



RUDD & COMPANY PLLC
certified public accountants | business consultants

CITY OF THREE FORKS, MONTANA

Annual Financial Report

June 30, 2024

DRAFT

giving direction to your future

City of Three Forks, Montana
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June 30, 2024

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CITY OF THREE FORKS, MONTANA
2023 to 2024
ORGANIZATION

CITY COMMISSIONERS

Gene Townsend
George Chancellor
Brooke McLees
Ed Tharp
Roxi McDermott
Nancy Todd

CITY OFFICIALS

Randy Johnston, Mayor

Susan B. Swimley, Attorney

Kelly Smith, City Treasurer/Zoning & Floodplain Official/City Court Clerk/Deputy City Clerk

Carl (Bud) Mohler, City Judge

Crystal Turner, City Clerk/Deputy City Treasurer/Deputy Zoning & Floodplain Official/Deputy
City Court Clerk

Jaime Ewan, Library Director

Steven E. Johnston, Public Works Director

Wendell Ewan, Public Works Operator

Bob Crosiar, Public Works Operator



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Three Forks, Montana

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Three Forks, Montana ("the City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of Three Forks, Montana, as of June 30, 2024 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Three Forks, Montana, as of June 30, 2024, 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 Qualified and Unmodified 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 City of Three Forks, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

Management has not recorded the total pension liability and related expense required by GASB Statement No. 73 in the governmental activities. Accounting principles generally accepted in the United States of America require that total pension liability and related expense be record, which would increase liabilities, decrease net position and change expenses in the governmental activities. The amount by which the departure would affect liabilities, net position and expenses has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 City'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.

Auditors' 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City'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, the budgetary comparison information, the supplemental schedule of total other post-employment benefits liability, and the schedule of pension liabilities and contributions as listed in the table of contents, 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 City's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **DRAFT, 2024**, on our consideration of the City of Three Forks, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.

Bozeman, Montana
DRAFT, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

As management of the City of Three Forks (the “City”), we offer readers of the City of Three Forks’ financial statements this narrative overview and analysis of the financial activities of the City of Three Forks for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements.

Financial Highlights

Key financial highlights for fiscal year 2024 include:

- The City’s Governmental activities’ assets and deferred outflows of resources exceed liabilities and deferred inflows of resources at June 30, 2024 by \$4,353,595. The unrestricted net position is \$1,107,018.
- The City’s Governmental activities’ net position increased \$666,495 as a result of this year’s operations.
- The City’s Business-type activities’ assets and deferred outflows of resources exceed liabilities and deferred inflows of resources at June 30, 2024 by \$9,049,983, of which \$2,559,093 is unrestricted.
- The City’s Business-type activities’ net position increased \$554,481 as a result of this year’s operations.

Using this financial report

This discussion and analysis is intended to serve as an introduction to the City of Three Forks’ basic financial statements. The City of Three Forks’ basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Three Forks’ finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the City of Three Forks’ assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City’s tax base, change in tax laws, and the condition of the capital assets should also be considered.

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Financial Highlights (continued)

The Statement of Net Position presents information on all of the City of Three Forks' assets, deferred outflows, liabilities, and deferred inflows, with the difference between the following activities:

- Governmental activities, normally supported by taxes and intergovernmental revenues, include general government, public safety, public works, public health, culture and recreation, and other.
- Business-type activities, which recover all or a significant portion of their costs through user fees and charges, include water and sewer.

