

**CITY OF RED LODGE
CARBON COUNTY
RED LODGE, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

**2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
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TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT.....	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16
Notes to Basic Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	36
Resort Tax Fund.....	37
Disaster Fund	38
Stormwater Maintenance Fund	39
Notes to Required Supplementary Information	40
Pension Plan Information:	
Schedule of Proportionate Share of the Net Pension Liability.....	41
Schedule of Contributions	42
Notes to Required Supplementary Information-Pension Plan Information	43
Schedule of Changes in the Total Other Post-Employment Benefits (OPEB) Liability and Related Ratios	46
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	47
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 <i>GOVERNMENT AUDITING STANDARDS</i>	49
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	54
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	57
CORRECTIVE ACTION PLAN	58

CITY OF RED LODGE

ORGANIZATION

June 30, 2023

MAYOR

Kristin Cogswell

COUNCIL

Kelly Heaton	Member
Kristen Lucky Keys	Member
Shinta Daniels	Member
Terri Durbin	Member
Jody Ronning	Member
Jennifer Battles	Member

CITY OFFICIALS

Dennison Butler	City Attorney
Loni Hanson	Clerk/Treasurer
Raphael He Does It	City Judge
Greg Srock	Police Chief

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Red Lodge
Red Lodge, 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 the of City of Red Lodge, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's 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 government, 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2023, the government adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known 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, misrepresentations, 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 judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 government'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government'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 the management's discussion and analysis, budgetary comparison information, pension plan information and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios 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 context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the government'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 government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
March 22, 2024

CITY OF RED LODGE
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the City of Red Lodge's financial performance provides an overview of the government's financial activities for the year ended June 30, 2023. Please read the information here in conjunction with our financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- Net position of the governmental activities and business-type activities increased \$2,540,739 and \$1,594,728, respectively.
- In the business-type activities, revenues increased \$263,105 and expenses decreased \$161,589 over the prior year.
- At the close of the fiscal year, the City's governmental funds reported an ending fund balance of \$3,212,527, an increase of \$714,566.
- There were no general fund budget amendments.

USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. The fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements: One of the most important questions asked about the government's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and changes in it. You can think of net position—the difference between assets and deferred outflows less liabilities and deferred inflows—as one way to measure the financial health, or financial position of the City. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities—Basic services are reported here, including police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities—Fees are charged to customers to help cover all or most of the cost of certain services provided. The water and sewer system and solid waste services are reported here.

Fund financial statements: The fund financial statements provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and/or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified-accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations, respectively).

Proprietary funds—Fees are charged to customers for services provided—whether to outside customers or to other units of the government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of the proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

CITY OF RED LODGE
MANAGEMENT'S DISCUSSION & ANALYSIS

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following net position schedule provides a summary of the City's governmental and business-type activities.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,686,982	\$ 5,264,804	\$ 6,595,294	\$ 5,767,229	\$ 11,282,276	\$ 11,032,033
Capital assets	8,469,516	6,491,372	19,397,969	18,197,627	27,867,485	24,688,999
Total assets	<u>13,156,498</u>	<u>11,756,176</u>	<u>25,993,263</u>	<u>23,964,856</u>	<u>39,149,761</u>	<u>35,721,032</u>
Deferred outflows	222,799	279,696	55,046	76,216	277,845	355,912
Other liabilities	909,679	2,149,614	132,985	101,669	1,042,664	2,251,283
Long-term liabilities	3,115,311	2,895,699	8,609,832	8,255,587	11,725,143	11,151,286
Total liabilities	<u>4,024,990</u>	<u>5,045,313</u>	<u>8,742,817</u>	<u>8,357,256</u>	<u>12,767,807</u>	<u>13,402,569</u>
Deferred inflows	559,647	863,663	22,964	123,041	582,611	986,704
Net position:						
Net investment in capital assets	6,752,824	4,649,160	11,317,814	10,401,490	18,070,638	15,050,650
Restricted	2,634,264	2,014,696	353,235	353,235	2,987,499	2,367,931
Unrestricted	(592,428)	(536,960)	5,611,479	4,806,050	5,019,051	4,269,090
Total net position	<u>\$ 8,794,660</u>	<u>\$ 6,126,896</u>	<u>\$ 17,282,528</u>	<u>\$ 15,560,775</u>	<u>\$ 26,077,188</u>	<u>\$ 21,687,671</u>

The largest portion of the City of Red Lodge's net position, \$18,070,638, reflects the net investment in capital assets (land, buildings, machinery and equipment, etc.). The City of Red Lodge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Red Lodge's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Red Lodge's net position, \$2,987,499, represents resources that are subject to external restrictions or enabling legislature on how they may be used. Additionally, resources are set aside for debt service as required by the debt covenants. The remaining balance of unrestricted net position, \$5,019,051, may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF RED LODGE
MANAGEMENT'S DISCUSSION & ANALYSIS

As noted below, net position of our governmental activities increased \$2,540,739. Net position of our business-type activities increased \$1,594,728. A large portion of the increase was due to capital contributions, resort taxes and water and sewer rate increases.

CHANGE IN NET POSITION	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 277,045	\$ 300,615	\$ 3,588,572	\$ 3,522,812	\$ 3,865,617	\$ 3,823,427
Operating grants/contributions	1,542,515	1,291,472	35,430	25,100	1,577,945	1,316,572
Capital grants/contributions	1,278,877	800,367	315,292	184,708	1,594,169	985,075
General revenues:						
Taxes	2,797,267	2,345,342	-	-	2,797,267	2,345,342
Licenses and permits	96,650	54,075	-	-	96,650	54,075
Intergovernmental	445,130	429,186	-	-	445,130	429,186
Interest	55,206	9,123	59,808	11,241	115,014	20,364
Miscellaneous	22,542	5,749	900	1,500	23,442	7,249
Gain on disposal of capital assets	52,544	1,762	-	-	52,544	1,762
Transfers	(186,742)	(178,278)	186,742	178,278	-	-
Total revenues	6,381,034	5,059,413	4,186,744	3,923,639	10,567,778	8,983,052
Expenses:						
General government	611,867	364,313	-	-	611,867	364,313
Public safety	1,427,003	1,067,042	-	-	1,427,003	1,067,042
Public works	1,020,365	1,229,601	-	-	1,020,365	1,229,601
Public health	109	310	-	-	109	310
Culture and recreation	583,950	370,468	-	-	583,950	370,468
Housing/community development	30,000	-	-	-	30,000	-
Water	-	-	1,114,643	1,032,857	1,114,643	1,032,857
Sewer	-	-	956,865	1,235,951	956,865	1,235,951
Solid waste	-	-	520,508	484,797	520,508	484,797
Other current charges	111,665	83,739	-	-	111,665	83,739
Interest on long-term debt	55,336	59,857	-	-	55,336	59,857
Total expenses	3,840,295	3,175,330	2,592,016	2,753,605	6,432,311	5,928,935
Change in net position	2,540,739	1,884,083	1,594,728	1,170,034	4,135,467	3,054,117
Net position, beginning	6,126,896	4,242,813	15,560,775	14,390,741	21,687,671	18,633,554
Prior period adjustments	127,025	-	127,025	-	254,050	-
Net position, ending	\$ 8,794,660	\$ 6,126,896	\$ 17,282,528	\$ 15,560,775	\$ 26,077,188	\$ 21,687,671

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund. To be reported as a major fund, a fund must meet each of the two following criteria.

Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

General fund fund balance increased \$95,414, which is attributable to transfers in from the resort tax fund. Fund balance in the Resort Tax fund increased \$104,676 due to expenditures being less than anticipated. The Disaster fund is being used to account for the flood that occurred in June 2022. The Stormwater Maintenance fund accounts for resources accumulated for the City's stormwater project.

CITY OF RED LODGE
MANAGEMENT'S DISCUSSION & ANALYSIS

Net position for the Water and Sewer funds increased \$825,991 and \$779,190, respectively. A large portion of the increase was due to water and sewer rate increases and transfers in from the Resort Tax fund. Solid Waste fund fund balance decreased \$10,453.

There were no general fund budget amendments.

DEBT ADMINISTRATION

Long Term Debt: At the end of the fiscal year, the City of Red Lodge had total long-term liabilities of \$11,725,143. \$9,796,847 is related to outstanding bonds for our governmental and business-type activities. At the end of the fiscal year, the net pension liability, the total OPEB liability and compensated absences are the only other long term obligations of the government.

THE GOVERNMENT'S FUTURE

The budget is prepared by the mayor, with input from the department heads, and approved by the City Council. Community members have the opportunity to review the budget and to attend budget hearings.

