$ 1,158
Total	$ 70,441	$ 1,158

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 City'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 City 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 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the City. 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	35
Total employees	35

Total OPEB Liability

The City's total OPEB liability of $67,340 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of the prior year evaluation.

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)	3.00%
Participation rate	10.00%

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

Year	**% Increase**
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 6/30/2022	$	61,614
Changes for the year:		
Service Cost	$	5,726
Net Changes	$	5,726
Balance at 6/30/2023	$	67,340

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	$ 72,517	$ 61,614	$ 52,720

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	$ 50,653	$ 61,614	$ 75,406

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

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

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

For the year ended June 30, 2023, the City recognized an OPEB expense of $5,726. The City 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 City records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 9. NET PENSION LIABILITY

As of June 30, 2023, the City/Town reported the following balances as its proportionate share of PERS, and MPORS pension amounts:

City's/Town's Proportionate Share Associated With:		PERS		MPORS		Pension Totals
Net Pension Liability	$	2,146,238	$	867,845	$	3,014,083
Deferred outflows of resources*	$	541,595	$	270,723	$	812,318
Deferred inflows of resources	$	157,124	$	21,205	$	178,329
Pension expense	$	395,725	$	466,081	$	861,806

*Deferred outflows for PERS, and MPORS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of $156,851 and $118,651, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2023.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies
The City'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.
- 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.

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.

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

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

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 $34,633,570.

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, 2023, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022, are displayed below. The City 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 City recorded a liability of $2,146,238 and the City's proportionate share was 0.090258 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	$ 2,146,238	$ 1,424,718	0.090258%	0.078574%	0.011684%
State of Montana Proportionate Share associated with Employer	638,953	418,548	0.026871%	0.023083%	0.003788%
Total	$ 2,785,191	$ 1,843,266	0.117129%	0.101657%	0.015472%

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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the City recognized a Pension Expense of $329,497 for its proportionate share of the pension expense. The City also recognized grant revenue of $66,228 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	$ 329,497	$ 16,063
State of Montana Proportionate Share associated with the Employer	66,228	123,090
Total	$ 395,725	$ 139,153

Recognition of Beginning Deferred Outflow

At June 30, 2023, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2022 contributions of $98,602.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the City 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	$ 27,360	$ -
Actual vs. Expected Investment Earnings	63,077	-
Changes in Assumptions	79,982	157,124
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	214,325	-
Employer contributions sunsequent to the measurement date - FY23*	156,851	-
Total	$ 541,595	$ 157,124

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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
2023	$	149,276
2024	$	2,762
2025	$	(68,032)
2026	$	143,613
Thereafter	$	-

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
  *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- 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 PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.

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

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long- term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
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	6.00%	3.02%
Total	100%	

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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 (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
$ 3,093,903	$ 2,146,238	$ 1,351,159

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

PERS Disclosure for the defined contribution plan

Lake 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, 2022, 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 344 employers that have participants in the PERS-DCRP totaled $1,681,603.

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.

Municipal Police Officers' Retirement System

Summary of Significant Accounting Policies

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

Plan Descriptions

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

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

Service Retirement
- 20 years of membership service, regardless of age.
- Age 50 with 5 years of membership service (Early Retirement).
- 2.5% of FAC x years of service credit.

Second Retirement
Re-calculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017:
- Less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service.
- More than 20 years of membership service, upon re-employment, receives initial benefit and a new retirement benefit based on additional service credit and FAC after re-employment.

Applies to members re-employed in a MPORS position after July 1, 2017:
- 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.
- 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.

Member's Final Average Compensation (FAC)

- Hired prior to July 1, 1977 - average monthly compensation of final year of service;
- Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

- Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum benefit adjustment (non-GABA)

- The minimum benefit adjustment provided may not be less than 50% of the compensation paid to a newly confirmed police officer of the employer that last employed the member as a police officer in the current fiscal year.

Contributions

The State Legislature has the authority to establish and amend contribution rates to the plan. 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.