Fund Financial Statements

Fund financial statements report detailed information about the City. The emphasis of fund financial statements is to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds. The City's major governmental funds are the General Fund, Three Forks Rodeo Arena Fund, Gas Tax Apportionment Fund, and Headwaters Trail Project Fund. The City's major proprietary funds are the Water and Sewer Funds.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,814,944, an increase of \$622,221 in comparison with prior year. The following is a summary of the City's major funds:

Major Funds	Fund Balance at June 30,		Increase (Decrease)
	2024	2023	
General	\$ 306,798	\$ 389,327	\$ (82,529)
Three Forks Rodeo Arena	\$ 244,333	\$ 167,885	\$ 76,448
Gas Tax Apportionment	\$ 540,973	\$ 157,335	\$ 383,638
Headwaters Trail Project	\$ 2,032	44,472	\$ (42,440)

Major Funds	2024 Revenue	2023 Revenue	Increase (Decrease)
	General	\$ 745,171	\$ 725,081
Three Forks Rodeo Arena	\$ 293,987	\$ 270,428	\$ 23,559
Gas Tax Apportionment	\$ 425,646	\$ 46,713	\$ 378,933
Headwaters Trail Project	\$ 132,228	\$ 121,182	\$ 11,046

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Financial Highlights (continued)

Major Funds	2024 Expense	2023 Expense	Increase (Decrease)
General	\$ 812,879	\$ 760,330	\$ 52,549
Three Forks Rodeo Arena	\$ 217,539	\$ 181,698	\$ 35,841
Gas Tax Apportionment	\$ 42,008	\$ 27,806	\$ 14,202
Headwaters Trail Project	\$ 174,668	\$ 180,849	\$ (6,181)

The fund balance of the General Fund decreased by \$82,529. Revenues and expenditures were comparable to the prior period.

The fund balance of the Three Forks Rodeo Arena Fund increased by \$76,448. Revenues were comparable to the prior period. Expenditures increased approximately 20% due to increased fees, payroll expenses, and rodeo payouts.

The fund balance of the Gas Tax Apportionment Fund increased by \$383,638. Revenues increased by 811% due to the City receiving a lump sum payment related to the Bridge and Road Safety Accountability Act (BaRSAA) being repealed as of June 30, 2023. Expenditures increased by 51% due to the City no longer utilizing the Gas Tax-Special Road/Street Fund to record street repair expenditures after BaRSAA was repealed.

The fund balance of the Headwaters Trail Project Fund decreased by \$42,440. Revenues and expenditures were comparable to the prior period.

Proprietary Funds

As of the end of the current fiscal year, the City's proprietary funds reported a combined ending fund balance of \$9,049,983, an increase of \$554,481 in comparison with prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Fund Balance at June 30,		Increase (Decrease)
	2024	2023	
Water	\$ 3,524,534	\$ 3,092,883	\$ 431,651
Sewer	\$ 5,525,449	\$ 5,402,619	\$ 122,830

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Financial Highlights (continued)

Major Funds	2024 Revenue	2023 Revenue	Increase (Decrease)
Water	\$ 960,403	\$ 793,203	\$ 167,200
Sewer	\$ 810,897	\$ 941,921	\$ (131,024)

Major Funds	2024 Expense	2023 Expense	Increase (Decrease)
Water	\$ 528,752	\$ 502,464	\$ 26,288
Sewer	\$ 688,067	\$ 639,980	\$ 48,087

Combined, the Water Fund and Sewer fund net positions increased \$554,481 as a result of current year activities. Water Fund revenues increased by approximately 21% due to the recognition of American Rescue Plan Act (ARPA) funds in the current year, while expenses were consistent with the prior year. Sewer Fund revenue decreased by approximately 14% due to fewer Sewer Impact Fees assessed in the current year, while expenses were consistent with the prior year.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available to the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Financial Highlights (continued)

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 City's enterprise funds are the same as the business-type activity report in the government-wide statement but provide more detail and additional information such as cash flows for proprietary funds.

Budget-to Actual-Comparisons

The budgetary comparison schedules listed in the table of contents show how actual expenditures compare to the original and final budgeted expenditures for the general fund and the major special revenue funds. The City's expenditures were within budget for the fiscal year.

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**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Reporting the City as a Whole

The City is providing financial information for fiscal year 2024 and 2023, as detailed in the reports. Table 1 provides a summary of the City's net position for fiscal years 2024 and 2023 for the Governmental Activities.