Throughout the budget process, efforts are made to ensure a balanced budget that weighs the everchanging needs of the City against the tax burden to City residents.

The City adopted a growth policy, which was updated in 2020 by the planning board and the City Council, with input from community members. The growth policy includes the City's population characteristics, economy, local services and facilities, housing, land use, public engagement, and an implementation plan to achieve the goals.

The City residents voted in 1999 to impose a 3% resort tax in the City. The City taxpayers voted in 2019 to renew the 3% resort tax, which also included an additional 1% for stormwater improvements. A Resort Tax Advisory Committee was formed to continually monitor public sentiment and provide the City Council with community input regarding recommendations on spending resort tax dollars.

The City created an Urban Renewal District implementing Tax Increment Funding (TIF) in 2022. The tax increases from within this district will be used for targeted projects within the district and will not go into the general budget until the expiration of the district in 2042. An Urban Renewal District Advisory Committee was formed to continually monitor public sentiment and provide the City Council with community input regarding recommendations on spending URD dollars.

CITY OF RED LODGE
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 2,710,783	\$ 3,287,896	\$ 5,998,679
Receivables:			
Taxes and assessments	484,296	53,478	537,774
Utility	-	220,575	220,575
Accounts	17,500	-	17,500
Governments	1,278,496	14,770	1,293,266
Leases	84,007	-	84,007
Internal balances	15,000	(15,000)	-
Restricted assets:			
Cash and equivalents	96,900	3,033,575	3,130,475
Capital assets:			
Land and construction in progress	2,963,358	3,256,255	6,219,613
Capital assets, net of accumulated depreciation	5,506,158	16,141,714	21,647,872
Total assets	<u>13,156,498</u>	<u>25,993,263</u>	<u>39,149,761</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	<u>222,799</u>	<u>55,046</u>	<u>277,845</u>
LIABILITIES			
Accounts payable-vendors	671,556	123,757	795,313
Unearned revenues	205,123	-	205,123
Deposits payable	33,000	9,228	42,228
Long-term liabilities:			
Due within one year:			
Bonds	161,017	502,000	663,017
Compensated absences	70,544	41,046	111,590
Due in more than one year:			
Bonds	1,555,675	7,578,155	9,133,830
Compensated absences	88,026	77,202	165,228
Net pension liability	1,069,254	313,679	1,382,933
Total other post-employment benefit liability	170,795	97,750	268,545
Total liabilities	<u>4,024,990</u>	<u>8,742,817</u>	<u>12,767,807</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-long-term special assessments	400,454	-	400,454
Leases	80,480	-	80,480
Pension plans	78,713	22,964	101,677
Total deferred inflows of resources	<u>559,647</u>	<u>22,964</u>	<u>582,611</u>
NET POSITION			
Net investment in capital assets	6,752,824	11,317,814	18,070,638
Restricted for:			
Nonexpendable:			
Permanent fund-perpetual cemetery	4,995	-	4,995
General government	24,700	-	24,700
Public safety	252,143	-	252,143
Public works	215,628	-	215,628
Culture and recreation	91,587	-	91,587
Housing and community development	149,156	-	149,156
Capital projects	1,823,676	-	1,823,676
Debt service	72,379	353,235	425,614
Unrestricted (deficit)	<u>(592,428)</u>	<u>5,611,479</u>	<u>5,019,051</u>
Total net position	<u>\$ 8,794,660</u>	<u>\$ 17,282,528</u>	<u>\$ 26,077,188</u>

See notes to basic financial statements.

CITY OF RED LODGE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 611,867	\$ 63,081	\$ 23,926	\$ -	\$ (524,860)	\$ -	\$ (524,860)
Public safety	1,427,003	184,230	170,629	-	(1,072,144)	-	(1,072,144)
Public works	1,020,365	3,953	1,138,458	1,042,831	1,164,877	-	1,164,877
Public health	109	-	-	-	(109)	-	(109)
Culture and recreation	583,950	25,781	179,502	236,046	(142,621)	-	(142,621)
Housing and community development	30,000	-	30,000	-	-	-	-
Other current charges	111,665	-	-	-	(111,665)	-	(111,665)
Interest on long-term debt	55,336	-	-	-	(55,336)	-	(55,336)
Total governmental activities	3,840,295	277,045	1,542,515	1,278,877	(741,858)	-	(741,858)
Business-type activities:							
Water	1,114,643	1,515,236	8,132	315,292	-	724,017	724,017
Sewer	956,865	1,562,561	27,124	-	-	632,820	632,820
Solid Waste	520,508	510,775	174	-	-	(9,559)	(9,559)
Total business-type activities	2,592,016	3,588,572	35,430	315,292	-	1,347,278	1,347,278
Total	\$ 6,432,311	\$ 3,865,617	\$ 1,577,945	\$ 1,594,169	(741,858)	1,347,278	605,420
General revenues:							
Property taxes					2,797,267	-	2,797,267
Licenses and permits					96,650	-	96,650
Intergovernmental					445,130	-	445,130
Unrestricted investment earnings					55,206	59,808	115,014
Miscellaneous					22,542	900	23,442
Loan proceeds					-	-	-
Gain on disposal of capital assets					52,544	-	52,544
Transfers					(186,742)	186,742	-
Total general revenues and transfers					3,282,597	247,450	3,530,047
Change in net position					2,540,739	1,594,728	4,135,467
Net position - beginning					6,126,896	15,560,775	21,687,671
Prior period adjustments					127,025	127,025	254,050
Net position - ending					\$ 8,794,660	\$ 17,282,528	\$ 26,077,188

CITY OF RED LODGE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Resort Tax	Disaster	Stormwater Maintenance	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 606,129	\$ 502,479	\$ -	\$ 475,854	\$ 1,126,321	\$ 2,710,783
Restricted assets:						
Cash and cash equivalents	-	-	-	-	96,900	96,900
Receivables:						
Taxes and assessments	55,774	-	1,164	8,177	419,181	484,296
Accounts	-	-	-	-	17,500	17,500
Governments	3,860	15,468	892,189	364,440	2,539	1,278,496
Leases	84,007	-	-	-	-	84,007
Due from other funds	-	-	-	827,020	15,000	842,020
Total assets	\$ 749,770	\$ 517,947	\$ 893,353	\$ 1,675,491	\$ 1,677,441	\$ 5,514,002
LIABILITIES						
Accounts payable	\$ 8,349	\$ 39,566	\$ 52,383	\$ 603,614	\$ 644	\$ 704,556
Due to other funds	-	-	827,020	-	-	827,020
Unearned revenues	-	-	-	-	205,123	205,123
Total liabilities	8,349	39,566	879,403	603,614	205,767	1,736,699
DEFERRED INFLOWS OF RESOURCES						
Leases	80,480	-	-	-	-	80,480
Unavailable revenue-taxes and assessments	55,774	-	1,164	8,177	419,181	484,296
Total deferred inflows of resources	136,254	-	1,164	8,177	419,181	564,776
FUND BALANCES						
Nonspendable:						
Permanent fund-perpetual cemetery	-	-	-	-	4,995	4,995
Restricted for:						
General government	-	-	-	-	12,871	12,871
Public safety	-	-	-	-	251,535	251,535
Public works	-	-	-	-	215,628	215,628
Culture and recreation	-	-	-	-	91,587	91,587
Housing and community development	-	-	-	-	149,156	149,156
Capital projects	-	478,381	12,786	1,063,700	260,632	1,815,499
Debt service	-	-	-	-	66,089	66,089
Unassigned	605,167	-	-	-	-	605,167
Total fund balances	605,167	478,381	12,786	1,063,700	1,052,493	3,212,527
Total liabilities, deferred inflows of resources and fund balances	\$ 749,770	\$ 517,947	\$ 893,353	\$ 1,675,491	\$ 1,677,441	\$ 5,514,002

CITY OF RED LODGE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2023

Total fund balances, governmental funds	\$ 3,212,527
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.</p>	8,469,516
<p>Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>	83,842
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>	
Deferred outflows of resources related to pensions	222,799
Deferred inflows of resources related to pensions	(78,713)
<p>Some liabilities (such as bonds, the net pension liability, the total other post-employment benefits liability and compensated absences), are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.</p>	<u>(3,115,311)</u>
Net position of governmental activities	<u>\$ 8,794,660</u>