	Member					
Fiscal Year	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired >6/30/97 GABA	Employer	State
2000-2023	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

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, 2023, was determined by taking the results of the June 30, 2022, 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 City's and the state of Montana NPLS for June 30, 2023, and 2022, are displayed below. The City 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 City recorded a liability of $867,845 and the City's proportionate share was 0.3674 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	$ 867,845	$ 597,427	0.3674%	0.3286%	0.0388%
State of Montana Proportionate Share associated with Employer	1,763,862	1,214,306	0.7467%	0.6680%	0.0787%
Total	$ 2,631,707	$ 1,811,733	1.1141%	0.9966%	0.1175%

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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. All mortality assumptions were updated to the PUB2010 tables for public safety employees.
4. Rates of withdrawal, retirement, disability retirement, and merit increases were updated.
5. Payroll growth assumption was lowered from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2023, the City recognized a Pension Expense of $163,670 for its proportionate share of the pension expense. The City also recognized grant revenue of $302,411 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer. Additionally, the City recognized grant revenue of $63,096 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	$ 163,670	$ 81,738
State of Montana Proportionate Share associated with the Employer	302,411	165,542
Total	$ 466,081	$ 247,280

Recognition of Beginning Deferred Outflow

At June 30, 2023, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2022 contributions of $140,099.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the City 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	$ 3,860	$ 4,547
Actual vs. Expected Investment Earnings	31,610	-
Changes in Assumptions	76,587	16,658
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	40,015	-
Employer contributions sunsequent to the measurement date - FY23*	118,651	-
Total	$ 270,723	$ 21,205

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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
2023	$	65,733
2024	$	21,373
2025	$	(3,208)
2026	$	46,969
Thereafter	$	-

Actuarial Assumptions
The TPL used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
  *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases
- Guaranteed Annual Benefit Adjustment (GABA)
  Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
- Minimum benefit adjustment (non-GABA)
  If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.

Mortality:
- Active Participants - PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Healthy Retirees - PUB-2010 Safety Amount Weighted Healthy Retiree mortality table projected to 2021 set forward one year for males and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.
- Disabled - PUB-2010 Safety Amount Weighted Disabled Retiree mortality table projected to 2021, set forward 1 year for males.

- Contingent Survivor - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.

Target Allocations

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
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	6.00%	3.02%
Total	100%	

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. 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 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
$ 1,307,722	$ 867,845	$ 518,496

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

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

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

Receivable Fund	Payable Fund	Amount
General – Major Governmental	Permissive – Nonmajor Governmental	$131,283
Tree Fund – Nonmajor Governmental	General – Major Governmental	15,000
BARSSA – Nonmajor Governmental	Storm Water – Nonmajor Governmental	6,579
General – Major Governmental	TIF – Nonmajor Governmental	15,218
General – Major Governmental	Storm water – Nonmajor Governmental	865
General – Major Governmental	Building code – Nonmajor Governmental	12,579
General – Major Governmental	Water – Major Enterprise	70,748
General – Major Governmental	Sewer – Major Enterprise	212,711
General – Major Governmental	Golf – Major Enterprise	88,456
		$553,439

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The City 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.

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

The City 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 City 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

Major Fund	Amount	Purpose of Restriction
Police Municipal Services Levy	$ 80,822	Law Enforcement, emergency services, and supplies
All Other Aggregate	229,051	Debt Service
	79,365	General Government administration and services
	325,569	Law Enforcement, emergency services, and supplies
	1,690,762	Road Repair, maintenance and supplies
	22,536	Noxious Weed Management
	194,765	Culture and recreation
	1,098,041	Housing and Community Development
	983	Conservation of Natural Resources
	2,979	Miscellaneous
Total	$ 3,724,878	

NOTE 12. RESTATEMENTS

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

Fund	Amount	Reason for Adjustment
Water	$ 179,008	Correct beginning inventory balances
Government-Wide	3,062	Correction to leased assets
	$ 182,070	

NOTE 13. 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.

City-County Airport
Lake County, the City of Polson, the City of Ronan, and the Town of St. Ignatius jointly operate and maintain airports at each of the three locations. Lake County assesses a county wide levy to support the airports and has applied for airport improvement grants and accounted for the revenues and expenditures related to the grants. The finances of the joint City/County airports are accounted for by Lake County in a special revenue fund and the airport improvement grants are accounted for by the County in capital project funds. The City of Polson owns some equipment used by the airport and approximately 40 acres of land upon which the Polson airport is located. Approximately 27 acres of additional land is leased from the Confederated Salish and Kootenai Tribes.

NOTE 14. SERVICES PROVIDED FROM OTHER GOVERNMENTS

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

NOTE 15. RISK MANAGEMENT

The City 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.