Table 1
Summarized Schedule of Net Position

	Governmental Activities		Total change 2023-2024
	2024	2023	
Assets			
Current assets	\$ 2,879,011	\$ 2,240,977	\$ 638,034
Noncurrent other assets	79,154	92,779	(13,625)
Capital assets (net)	1,971,864	1,959,969	11,895
<i>Total Assets</i>	4,930,029	4,293,725	636,304
Deferred Outflows			
Pension related items	18,311	26,754	(8,443)
<i>Total Deferred Outflows</i>	18,311	26,754	(8,443)
Liabilities			
Current liabilities	66,752	63,373	3,379
Noncurrent liabilities	419,067	441,526	(22,459)
<i>Total Liabilities</i>	485,819	504,899	(19,080)
Deferred Inflows			
Lease related items	88,536	102,900	(14,364)
OPEB related items	14,309	15,545	(1,236)
Pension related items	6,081	10,035	(3,954)
<i>Total Deferred Inflows</i>	108,926	128,480	(19,554)
Net Position			
Net investment in capital assets	1,679,171	1,630,728	48,443
Restricted	1,567,406	949,794	617,612
Unrestricted	1,107,018	1,106,578	440
<i>Total Net Position</i>	\$ 4,353,595	\$ 3,687,100	\$ 666,495

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Reporting the City as a Whole (continued)

Table 2 shows the changes in net position for fiscal year 2024, compared to fiscal year 2023 results for the Governmental Activities:

Table 2
Changes in Net Position

	Governmental Activities		Total change 2023-2024
	2024	2023	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 310,527	\$ 319,067	\$ (8,540)
Operating grants and contributions	441,073	173,072	268,001
Capital grants and contributions	-	69,000	(69,000)
Miscellaneous	393,956	164,273	229,683
<i>General Revenues:</i>			
Property taxes, levied for general purposes	596,443	598,458	(2,015)
Grants and contributions, not restricted	402,760	219,224	183,536
Unrestricted investment earnings	31,743	8,143	23,600
Miscellaneous	14,438	7,134	7,304
TOTAL REVENUES	2,190,940	1,558,371	632,569
Expenses			
General government	225,492	205,220	20,272
Public safety	413,227	416,110	(2,883)
Public works	362,095	329,260	32,835
Public health	176	179	(3)
Culture and recreation	461,568	433,673	27,895
Housing and community development	42,339	13,524	28,815
Other	5,904	8,937	(3,033)
Interest and fiscal fees	13,644	4,046	9,598
TOTAL EXPENSES	1,524,445	1,410,949	113,496
CHANGES IN NET POSITION	666,495	147,422	519,073
<i>Net Position, Beginning of Year</i>	<i>3,687,100</i>	<i>3,539,678</i>	<i>147,422</i>
<i>Net Position, End of Year</i>	\$ 4,353,595	\$ 3,687,100	\$ 666,495

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Reporting the City as a Whole (continued)

Table 3 provides a summary of the City's net position for fiscal years 2024 and 2023 for the Business-type Activities.

Table 3
Summarized Schedule of Net Position

	Business-type Activities		Total change 2023-2024
	2024	2023	
Assets			
Current assets	\$ 3,190,746	\$ 3,044,251	\$ 146,495
Noncurrent other assets	224,763	224,763	-
Capital assets (net)	9,440,127	9,411,103	29,024
<i>Total Assets</i>	12,855,636	12,680,117	175,519
Deferred Outflows			
Pension related items	41,752	70,159	(28,407)
<i>Total Deferred Outflows</i>	41,752	70,159	(28,407)
Liabilities			
Current liabilities	484,462	607,451	(122,989)
Noncurrent liabilities	3,303,766	3,571,779	(268,013)
<i>Total Liabilities</i>	3,788,228	4,179,230	(391,002)
Deferred Inflows			
OPEB related items	45,312	49,228	(3,916)
Pension related items	13,865	26,316	(12,451)
<i>Total Deferred Inflows</i>	59,177	75,544	(16,367)
Net Position			
Net investment in capital assets	6,266,127	5,985,103	281,024
Restricted	224,763	224,763	-
Unrestricted	2,559,093	2,285,636	273,457
<i>Total Net Position</i>	\$ 9,049,983	\$ 8,495,502	\$ 554,481