CITY OF RED LODGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Resort Tax	Disaster	Stormwater Maintenance	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes/assessments	\$ 850,228	\$ 1,176,497	\$ 14,862	\$ 478,858	\$ 251,403	\$ 2,771,848
Fines and forfeitures	56,803	-	-	-	-	56,803
Licenses and permits	87,750	-	-	-	179,575	267,325
Intergovernmental	694,486	16,250	594,785	1,042,831	663,851	3,012,203
Charges for services	16,012	22,441	-	-	2,214	40,667
Investment earnings	39,714	7,075	-	-	8,417	55,206
Miscellaneous	9,940	1,202	-	-	274,619	285,761
Total revenues	1,754,933	1,223,465	609,647	1,521,689	1,380,079	6,489,813
EXPENDITURES						
Current:						
General government	446,176	13,000	-	-	97,749	556,925
Public safety	1,041,530	57,259	-	-	208,046	1,306,835
Public works	132,879	103,609	596,861	-	65,434	898,783
Public health	109	-	-	-	-	109
Culture and recreation	212,914	183,171	-	-	448	396,533
Housing and community development	-	-	-	-	30,000	30,000
Other current charges	-	-	-	-	111,665	111,665
Debt service:						
Principal	-	57,324	-	-	68,196	125,520
Interest and other charges	-	41,374	-	-	13,962	55,336
Capital outlay	-	348,173	-	1,433,706	377,464	2,159,343
Total expenditures	1,833,608	803,910	596,861	1,433,706	972,964	5,641,049
Excess (deficiency) of revenues over expenditures	(78,675)	419,555	12,786	87,983	407,115	848,764
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	52,544	52,544
Transfers in	174,089	-	-	258,336	125,558	557,983
Transfers out	-	(314,879)	-	-	(429,846)	(744,725)
Total other financing sources (uses)	174,089	(314,879)	-	258,336	(251,744)	(134,198)
Net change in fund balances	95,414	104,676	12,786	346,319	155,371	714,566
Fund balances - beginning	509,753	578,961	-	717,381	691,866	2,497,961
Prior period adjustments	-	(205,256)	-	-	205,256	-
Fund balances - ending	\$ 605,167	\$ 478,381	\$ 12,786	\$ 1,063,700	\$ 1,052,493	\$ 3,212,527

See notes to basic financial statements.

CITY OF RED LODGE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 714,566
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
This is the amount by which capital outlay (\$2,159,343) exceeded depreciation (\$308,224) in the current period.	1,851,119
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	25,419
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.</p>	
	(120,076)
<p>Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt service principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt principal repaid.</p>	
	125,520
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:</p>	
Compensated absences	(27,918)
Other post-employment benefits	(27,891)
	(55,809)
Change in net position of governmental activities	\$ 2,540,739

CITY OF RED LODGE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities			Total Enterprise Funds
	Water	Sewer	Solid Waste	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 983,885	\$ 2,304,011	\$ -	\$ 3,287,896
Receivables:				
Taxes and assessments	-	15,255	38,223	53,478
Utility	99,400	121,175	-	220,575
Governments	5,027	9,743	-	14,770
Due from other funds	-	370,578	-	370,578
Total current assets	<u>1,088,312</u>	<u>2,820,762</u>	<u>38,223</u>	<u>3,947,297</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	<u>1,332,859</u>	<u>1,689,167</u>	<u>11,549</u>	<u>3,033,575</u>
Capital assets:				
Land	-	680,084	-	680,084
Construction in progress	2,119,791	456,380	-	2,576,171
Buildings and systems	17,395,025	12,550,839	29,259	29,975,123
Machinery and equipment	127,964	238,681	46,569	413,214
Less: accumulated depreciation	(7,303,522)	(6,879,495)	(63,606)	(14,246,623)
Capital assets, net	<u>12,339,258</u>	<u>7,046,489</u>	<u>12,222</u>	<u>19,397,969</u>
Total non-current assets	<u>13,672,117</u>	<u>8,735,656</u>	<u>23,771</u>	<u>22,431,544</u>
Total assets	<u>14,760,429</u>	<u>11,556,418</u>	<u>61,994</u>	<u>26,378,841</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	<u>26,142</u>	<u>27,930</u>	<u>974</u>	<u>55,046</u>
LIABILITIES				
Current liabilities:				
Accounts payable	119,135	4,622	-	123,757
Due to other funds	324,280	-	61,298	385,578
Deposits payable	9,228	-	-	9,228
Compensated absences	8,974	31,342	730	41,046
Bonds payable	<u>340,000</u>	<u>162,000</u>	<u>-</u>	<u>502,000</u>
Total current liabilities	<u>801,617</u>	<u>197,964</u>	<u>62,028</u>	<u>1,061,609</u>
Non-current liabilities:				
Compensated absences	34,867	40,632	1,703	77,202
Bonds payable	5,054,009	2,524,146	-	7,578,155
Net pension liability	148,968	159,160	5,551	313,679
Total other post-employment benefits liability	<u>49,090</u>	<u>46,324</u>	<u>2,336</u>	<u>97,750</u>
Total non-current liabilities	<u>5,286,934</u>	<u>2,770,262</u>	<u>9,590</u>	<u>8,066,786</u>
Total liabilities	<u>6,088,551</u>	<u>2,968,226</u>	<u>71,618</u>	<u>9,128,395</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plans	<u>10,906</u>	<u>11,652</u>	<u>406</u>	<u>22,964</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	6,945,249	4,360,343	12,222	11,317,814
Restricted for debt service	216,347	136,888	-	353,235
Unrestricted (deficit)	<u>1,525,518</u>	<u>4,107,239</u>	<u>(21,278)</u>	<u>5,611,479</u>
Total net position (deficit)	<u>\$ 8,687,114</u>	<u>\$ 8,604,470</u>	<u>\$ (9,056)</u>	<u>\$ 17,282,528</u>

See notes to basic financial statements.

CITY OF RED LODGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities			Total Enterprise Funds
	Water	Sewer	Solid Waste	
REVENUES				
Charges for services	\$ 1,515,236	\$ 1,562,561	\$ 510,775	\$ 3,588,572
OPERATING EXPENSES				
Personal services	356,638	348,532	18,973	724,143
Supplies	81,554	58,359	515	140,428
Purchased services	160,883	152,197	499,879	812,959
Building materials	11,395	-	-	11,395
Depreciation	368,487	349,365	741	718,593
Total operating expenses	978,957	908,453	520,108	2,407,518
Operating income (loss)	536,279	654,108	(9,333)	1,181,054
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	20,128	39,680	-	59,808
Intergovernmental revenue	8,132	27,124	174	35,430
Miscellaneous revenue	-	900	-	900
Interest expense	(135,686)	(48,412)	(400)	(184,498)
Total non-operating revenues (expenses)	(107,426)	19,292	(226)	(88,360)
Income (loss) before capital contributions and transfers	428,853	673,400	(9,559)	1,092,694
Capital contributions	315,292	-	-	315,292
Transfers in	125,174	150,000	-	275,174
Transfers out	(43,328)	(44,210)	(894)	(88,432)
Change in net position	825,991	779,190	(10,453)	1,594,728
Net position - beginning	7,861,123	7,698,255	1,397	15,560,775
Prior period adjustments	-	127,025	-	127,025
Net position - ending	<u>\$ 8,687,114</u>	<u>\$ 8,604,470</u>	<u>\$ (9,056)</u>	<u>\$ 17,282,528</u>

CITY OF RED LODGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities			Total Enterprise Funds
	Water	Sewer	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,512,401	\$ 1,554,442	\$ 496,453	\$ 3,563,296
Cash paid to employees	(345,897)	(363,833)	(13,274)	(723,004)
Cash paid to suppliers for goods and services	(248,809)	(228,865)	(500,394)	(978,068)
Net cash provided (used) by operating activities	<u>917,695</u>	<u>961,744</u>	<u>(17,215)</u>	<u>1,862,224</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transferred from other funds	125,174	150,000	-	275,174
Change in interfund payable	(25,659)	(20,639)	41,298	(5,000)
Cash received from miscellaneous	-	900	-	900
Change in deposits payable	(3,172)	-	-	(3,172)
Cash transferred to other funds	(43,328)	(44,210)	(894)	(88,432)
Cash received from intergovernmental sources	-	15,000	-	15,000
Net cash provided by noncapital financing activities	<u>53,015</u>	<u>101,051</u>	<u>40,404</u>	<u>194,470</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash paid for capital assets	(1,534,980)	(182,436)	-	(1,717,416)
Cash received from bonds	779,408	65,990	-	845,398
Cash received from capital grants	315,292	-	-	315,292
Principal payments on debt	(384,000)	(173,000)	-	(557,000)
Interest paid	(137,755)	(50,723)	(400)	(188,878)
Net cash used by capital financing activities	<u>(962,035)</u>	<u>(340,169)</u>	<u>(400)</u>	<u>(1,302,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	20,128	39,680	-	59,808
Net cash provided by investing activities	<u>20,128</u>	<u>39,680</u>	<u>-</u>	<u>59,808</u>
Change in cash and cash equivalents	28,803	762,306	22,789	813,898
Cash and cash equivalents - beginning	<u>2,287,941</u>	<u>3,230,872</u>	<u>(11,240)</u>	<u>5,507,573</u>
Cash and cash equivalents - ending	<u>\$ 2,316,744</u>	<u>\$ 3,993,178</u>	<u>\$ 11,549</u>	<u>\$ 6,321,471</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 536,279	\$ 654,108	\$ (9,333)	\$ 1,181,054
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	368,487	349,365	741	718,593
Pension plans	6,023	(25,455)	5,157	(14,275)
Other post-employment benefits	(1,774)	304	(86)	(1,556)
Increase in accounts receivable	(2,835)	(3,995)	-	(6,830)
Increase in taxes/assessments receivable	-	(4,124)	(14,322)	(18,446)
Decrease in prepaids	13,360	13,360	-	26,720
Decrease in accounts payable	(8,337)	(31,669)	-	(40,006)
Increase in compensated absences	6,492	9,850	628	16,970
Net cash provided (used) by operating activities	<u>\$ 917,695</u>	<u>\$ 961,744</u>	<u>\$ (17,215)</u>	<u>\$ 1,862,224</u>