<u>Insurance Pools:</u>
The City participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are $750,000 per claim and $1.5 million per occurrence with a $3.750 deductible per occurrence. State tort law limits the City's liability to $1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

NOTE 16. PENDING LITIGATION

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

Case	Damages Requested	Potential of Loss
Martin, Michael	Not Stated	Unknown
City of Polson	Not Stated	Unknown

REQUIRED SUPPLEMENTARY INFORMATION

City of Polson, Lake County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 1,695,493	$ 1,695,493	$ 1,708,723	$ 13,230
Licenses and permits	66,875	66,875	52,626	(14,249)
Intergovernmental	794,598	794,598	838,724	44,126
Charges for services	414,071	414,071	25,709	(388,362)
Fines and forfeitures	34,000	34,000	35,150	1,150
Miscellaneous	60,500	60,500	106,044	45,544
Investment earnings	1,500	1,500	4,785	3,285
Amounts available for appropriation	$ 3,067,037	$ 3,067,037	$ 2,771,761	$ (295,276)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	$ 996,219	$ 996,219	$ 1,070,184	$ (73,965)
Public safety	1,764,300	1,764,300	1,739,996	24,304
Public works	210,418	210,418	221,532	(11,114)
Culture and recreation	258,074	258,074	258,745	(671)
Debt service - principal	-	-	10,705	(10,705)
Debt service - interest	-	-	2,941	(2,941)
Miscellaneous	20,000	20,000	-	20,000
Capital outlay	299,500	300,400	281,353	19,047
Total charges to appropriations	$ 3,548,511	$ 3,549,411	$ 3,585,456	$ (36,045)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 192,876	$ 192,876	$ 531,860	$ 338,984
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	$ 177,876	$ 177,876	$ 516,860	$ 338,984
Net change in fund balance			$ (296,835)	
Fund balance - beginning of the year			$ 1,539,176	
Fund balance - end of the year			$ 1,242,341	

City of Polson, Lake County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	Police Municipal Services Levy			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 202,000	$ 202,000	$ 213,621	$ 11,621
Intergovernmental	2,000	2,000	303,341	301,341
Miscellaneous	-	-	35	35
Investment earnings	500	500	263	(237)
Amounts available for appropriation	$ 204,500	$ 204,500	$ 517,260	$ 312,760
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	$ 218,910	$ 218,910	$ 495,279	$ (276,369)
Debt service - principal	69,299	69,299	69,298	1
Debt service - interest	1,836	1,836	1,835	1
Capital outlay	70,000	70,000	50,000	20,000
Total charges to appropriations	$ 360,045	$ 360,045	$ 616,412	$ (256,367)
Net change in fund balance			$ (99,152)	
Fund balance - beginning of the year			$ 179,974	
Fund balance - end of the year			$ 80,822	

City of Polson, Lake County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	$ 5,726	$ 5,725	$ 8,655	$ 8,655	$ 7,989	$ 7,991
Change in assumptions and inputs	-	(80,192)	-	24,758	-	-
Net change in total OPEB liability	5,726	(74,467)	8,655	33,413	7,989	7,991
Total OPEB Liability - beginning	61,614	136,081	127,426	94,013	86,024	-
Restatement	-	-	-	-	-	78,033
Total OPEB Liability - ending	$ 67,340	$ 61,614	$ 136,081	$ 127,426	$ 94,013	$ 86,024
Covered-employee payroll	$ 1,786,202	$ 1,786,202	$ 1,921,727	$ 1,921,727	$ 1,936,771	$ 1,936,771
Total OPEB liability as a percentage of covered -employee payroll	4%	3%	7%	7%	5%	4%