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Reporting the City as a Whole (continued)

Table 4 shows the changes in net position for fiscal year 2024, compared to fiscal year 2023 results for the Business-type Activities:

Table 4
Changes in Net Position

	Business-type Activities		Total change 2023-2024
	2024	2023	
Revenues and Special Items			
<i>Program Revenues:</i>			
Charges for services	\$ 1,319,285	\$ 1,431,128	\$ (111,843)
Capital grants and contributions	324,923	224,772	100,151
<i>General Revenues:</i>			
Grants and contributions, not restricted	8,776	11,084	(2,308)
Unrestricted investment earnings	118,316	68,140	50,176
TOTAL REVENUES	1,771,300	1,735,124	36,176
Expenses			
Water	528,752	502,464	26,288
Sewer	688,067	669,980	18,087
TOTAL EXPENSES	1,216,819	1,172,444	44,375
CHANGES IN NET POSITION	554,481	562,680	(8,199)
Net Position, Beginning of Year	8,495,502	7,932,822	562,680
Net Position, End of Year	\$ 9,049,983	\$ 8,495,502	\$ 554,481

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Analysis of Financial Information

The following analysis is provided to help the reader understand the major operations of the City’s Governmental Activities, where the resources come from and what the resources are used for.

The largest portion of the Governmental Activities revenues are charges for services, which make up 27% of revenues for fiscal year 2024.

Table 5
Major Resources

	Governmental Activities	Percent of Total
<i>General revenues:</i>		
Property taxes, levied for general purposes	\$ 596,443	27.22%
Grants and contributions, not restricted	402,760	18.38%
Unrestricted investment earnings	31,743	1.45%
Miscellaneous	14,438	0.66%
<i>Total general revenues</i>	1,045,384	47.71%
Charges for services	310,527	14.17%
Operating grants and contributions	441,073	20.13%
Miscellaneous	393,956	17.99%
<i>TOTAL REVENUES</i>	\$ 2,190,940	100.00%

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Analysis of Financial Information (continued)

The largest portion of Governmental Activities expenses are culture and recreation, which make up 30% of expenses for fiscal year 2024.

Table 6
Major Expenditure Functions

<i>Expenses</i>	Governmental Activities	Percent of Total
General government	\$ 225,492	14.79%
Public safety	413,227	27.11%
Public works	362,095	23.75%
Public health	176	0.01%
Culture and recreation	461,568	30.28%
Housing and community development	42,339	2.78%
Other	5,904	0.39%
Interest and fiscal fees	13,644	0.89%
TOTAL EXPENSES	\$ 1,524,445	100.00%

The following analysis is provided to help the reader understand the major operations of the City's Business-type Activities, where the resources come from and what the resources are used for.

The largest portion of the Business-type Activities revenues are charges for services, which make up 74% of revenues for fiscal year 2024.

Table 7
Major Resources

	Business-type Activities	Percent of Total
<i>General revenues:</i>		
Grants and contributions, not restricted	\$ 8,776	0.50%
Unrestricted investment earnings	118,316	6.68%
Total general revenues	127,092	7.18%
Charges for services	1,319,285	74.48%
Capital grants and contributions	324,923	18.34%
TOTAL REVENUES	\$ 1,771,300	100.00%

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Analysis of Financial Information (continued)

The largest portion of Business-type Activities expense is Sewer, which makes up 57% of expenses for fiscal year 2024.

Table 8
Major Expenditure Functions

<i>Expenses</i>	Business-type Activities	Percent of Total
Water	\$ 528,752	43.45%
Sewer	688,067	56.55%
<i>TOTAL EXPENSES</i>	\$ 1,216,819	100.00%

Capital Assets

Capital assets of the City are assets purchased over \$10,000 with a useful life of one year or more. Please refer to Note 4 for further information on the City’s capital assets. Table 9 summarizes the capital assets for the Governmental Activities.