See notes to basic financial statements.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2023, the government implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

The resort tax fund is used to account for the 3 percent resort tax that is collected within the City limits. Restrictions have been placed on how the funds may be spent.

The disaster fund is used to account for federal and state disaster relief funds.

The ARPA fund accounts for resources accumulated from the American Rescue Plan Act and payments made for general

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

government services.

The Stormwater Maintenance fund is used to account for the governments stormwater system.

The government reports the following major enterprise funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

The solid waste fund accounts for the activities of the government's sanitation services.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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 governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The City maintains and controls a cash and investment portfolio for all funds. The investments portfolio is managed by the City Clerk/Treasurer and overseen by the Mayor and City Council. The City Clerk/Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the City's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost. Investment income is allocated to individual funds owning the investment. At year-end, the net change in fair value is allocated to individual funds owning the investments.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

Utility and taxes/assessments receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year end was not material and therefore not recorded.

Restricted Assets

Certain proceeds of the SID revolving, water, sewer, and solid waste long-term debt, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable debt covenants and resolutions.

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$10,000 for buildings, \$5,000 for improvements and \$25,000 for infrastructure and an estimated useful life in excess of one year.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the government are depreciated

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	30
Building, systems and improvements	7-40
Machinery and equipment	3-20

Lease and subscription-based information technology arrangements assets are amortized over the life of the associated contracts.

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statements of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pension plans.

In addition to liabilities, the statements of net position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has three items that qualify for reporting in this category: pension plans, leases and long-term special assessments.

In the governmental funds, deferred inflow of resources is for revenues that are not considered available and leases. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet. Lease revenue is recognized over the life of the lease.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the clerk/treasurer to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The solid waste fund had a deficit equity of \$9,056 as of June 30, 2023. The deficit occurred because expenses exceeded revenues. The city will monitor expenses going forward.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 2,807,683
Business-type activities	<u>6,321,471</u>
	<u>\$ 9,129,154</u>

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2023, consisted of the following:

	Cash/Cash Equivalents
Cash in banks:	
Demand deposits	\$ 540,323
Savings deposits	5,726,639
Time deposits	73,489
Short-term Investment Program (STIP)	1,132,451
Repurchase agreements	1,656,252
	\$ 9,129,154

Custodial Credit Risk - Deposits. 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. As of June 30, 2023, \$5,320,044 of the government's bank balance of \$5,854,608 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	\$ 5,320,044
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2023, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2023:

	Fair Value
State Short-Term Investment Program (STIP)	\$ 1,131,847

The government had no investments categorized as Level 1, 2 or 3 inputs.

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and redeemed with one business days' notice. The government's STIP ownership is represented by shares. Share prices are fixed at \$1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

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. However, under state statute, an investment 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.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 1,656,252	\$ 1,656,252	\$ 1,656,252
Uncategorized: STIP	\$ -	\$ -	\$ 1,656,252	1,656,252	1,656,252
				1,132,451	1,131,847
				<u>\$ 2,788,703</u>	<u>\$ 2,788,099</u>

Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,402,627	\$ -	\$ -	\$ 1,402,627
Construction-in-progress	3,023,631	1,433,706	(2,896,606)	1,560,731
Total capital assets, not being depreciated	<u>4,426,258</u>	<u>1,433,706</u>	<u>(2,896,606)</u>	<u>2,963,358</u>
Capital assets, being depreciated				
Buildings/improvements	1,994,311	51,689	-	2,046,000
Improvements other than buildings	560,563	3,155,274	-	3,715,837
Machinery and equipment	2,674,888	368,780	(159,880)	2,883,788
Infrastructure	25,814,797	46,500	-	25,861,297
Total capital assets, being depreciated	<u>31,044,559</u>	<u>3,622,243</u>	<u>(159,880)</u>	<u>34,506,922</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,405,042)	(49,468)	-	(1,454,510)
Improvements other than buildings	(160,766)	(130,650)	-	(291,416)
Machinery and equipment	(1,972,150)	(93,844)	159,880	(1,906,114)
Infrastructure	(25,314,462)	(34,262)	-	(25,348,724)
Total accumulated depreciation	<u>(28,852,420)</u>	<u>(308,224)</u>	<u>159,880</u>	<u>(29,000,764)</u>
Total capital assets, being depreciated, net	<u>2,192,139</u>	<u>3,314,019</u>	<u>-</u>	<u>5,506,158</u>
Governmental activities capital assets, net	<u>\$ 6,618,397</u>	<u>\$ 4,747,725</u>	<u>\$(2,896,606)</u>	<u>\$ 8,469,516</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 5,830
Public safety	57,030
Public works	91,696
Culture and recreation	153,668
Total depreciation-governmental activities	<u>\$ 308,224</u>

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2022	Additions	Deletions	Balance 30, 2023
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 680,084	\$ -	\$ -	\$ 680,084
Construction-in-progress	913,513	1,676,182	(13,524)	2,576,171
Total capital assets, not being depreciated	<u>1,593,597</u>	<u>1,676,182</u>	<u>(13,524)</u>	<u>3,256,255</u>
Capital assets, being depreciated				
Buildings and systems	29,723,846	251,277	-	29,975,123
Machinery and equipment	408,214	5,000	-	413,214
Total capital assets, being depreciated	<u>30,132,060</u>	<u>256,277</u>	<u>-</u>	<u>30,388,337</u>
Less accumulated depreciation for:				
Buildings and systems	(13,363,567)	(692,238)	-	(14,055,805)
Machinery and equipment	(164,463)	(26,355)	-	(190,818)
Total accumulated depreciation	<u>(13,528,030)</u>	<u>(718,593)</u>	<u>-</u>	<u>(14,246,623)</u>
Total capital assets, being depreciated, net	<u>16,604,030</u>	<u>(462,316)</u>	<u>-</u>	<u>16,141,714</u>
Business-type activities capital assets, net	<u>\$ 18,197,627</u>	<u>\$ 1,213,866</u>	<u>\$ (13,524)</u>	<u>\$ 19,397,969</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 368,487
Sewer	349,365
Solid Waste	<u>741</u>
Total depreciation-business-type activities	<u>\$ 718,593</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2023, consisted of the following:

	Due from funds	Due to funds
Governmental activities:		
Stormwater Maintenance	\$ 827,020	\$ -
Disaster	-	(827,020)
Nonmajor governmental funds	<u>15,000</u>	<u>-</u>
Total governmental activities	<u>\$ 842,020</u>	<u>\$ (827,020)</u>
Business-type activities:		
Water	\$ -	\$ (324,280)
Sewer	370,578	-
Solid Waste	<u>-</u>	<u>(61,298)</u>
Total business-type activities	<u>\$ 370,578</u>	<u>\$ (385,578)</u>

The balance of \$15,000 and \$46,298 due to the capital projects and sewer funds, respectively, from the solid waste fund resulted from loans made to a cover deficit cash balance; \$10,000 of the balance due to the capital projects fund is not scheduled to be collected in the subsequent year. The balance of \$827,020 owed to the stormwater maintenance fund from the disaster fund resulted from loans made to cover a deficit cash balance. The balance will be repaid in fiscal 2024. Additionally, the balance of \$324,280 due to the sewer fund from the water fund resulted from loans made to cover costs associated with the 2013 Broadway water project. \$295,893 of the balance is not scheduled to be collected in the subsequent year.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 174,089	\$ -
Resort tax	-	(314,879)
Stormwater maintenance	258,336	-
Nonmajor governmental funds	125,558	(429,846)
Total governmental activities	\$ 557,983	\$ (744,725)
Business-type activities:		
Water	\$ 125,174	\$ (43,328)
Sewer	150,000	(44,210)
Solid waste	-	(894)
Total business-type activities	\$ 275,174	\$ (88,432)

Transfers use revenues collected in various funds to finance programs accounted for in other funds in accordance with city resolutions and budgetary authorizations.