**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.*

City of Polson, Lake County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer’s proportion of the net pension liability	0.090258%	0.078574%	0.073627%	0.076476%	0.076544%	0.109335%	0.099482%	0.101342%	0.121236%
Employer’s proportionate share of the net pension liability associated with the Employer	$ 2,146,238	$ 1,424,718	$ 1,942,433	$ 1,598,581	$ 1,597,579	$ 2,129,820	$ 1,694,525	$ 1,416,630	$ 1,510,614
State of Montana’s proportionate share of the net pension liability associated with the Employer	$ 638,953	$ 418,548	$ 610,247	$ 518,914	$ 533,360	$ 26,329	$ 20,705	$ 17,401	$ 18,447
Total	$ 2,785,191	$ 1,843,266	$ 2,552,680	$ 2,117,495	$ 2,130,939	$ 2,156,149	$ 1,715,230	$ 1,434,031	$ 1,529,061
Employer’s covered payroll	$ 1,545,925	$ 1,382,106	$1,235,341	$1,261,837	$1,258,806	$1,356,566	$1,191,622	$1,182,681	$1,380,329
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	138.83%	103.08%	157.24%	126.69%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	MPORS 2023	MPORS 2022	MPORS 2021	MPORS 2020	MPORS 2019	MPORS 2018	MPORS 2017	MPORS 2016	MPORS 2015
Employer’s proportion of the net pension liability	0.3674%	0.3286%	0.3606%	0.3308%	0.3356%	0.3654%	0.3558%	0.2779%	0.1355%
Employer’s proportionate share of the net pension liability associated with the Employer	$ 867,845	$ 597,427	$ 881,869	$ 658,487	$ 574,814	$ 650,054	$ 640,399	$ 459,714	$ 212,969
State of Montana’s proportionate share of the net pension liability associated with the Employer	$ 1,763,862	$ 1,214,306	$ 1,778,635	$ 1,340,920	$ 1,175,034	$ 1,342,918	$ 1,271,220	$ 931,424	$ 430,223
Total	$ 2,631,707	$ 1,811,733	$ 2,660,504	$ 1,999,407	$ 1,749,848	$ 1,992,972	$ 1,911,619	$ 1,391,138	$ 643,192
Employer’s covered payroll	$ 685,368	$ 594,780	$ 617,636	$ 545,240	$ 529,791	$ 546,393	$ 502,202	$ 384,627	$ 181,848
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	126.62%	100.45%	142.78%	120.77%	108.50%	118.97%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	69.67%	75.76%	64.84%	68.84%	70.95%	68.34%	65.62%	66.90%	67.01%

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

City of Polson, Lake County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	$ 156,851	$ 141,069	$ 122,996	$ 108,232	$ 108,527	$ 106,621	$ 113,545	$ 101,461	$ 99,155
Contributions in relation to the contractually required contributions	$ 156,851	$ 141,069	$ 122,996	$ 108,232	$ 108,527	$ 106,621	$ 113,545	$ 101,461	$ 99,155
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,748,618	$ 1,545,925	$ 1,382,106	$ 1,235,341	$ 1,261,837	$ 1,258,806	$ 1,356,566	$ 1,191,622	$ 1,182,681
Contributions as a percentage of covered payroll	8.97%	9.13%	8.90%	8.76%	8.60%	8.47%	8.37%	8.51%	8.38%

	MPORS 2023	MPORS 2022	MPORS 2021	MPORS 2020	MPORS 2019	MPORS 2018	MPORS 2017	MPORS 2016	MPORS 2015
Contractually required contributions	$ 118,651	$ 99,488	$ 85,593	$ 89,987	$ 78,881	$ 79,239	$ 78,735	$ 73,566	$ 55,756
Contributions in relation to the contractually required contributions	$ 118,651	$ 99,488	$ 85,593	$ 89,987	$ 78,881	$ 79,239	$ 78,735	$ 73,566	$ 55,756
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 823,393	$ 685,368	$ 594,780	$ 617,636	$ 545,240	$ 529,791	$ 546,393	$ 502,202	$ 384,627
Contributions as a percentage of covered payroll	14.41%	14.52%	14.39%	14.57%	14.47%	14.96%	14.41%	14.65%	14.50%

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

City of Polson, Lake 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, 2023

<u>Public Employees' Retirement System of Montana (PERS)</u>

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 tear PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

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

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

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

2017 Legislative Changes

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

Refunds

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

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

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
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, 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.

Montana Municipal Police Officers' Retirement System of Montana(MPORS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

2015 Legislative Changes

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

- Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9- 1206(1), MCA.

2017 Legislative Changes

Working Retiree Limitations – for MPORS

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

- Members who return for less than 480 hours in a calendar year:
  - may not become an active member in the system; and
  - are subject to a $1 reduction in their retirement benefit for each $3 earned in excess of $5,000 in the calendar year.
- Members who return for 480 or more hours in a calendar year:
  - must become an active member of the system;
  - will stop receiving a retirement benefit from the system; and
  - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions, if any, apply as follows:
  - employer contributions and state contributions (if any) must be paid on all working retirees;
  - employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for MPORS
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.
- 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

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

City of Polson, Lake 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, 2023

Changes in Actuarial Assumptions and Methods
Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted 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 6.60%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
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	0.18%

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.

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

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

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

Mayor and City Council
City of Polson
Lake County
Polson, 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 City of Polson, Lake County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Polson's basic financial statements and have issued our report thereon dated June 20, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Polson, Lake 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 City of Polson, Lake County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Polson'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City of Polson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 20, 2024