Leases

The government leases two parcels of land to a third party. The leases were for 25 years. The government recognized \$5,749 in lease revenue and \$4,404 in interest revenue during the year related to these leases. As of June 30, 2023, the government's receivable for lease payments was \$84,007. Also, the government has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$80,480.

Long-Term Debt

During the fiscal year 2022, the government issued \$319,000 of sewer system revenue bonds through the Department of Natural Resources and Conservation (DNRC) with a term of twenty years. The government was advanced \$236,429 in 2022 and \$65,990 in 2023 from the bonds. The interest rate is 2.5%. Further, the government issued \$1,240,000 of water system revenue bonds in fiscal year 2022 through the DNRC with a term of twenty years. The government was advanced \$185,509 in 2022 and \$779,408 in 2023 from the bonds. The interest rate is 2.5%. In previous years, the government issued other revenue bonds through the DNRC. For all of the bonds, the government pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding were as follows:

	Original Amount	Matures	Interest Rate	Balance June 30, 2023	Due within one year
Refunding water system-2020	\$ 4,695,000	6/30/2039	2.0 to 2.5%	\$ 3,705,000	\$ 275,000
Water system-2019	1,123,000	1/1/2039	2.5%	789,000	40,000
Water system-2021	1,240,000	06/30/2041	2.5%	866,917	25,000
Sewer system-2021B	319,000	06/30/2041	2.5%	278,419	7,000
Sewer system revenue refunding bonds 2020	2,795,000	06/30/2037	1.1 to 2.0%	2,380,000	155,000
				\$ 8,019,336	\$ 502,000

Each bond has a reserve requirement and specified minimum required operating revenues. The government is in substantial compliance with these requirements.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 502,000	\$ 159,912	\$ 661,912
2025	463,000	163,281	626,281
2026	474,000	153,404	627,404
2027	481,000	142,867	623,867
2028	494,000	132,153	626,153
2029-2033	2,624,000	504,046	3,128,046
2034-2038	2,634,917	233,470	2,868,387
2039-2041	346,419	9,091	355,510
	<u>\$ 8,019,336</u>	<u>\$ 1,498,224</u>	<u>\$ 9,517,560</u>

The government issued \$969,000 of special assessment bonds in 2019 to provide funds for an overlay project in the Country Club Estates. The bonds have a stated rate of interest of 3.22 percent and are payable in equal installments of principal and interest over 10 years. Special assessment bond debt service requirements to maturity are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 102,067	\$ 11,449	\$ 113,516
2025	105,380	8,136	113,516
2026	108,800	4,716	113,516
2027	64,630	1,184	65,814
	<u>\$ 380,877</u>	<u>\$ 25,485</u>	<u>\$ 406,362</u>

The government issued \$1,492,000 of resort tax revenue bonds, series 2021 in 2021 to pay all or a portion of the costs of improvements to the City pool. The bonds have a stated rate of interest of 3.00 percent and are payable in semi-annual equal installments of principal and interest over the next 20 years. Resort tax revenue bonds outstanding as of June 30, 2023 were \$1,335,815. Resort tax revenue bonds debt service requirements to maturity are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 58,950	\$ 39,748	\$ 98,698
2025	60,839	37,859	98,698
2026	62,678	36,020	98,698
2027	64,572	34,126	98,698
2028	66,437	32,261	98,698
2029-2033	363,946	129,547	493,493
2034-2038	422,398	71,093	493,491
2039-2041	235,995	10,751	246,746
	<u>\$ 1,335,815</u>	<u>\$ 391,405</u>	<u>\$ 1,727,220</u>

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Special assessment bonds	\$ 449,073	\$ -	\$ (68,196)	\$ 380,877	\$ 102,067
Resort tax revenue bonds	1,393,139	-	(57,324)	1,335,815	58,950
Compensated absences	130,652	27,918	-	158,570	70,544
Governmental activity long-term liabilities	\$ 1,972,864	\$ 27,918	\$ (125,520)	\$ 1,875,262	\$ 231,561
Business-type activities:					
Revenue bonds	\$ 7,730,938	\$ 845,398	\$ (557,000)	\$ 8,019,336	\$ 502,000
Premium on revenue bonds	65,199	-	(4,380)	60,819	-
Compensated absences	101,278	16,970	-	118,248	41,046
Business-type activity long-term liabilities	\$ 7,897,415	\$ 862,368	\$ (561,380)	\$ 8,198,403	\$ 543,046

For the governmental activities, compensated absences are generally liquidated by the general fund.

Restricted Assets

The balances of the restricted asset accounts for governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
SID revolving and reserve	\$ 96,900	\$ -
Customer deposits	-	9,228
Revenue bond-reserve	-	353,235
Revenue bond-replacement/depreciation	-	2,671,112
	\$ 96,900	\$ 3,033,575

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Prior Period Adjustments

Prior period adjustments resulted from paying expenditures/expenses from incorrect funds in fiscal 2022.

Interlocal Agreement

The City of Red Lodge and the Red Lodge Rural Fire District Number 7 entered into an agreement where the Fire District provides emergency and non-emergency response and fire protection services to the citizens of the City. The City pays the Fire District the value of 28 mills on property that is located within the boundaries of the City.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Subsequent Events

The government borrowed an additional \$275,083 and \$16,581 on its water and sewer revenue bonds, respectively, in January 2024.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$2,044,000, primarily for construction projects.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), 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 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

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. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

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 participate in the DROP only 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 the date 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.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1). if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2). if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3). if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who 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 receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Municipal Police Officers' Retirement System

Members with 20 years of service credit or age 50 with 5 years of service credit are eligible to retire. Retirement benefits are determined as 2.5 % of the final highest average (FAC) multiplied by years of service credit. For plan members hired prior to July 1, 1977, FAC is determined on the average monthly compensation of final year of service. Plan members hired on or after July 1, 1977, FAC is determined on the final average compensation (FAC) for last consecutive 36 months. For plan members hired on or after July 1, 2013, FAC is determined on 110% annual cap on compensation considered as a part of a member's final average compensation.

Second retirement is recalculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017: 1). less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service or 2). 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. This applies to retirement system members re-employed in a MPORS position on or after July 1, 2017: 1). If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member: a). is not awarded service credit for the period of reemployment; b). is refunded the accumulated contributions associated with the period of reemployment; c). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and d). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. 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: 1). is awarded service credit for the period of reemployment; 2). starting the first month following termination of service, receives: a). the same retirement benefit previously paid to the member, and b). a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date; and 3). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA: a). on the initial retirement benefit in January immediately following second retirement, and b). 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.

The Guaranteed Annual Benefit Adjustment (GABA) applies to members hired on or after July 1, 1997, or those electing GABA, and have been retired for at least 12 months, a GABA will be made each year in January equal to 3%. The minimum benefit adjustment (non-GABA) 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.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.97% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Municipal Police Officers' Retirement System

Members' contributions depend upon date of hire and whether the member has elected to be covered by a Guaranteed Annual Benefit Adjustment (GABA). For members who have not elected GABA, the rates of contribution are as follows: 1). hired after June 30, 1975,

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

but on or before June 30, 1979: 7.0%, 2). hired after June 30, 1979, but before July 1, 1997: 8.5% or 3). hired on or after July 1, 1997: 9%. For all members who have elected GABA, the rate is 9.0% of compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 14.41% of each member's compensation. The State contributes 29.37% of each member's compensation.

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

At June 30, 2023, the government recorded a liability of \$910,005 (PERS) and \$472,928 (MPORS) for its proportionate share of the net pension liability.

PERS and MPORS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS and MPORS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2023	
	PERS	MPORS
Employer proportionate share	\$ 910,005	\$ 472,928
State of Montana proportionate share associated with employer	274,822	961,211
Total	\$ 1,184,827	\$ 1,434,139

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 for PERS and MPORS. The government's proportion of the net pension liability was based on the government's contributions received by PERS and MPORS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all PERS and MPORS participating employers. At June 30, 2023, the government's proportion was .0383 and .2002 percent for PERS and MPORS, respectively.

For the year ended June 30, 2023, the government recognized \$137,649 (PERS) and \$86,113 (MPORS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$28,485 (PERS) and \$164,798 (MPORS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$166,134 and \$250,911 for PERS and MPORS, respectively.

At June 30, 2023, the government reported its proportionate share of PERS and MPORS deferred outflows and inflows of resources from the following sources:

	PERS		MPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,601	\$ -	\$ 2,103	\$ 2,478
Changes in actuarial assumptions	33,912	66,621	41,736	9,078
Difference between projected and actual investment earnings	26,745	-	17,226	-
Changes in the proportion and differences between actual and expected contributions	16,742	-	-	23,500
Employer contributions subsequent to measurement date	70,693	-	57,087	-
	\$ 159,693	\$ 66,621	\$ 118,152	\$ 35,056

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30:	PERS	MPORS
2024	\$ 2,122	\$ 19,061
2025	(11,789)	4,379
2026	(28,845)	(23,027)
2027	60,891	25,596

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MPORS
Investment rate of return, net of investment and administrative expenses	7.30%	7.30%
Salary increases	3.50%	3.50%
Inflation	2.75%	2.75%

Mortality rates for the PERS and MPORS retirement plans are based on the PUB-2010 general amount weighted employer mortality projected to 2021 for males and females and projected generationally using MP-2021.

The long-term expected rate of return on pension plan investments for both PERS and MPORS 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 weighting 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

Asset Class	PERS and MPORS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

general fund. Based on those assumptions, the PERS' 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 total pension liability. A municipal bond rate was not incorporated in the discount rate.

Municipal Police Officers' Retirement System

The discount rate used to measure the total pension liability 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 will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 29.37% of salaries paid by employers. Based on those assumptions, the System'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 total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS and MPORS 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.

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability-PERS	\$ 1,311,815	\$ 910,005	\$ 572,891
Net pension liability-MPORS	712,637	472,928	282,552

PERS Disclosure for the Defined Contribution Plan

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

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.

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan description: The healthcare plan provides for and Section 2-18-704, MCA, requires local governments to allow 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 government. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these costs 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

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

service years defined in 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums.

Employees Covered by Benefit Terms. As of June 30, 2022, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	21
	21

Total OPEB Liability

The total OPEB liability of \$268,545 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal funding
Salary increases	3.50%
Discount rate	4.02% (based on the 20 year municipal bond index)
Healthcare costs trend rates	7% in 2023. Thereafter, decreasing each year to an ultimate rate of 3.8% for 2079 and years later
Participation	40% of future retirees are assumed to elect medical coverage
Mortality	RP 2000 Healthy Combined Mortality Table

The actuarial assumptions used in the June 20, 2022 valuation were based on the health care premium rates and medical and prescription drug costs in effect as of June 30, 2022.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$ 37,820
Interest on the total OPEB liability	11,257
Difference in experience	-
Changes in assumptions or other inputs	(15,390)
Benefits payments	(7,352)
Net change in total OPEB liability	26,335
Total OPEB liability - beginning of year	242,210
Total OPEB liability - end of year	\$ 268,545

Changes of benefit terms reflect revised health care trend rates and retiree contribution increases based on revised projects and future increases to retirees contributions to match health care cost trend rates.

Changes of assumptions and other inputs reflect a change in status, trend, discount and other inputs.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the employer's total OPEB liability calculated using the discount rate of 4.02%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.02%) or 1.00% higher (5.02%) than the current rate.

CITY OF RED LODGE
NOTES TO BASIC FINANCIAL STATEMENTS

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
Total OPEB liability	\$ 297,678	\$ 268,545	\$ 241,684

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 2.8%) or 1-percentage-point higher (8.0% decreasing to 4.8%) than the current healthcare cost trend rates:

	1% Decrease (6% decreasing to 2.8%)	Healthcare Cost Trend Rates (7% decreasing to 3.8%)	1% Increase (8% decreasing to 4.8%)
Total OPEB liability	\$ 226,199	\$ 268,545	\$ 321,934

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

For the year ended June 30, 2023, the government recognized OPEB expense of \$33,687. As of June 30, 2023, the government expensed deferred outflows of resources and deferred inflows of resources related to OPEB as required by the "alternative measurement method".

Future Implementation of GASB Pronouncements

GASB Statement No. 99, Omnibus 2022. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RED LODGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 1,262,361	\$ 1,262,361	\$ 850,228	\$ -	\$ 850,228
Fees and fines	77,000	77,000	56,803	-	56,803
Licenses and permits	39,500	39,500	87,750	-	87,750
Intergovernmental	488,635	488,635	511,022	183,464	694,486
Charges for services	20,200	20,200	16,012	-	16,012
Investment earnings	2,000	2,000	39,714	-	39,714
Miscellaneous	10,100	10,100	9,940	-	9,940
Total revenues	<u>1,899,796</u>	<u>1,899,796</u>	<u>1,571,469</u>	<u>183,464</u>	<u>1,754,933</u>
EXPENDITURES					
Current:					
General government	537,176	537,176	439,320	6,856	446,176
Public safety	956,348	956,348	873,607	167,923	1,041,530
Public works	123,075	123,075	130,066	2,813	132,879
Public health	550	550	109	-	109
Culture and recreation	207,599	207,599	207,042	5,872	212,914
Total expenditures	<u>1,824,748</u>	<u>1,824,748</u>	<u>1,650,144</u>	<u>183,464</u>	<u>1,833,608</u>
Excess (deficiency) of revenues over expenditures	<u>75,048</u>	<u>75,048</u>	<u>(78,675)</u>	<u>-</u>	<u>(78,675)</u>
OTHER FINANCING SOURCES					
Transfers in	190,205	190,205	174,089	-	174,089
Total other financing sources	<u>190,205</u>	<u>190,205</u>	<u>174,089</u>	<u>-</u>	<u>174,089</u>
Net change in fund balance	<u>\$ 265,253</u>	<u>\$ 265,253</u>	95,414	-	95,414
Fund balance - beginning			<u>509,753</u>	<u>-</u>	<u>509,753</u>
Fund balance - ending			<u>\$ 605,167</u>	<u>\$ -</u>	<u>\$ 605,167</u>

CITY OF RED LODGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Resort Tax Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,176,497
Intergovernmental	-	-	16,250
Charges for services	-	-	22,441
Investment earnings	500	500	7,075
Miscellaneous	-	-	1,202
Total revenues	<u>1,500,500</u>	<u>1,500,500</u>	<u>1,223,465</u>
EXPENDITURES			
Current:			
General government	13,000	13,000	13,000
Public safety	-	-	57,259
Public works	183,200	183,200	103,609
Culture and recreation	260,175	260,175	183,171
Debt service:			
Principal	98,700	98,700	57,324
Interest and other charges	-	-	41,374
Capital outlay	1,229,495	1,229,495	348,173
Total expenditures	<u>1,784,570</u>	<u>1,784,570</u>	<u>803,910</u>
Excess (deficiency) of revenues over expenditures	<u>(284,070)</u>	<u>(284,070)</u>	<u>419,555</u>
OTHER FINANCING USES:			
Transfers out	<u>(334,980)</u>	<u>(334,980)</u>	<u>(314,879)</u>
Total other financing uses	<u>(334,980)</u>	<u>(334,980)</u>	<u>(314,879)</u>
Net change in fund balance	<u>\$ (619,050)</u>	<u>\$ (619,050)</u>	104,676
Fund balance - beginning			578,961
Prior period adjustments			<u>(205,256)</u>
Fund balance - ending			<u>\$ 478,381</u>

CITY OF RED LODGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Disaster Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 16,107	\$ 16,107	\$ 14,862
Intergovernmental	1,000,000	1,000,000	594,785
Total revenues	<u>1,016,107</u>	<u>1,016,107</u>	<u>609,647</u>
EXPENDITURES			
Current:			
Public works	-	596,862	596,861
Total expenditures	<u>-</u>	<u>596,862</u>	<u>596,861</u>
Net change in fund balance	<u>\$ 1,016,107</u>	<u>\$ 419,245</u>	12,786
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ 12,786</u>

CITY OF RED LODGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Stormwater Maintenance Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 911,869	\$ 911,869	\$ 478,858
Intergovernmental	-	-	1,042,831
Total revenues	<u>911,869</u>	<u>911,869</u>	<u>1,521,689</u>
EXPENDITURES			
Current:			
Public works	1,217,380	1,217,380	-
Capital outlay	-	-	1,433,706
Total expenditures	<u>1,217,380</u>	<u>1,217,380</u>	<u>1,433,706</u>
Excess (deficiency) of revenues over expenditures	<u>(305,511)</u>	<u>(305,511)</u>	<u>87,983</u>
OTHER FINANCING SOURCES			
Transfers in	-	-	258,336
Total other financing sources	<u>-</u>	<u>-</u>	<u>258,336</u>
Net change in fund balance	<u>\$ (305,511)</u>	<u>\$ (305,511)</u>	346,319
Fund balance - beginning			<u>717,381</u>
Fund balance - ending			<u>\$ 1,063,700</u>

CITY OF RED LODGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

The differences between the budgetary basis and GAAP basis of accounting for the general fund consists of the state support revenue for pension plans.

Expenditures exceeded appropriations in the Stormwater Maintenance fund by \$216,326.

CITY OF RED LODGE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES, MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.0383%	0.0350%	0.0393%	0.0356%	0.0366%	0.0446%	0.0430%	0.0559%	0.0619%
Employer's proportionate share of the net pension liability associated with the employer	\$ 910,005	\$ 635,097	\$ 1,037,564	\$ 743,254	\$ 762,864	\$ 869,193	\$ 732,074	\$ 781,730	\$ 770,706
State of Montana's proportionate share of the net pension liability associated with the employer	274,822	189,067	329,771	244,479	257,998	15,358	8,945	9,602	9,412
Total	\$ 1,184,827	\$ 824,164	\$ 1,367,335	\$ 987,733	\$ 1,020,862	\$ 884,551	\$ 741,019	\$ 791,332	\$ 780,118
Employer's covered payroll	\$ 672,540	\$ 618,692	\$ 659,864	\$ 586,688	\$ 624,054	\$ 553,625	\$ 514,808	\$ 652,631	\$ 714,821
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	135.31%	102.65%	157.24%	126.69%	122.24%	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%
Municipal Police Officers' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.2002%	0.2221%	0.2106%	0.2161%	0.1851%	0.2599%	0.2709%	0.2365%	0.2065%
Employer's proportionate share of the net pension liability associated with the employer	\$ 472,928	\$ 403,700	\$ 515,069	\$ 430,111	\$ 316,983	\$ 462,466	\$ 487,596	\$ 391,179	\$ 324,447
State of Montana's proportionate share of the net pension liability associated with the employer	961,211	820,543	1,038,844	875,855	647,976	942,585	967,900	792,565	655,422
Total	\$ 1,434,139	\$ 1,224,243	\$ 1,553,913	\$ 1,305,966	\$ 964,959	\$ 1,405,051	\$ 1,455,496	\$ 1,183,744	\$ 979,869
Employer's covered payroll	\$ 373,489	\$ 401,912	\$ 360,742	\$ 356,138	\$ 292,154	\$ 388,720	\$ 382,374	\$ 327,286	\$ 277,036
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	126.62%	100.44%	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 RED LODGE
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES, MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 70,693	\$ 59,813	\$ 54,828	\$ 57,813	\$ 50,459	\$ 50,913	\$ 46,339	\$ 49,098	\$ 60,874
Contributions in relation to the contractually required contributions	70,693	59,813	54,828	57,813	50,459	50,913	46,339	49,098	60,874
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 788,102	\$ 672,540	\$ 618,692	\$ 659,864	\$ 586,686	\$ 624,054	\$ 553,625	\$ 514,808	\$ 652,631
Contributions as a percentage of employer's covered payroll	8.97%	8.89%	8.86%	8.76%	8.60%	8.16%	8.37%	9.54%	9.33%
Municipal Police Officers' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 57,087	\$ 54,216	\$ 57,838	\$ 52,558	\$ 51,524	\$ 43,697	\$ 56,015	\$ 56,013	\$ 47,443
Contributions in relation to the contractually required contributions	57,087	54,216	57,838	52,558	51,524	43,697	56,015	56,013	47,443
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 396,164	\$ 373,489	\$ 401,912	\$ 360,742	\$ 356,142	\$ 292,154	\$ 388,720	\$ 382,374	\$ 327,286
Contributions as a percentage of employer's 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 RED LODGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

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:

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

Municipal Police Officers' Retirement System

Changes of Benefit Terms:

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

2017:

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.

CITY OF RED LODGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

- 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:
 - i) the same retirement benefit previously paid to the member, and
 - ii) a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i) on the initial retirement benefit in January immediately following second retirement, and
 - ii) on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
 - 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:

- 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.

CITY OF RED LODGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

Changes in actuarial assumptions and other inputs:

Method and assumptions used in the PERS and MPORS calculations of actuarially determined contributions:

Acturial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years (PERS) and 20 years (MPORS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

CITY OF RED LODGE
SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 242,210	\$ 551,487	\$ 482,131	\$ 475,666	\$ 424,541	\$ 384,600
Service cost	37,820	53,415	71,004	37,060	41,086	41,835
Interest cost	11,257	13,554	13,994	17,946	16,297	16,503
Changes in assumptions or other inputs	(15,390)	(103,230)	-	5,999	12,414	(13,834)
Differences in experience	-	(257,639)	-	(37,880)	-	14,082
Benefit payments	(7,352)	(15,377)	(15,642)	(16,660)	(18,672)	(18,645)
Total OPEB liability - end of year	<u>\$ 268,545</u>	<u>\$ 242,210</u>	<u>\$ 551,487</u>	<u>\$ 482,131</u>	<u>\$ 475,666</u>	<u>\$ 424,541</u>
Covered-employee payroll	\$ 1,268,927	\$ 1,226,016	\$ 1,147,602	\$ 1,138,808	\$ 1,035,301	\$ 995,482
Total OPEB liability as a percentage of covered-employee payroll	21.16%	19.76%	48.06%	42.34%	45.94%	42.65%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

4.02%	2.27%	2.53%	3.50%	3.50%	3.87%
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Differences in experience measure the expected versus actual claims experience.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

SUPPLEMENTARY INFORMATION

CITY OF RED LODGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2022	Receipts	Expenditures	Balance June 30, 2023	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture:</u>								
Passed through the Montana Department of Natural Resources and Conservation:								
Urban and Community Forestry Program	10.675	UCF-22-101	\$ 9,950	\$ -	\$ -	\$ 9,881	\$ (9,881)	\$ -
Urban and Community Forestry Program	10.675	UCF-22-202	5,000	-	-	5,000	(5,000)	-
Total U.S. Department of Agriculture				-	-	14,881	(14,881)	-
<u>U.S. Department of Housing and Urban Development:</u>								
Passed through the Montana Department of Commerce:								
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-PL-20-11A	30,000	-	30,000	30,000	-	30,000
Total U.S. Department of Justice				-	30,000	30,000	-	30,000
<u>U.S. Department of Homeland Security:</u>								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4655-DR-MT	2,534,760	-	446,400	970,826	(524,426)	-
Total U.S. Department of Homeland Security				-	446,400	970,826	(524,426)	-
<u>U.S. Environmental Protection Agency:</u>								
Passed through the Montana Department of Natural Resources and Conservation:								
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WRF-22499	992,000	-	623,526	770,794	(147,268)	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WRF-22498	500,000	-	315,292	315,292	-	-
Total U.S. Environmental Protection Agency				-	938,818	1,086,086	(147,268)	-
<u>U.S. Department of the Treasury:</u>								
Passed through the Montana Department of Commerce:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	MT-ARPA-CG-23-619	500,000	(43,383)	114,285	378,231	(307,329)	-
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	MT-ARPA-PL-23-654	15,000	(13,653)	15,000	1,347	-	-
Passed through the Montana Department of Natural Resources and Conservation:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	AM-22-0047	529,811	(83,642)	99,016	15,374	-	-
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	AC-22-0051	2,000,000	-	592,115	649,226	(57,111)	-
Subtotal				(140,678)	820,416	1,044,178	(364,440)	-
Direct Program:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	N/A	590,046	590,046	-	384,924	205,122	-
Subtotal				590,046	-	384,924	205,122	-
Total U.S. Department of the Treasury				449,368	820,416	1,429,102	(159,318)	-
Total Federal Awards				\$ 449,368	\$ 2,235,634	\$ 3,530,895	\$ (845,893)	\$ 30,000

(1) - Covid 19

CITY OF RED LODGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DONATED PPE

The estimated Fair Market Value (FMV) of donated PPE for the year ended June 30, 2023 was \$0 (unaudited).

NOTE 5 - PRIOR YEAR EXPENDITURES

Expenditures reported for Assistance Listing Number 97.036 - Disaster Grants - Public Assistance, include approximately \$306,000 in expenditures that were incurred in the prior year.

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

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ERNEST J. OLNESS, CPA

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

To the Honorable Mayor and City Council
City of Red Lodge
Red Lodge, Montana

Report on the Financial Statements

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Lodge, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 22, 2024. The report included an explanatory paragraph to describe a change in accounting principles

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-004 through 2023-006.

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 (CONTINUED)

The Government's Response to Findings

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

Purpose of this Report

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

O'ness & Associates, PC

Billings, Montana
March 22, 2024

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

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ERNEST J. OLNESS, CPA

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

To the Honorable Mayor and City Council
City of Red Lodge
Red Lodge, Montana

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Red Lodge, Montana's (the government) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2023. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds and Assistance Listing No. 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds and Assistance Listing No. 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds and Assistance Listing No. 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters)

As described in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds and Assistance Listing No. 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters), as described in finding numbers 2023-007 and 2023-008 for Procurement and Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-007 and 2023-008 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

O'neill & Associates, PC

Billings, Montana
March 22, 2024

CITY OF RED LODGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ yes no
- Significant deficiencies identified? ✓ yes none reported
- Noncompliance material to the financial statements noted? ✓ yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ✓ yes no
- Significant deficiencies identified? yes ✓ none reported

Type of auditor's report issued on compliance for major programs:

Qualified: Assistance Listing No. 21.027, Coronavirus State and Local Fiscal Recovery Funds
 Qualified: Assistance Listing No. 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 Unmodified: Assistance Listing No. 66.468, Capitalization Grants for Drinking Water State Revolving Funds

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? ✓ yes no

Major programs:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? yes ✓ no

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Cause: There are a limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

CITY OF RED LODGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-003. CREDIT CARD PROCESSING

Criteria: All credit card purchases should be supported by approved documentation such as original invoices.

Condition: Credit cards were paid without complete and adequate documentation (contracts, invoices, receipts, etc) to support each disbursement.

Cause: Unknown

Effect: The risk of errors, irregularities, or inappropriate charges occurring and not being detected is increased if supporting documentation is not attached to all disbursements.

Recommendation: All credit card users should be required to attach complete and adequate documentation to credit cards when they are presented for payment.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-004. EQUIPMENT PURCHASES NOT BID

Criteria: Per Section 7-5-4302, a contract for the purchase of any vehicle, road machinery or other machinery, apparatus, appliances, equipment, or materials or supplies or for construction, repair, or maintenance in excess of \$80,000 must be let to the lowest responsible bidder after advertisement for bids.

Condition: The city purchased a plow truck, a sewer helisieve and a sewer grit pump each with a purchase price in excess of \$80,000 without going through the formal bid process.

Cause: Procedures are not in place to identify purchases that are required to be formally bid in accordance with state law.

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-4302, MCA.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-005. BUDGETS

Criteria: Accurate preparation of the budget is necessary to ensure that the government is appropriately funded, fiscally responsible and is in compliance with state budget laws. Further, Section 7-6-4005, MCA, requires expenditures be limited to appropriations for each budgeted fund.

CITY OF RED LODGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Condition: A budget was adopted for the disaster fund, but was not entered into the general ledger. While reviewing the budget document, examples were found where the appropriation on the tax levy requirements schedule did not agree with the budget in the general ledger. Further, one mill was levied for the police retirement fund, but a budget did not exist on the requirements schedule. Also, expenditures exceeded the appropriations for the stormwater maintenance fund.

Cause: Procedures are not in place to provide for the proper preparation and review of the budget document or monitoring budget and actual.

Effect: Non-compliance with state law.

Recommendation: Procedures should be developed to ensure that budget document is accurate and complete. Further, the budget document should be reviewed by someone with sufficient knowledge to verify its accuracy and completeness. Also, procedures should be developed to ensure that expenditure budgets are not overspent.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-006 NONCOMPLIANCE WITH PROCUREMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, ASSISTANCE LISTING No. 21.027 AND DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS), ASSISTANCE LISTING No. 97.036

Criteria: Per section 13 of Treasury's Final Rule FAQs and 2 CFR 200.214, cities must comply with the procurement standards set forth in 2 CFR 200.318, through 2 CFR 200.327, when using their SLFRF award funds to procure goods and services to carry out the objectives of their SLFRF award. In addition, 2 CFR 200.214, restricts awards, subawards and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition: The city did not verify that program recipients/participants were not suspended, debarred, or otherwise excluded from participation in the program.

Cause: The city does not have procurement policies and procedures in place that allow it to comply with procurement standards outlined in the Uniform Guidance.

Effect: Non-compliance with program terms and conditions.

Questioned Costs: None

Recommendation: Management should develop procedures that will provide reasonable assurance that procurement of goods and services are made in compliance with applicable federal regulations and other procurement requirements specific to a federal award or subaward, and that no subaward, contract, or agreement for purchase of goods or services is made with any suspended or debarred party.

Views of responsible officials and planned corrective action: The government agrees with this finding and will adhere to the attached corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF THE TREASURY:

2023-007. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, ASSISTANCE LISTING No. 21.027, DIRECT ALLOCATION, GRANT No.'s MT-ARPA-CG-23-619, MT-ARPA-PL-23-654, AM-22-0047 AND AC-22-0051

Finding 2023-006 applies to this federal award program.

U.S. DEPARTMENT OF HOMELAND SECURITY:

2023-008. DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS), ASSISTANCE LISTING No. 97.036, GRANT No. FEMA-4655-DR-MT

Finding 2023-006 applies to this federal award program.

CITY OF RED LODGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2023-001 for the year ended June 30, 2023.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2023-002 for the year ended June 30, 2023.

2022-003. MILL LEVY CALCULATION

Status: This finding has been resolved.

2022-004. ELECTRONIC PAYMENT CONTROLS

Status: This finding has been resolved.

2022-005. EQUIPMENT PURCHASES NOT BID

Status: This finding is unresolved and is repeated as finding 2023-004 for the year ended June 30, 2023.

2022-006. CREDIT CARD PROCESSING

Status: This finding is unresolved and is repeated as finding 2023-003 for the year ended June 30, 2023.

2022-007. BUDGETS

Status: This finding is unresolved and is repeated as finding 2023-005 for the year ended June 30, 2023.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF RED LODGE
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Name of Contact Person: Loni Hanson

Corrective Action: The City recognizes the commonly encountered difficulty of full separation of duties with limited staff. The City does follow all identified best practices for our current staff size. The City has continued to add additional controls when identified, including process updates and the hiring of an additional staff person to further segregate duties. The City will continue to research cost effective measures to address this audit finding.

Proposed Completion Date: Ongoing.

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: Loni Hanson

Corrective Action: While the City acknowledges the benefit of hiring an outside auditor to provide a separate financial audit. It also recognizes the fiduciary challenge shared by other small municipalities when spending tax payer money -- that the cost of hiring an additional auditor outweighs the benefits. The City will continue to research cost effective measures to address this audit finding.

Proposed Completion Date: Ongoing.

2023-003. CREDIT CARD PROCESSING

Name of Contact Person: Loni Hanson

Corrective Action: Internal policies documentation will be updated to require receipts for reimbursement of all expenses incurred on City credit cards.

Proposed Completion Date: April 1, 2024

2023-004. EQUIPMENT PURCHASES NOT BID

Name of contact person: Loni Hanson

Corrective Action: The City appreciates the clarification regarding MCA compliance and the need to publicly notice the purchase of large equipment. Procedures have been updated accordingly.

Proposed Completion Date: April 1, 2024

2023-005. BUDGETS

Name of Contact Person: Loni Hanson

Corrective Action: This finding was addressed following the 2021-22 audit report. However, the changes were not identified, nor the corrections implemented until mid-cycle for the 2022-2023 budget year. It is anticipated this finding will not be present in the 2023-2024 audit reports.

Proposed Completion Date: August 30, 2023

CITY OF RED LODGE
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2023

2023-006 NONCOMPLIANCE WITH PROCUREMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, ASSISTANCE LISTING No. 21.027 AND DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS), ASSISTANCE LISTING No. 97.036

Name of Contact Person: Loni Hanson

Corrective Action: The City appreciates the clarification regarding the required compliance certifications for all contractors receiving federal funds. The City has worked with its engineering contractor to update processes to correct the identified deficiency.

Proposed Completion Date: April 1, 2024

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF THE TREASURY:

2023-007. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, ASSISTANCE LISTING No. 21.027, DIRECT ALLOCATION, GRANT No.'s MT-ARPA-CG-23-619, MT-ARPA-PL-23-654, AM-22-0047 AND AC-22-0051

Finding 2023-006 applies to this federal award program.

U.S. DEPARTMENT OF HOMELAND SECURITY:

2023-008. DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS), ASSISTANCE LISTING No. 97.036, GRANT No. FEMA-4655-DR-MT

Finding 2023-006 applies to this federal award program.