Table 9
Capital Assets

	Governmental Activities
Land	\$ 24,878
Construction in progress	176,315
Buildings	584,764
Other structures and improvements	1,197,466
Machinery and equipment	1,751,949
Infrastructure	222,783
Right-of-use lease asset	101,329
<i>Total capital assets</i>	4,059,484
Less accumulated depreciation	(2,087,620)
<i>Total capital assets, net of accumulated depreciation and amortization</i>	\$ 1,971,864

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Analysis of Financial Information (continued)

Capital Assets (continued)

Table 10 summarizes the capital assets for the Business-type Activities.

Table 10
Capital Assets

	Business-type Activities
Land	\$ 143,000
Construction in progress	819,101
Buildings	146,170
Other structures and improvements	163,579
Machinery and equipment	591,634
Source of supply	1,742,355
Transmission and distribution	11,192,655
General plant	390,587
<i>Total capital assets</i>	15,189,081
Less accumulated depreciation	(5,748,954)
<i>Total capital assets, net of accumulated depreciation</i>	\$ 9,440,127

Debt Administration

The long-term liabilities of the City is comprised of compensated absences, other post-employment liabilities, leases, loans payable, bonds payable and net pension liabilities. Please refer to Notes 5, 6, 10, 11, and 14 for further information on the City’s long-term debt.

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Economic Factors and Next Year's Budget & Rates

The City of Three Forks' financial position in the General Fund for 2023-2024 continues to show an increase in Taxable Valuation and an increase in the Mill Value. The City Council still requests all departments to be frugal and remain within budget. Overall, the City is financially healthy.

After completing an update to Growth Policy in FY2022-2023, the City began working to update its Capital Improvement Plan (CIP) to determine projects eligible for an update to the Impact Fee Schedule. The City received \$30,000 in a Community Development Block Grant (CDBG) and \$15,000 from the Montana Coal Endowment Program (MCEP) and put in about \$48,000 of City money, which was used for both project updates.

The annual July rodeo was held in 2023 and had over 3,000 spectator turnout each night. The Rodeo Board strives to make electrical improvements as well as seating improvements. Electrical upgrades were planned for FY2023-2024. However, Northwestern Energy has a long lead time and, although this project began in August 2023, it remains at the permitting stage to date. Additional bleacher seating is also a goal within the next few years, with estimates near \$1,000,000 for an additional 1,000 seats.

The Headwaters Trail System repaired and maintained trails quite a bit this fiscal year. There was a crack seal and seal coat project from the Droulliard Fishing Access to Kansas Street. The Trail System also crack seal and seal coated the section from Hickory Street to the Talc Plant Magris' ballfields. Total cost for both crack and seal coating projects was \$136,000. The Trail System was awarded over \$100,000 in grant funding from Gallatin County's Open Space Program.

The City of Three Forks has continued to work with DNRC, Great West Engineering, and Headwaters Economics to be officially awarded the FEMA Flood Mitigation Assistance (FMA) grant for the Jefferson River flood mitigation channel project. This has been an extremely slow process. In FY2023-2024, the City spent \$106,000 for engineering towards this project and \$3,500 for legal fees.

City of Three Forks will continue to jet, clean and inspect sewer mains and to annually clean the sewer lift station, Ridgeview Subdivision lift station as well as clean the sewer outfall line, only as needed. The sewer lift stations are closely monitored for repairs and maintenance as needed.

**City of Three Forks, Montana
Management Discussion and Analysis
For the Year Ended June 30, 2024**

Economic Factors and Next Year's Budget & Rates (continued)

The City will continue to replace radio-read water meters in existing residences and add them to new construction. The City continues with the drinking water project. In FY2023-2024, the City Council voted to drill another test well on property just outside the City limits (south of town) in which the property owner provided easements in hopes of water growth for a future annexation. This well seemed promising, but results were unknown of its quality and production capability until fall of FY2024-2025, and the news was good! The City has been drawing from the grants received from ARPA funds which have come from a direct allocation grant called the "Local Fiscal Recovery Grant" then from the "Minimum Allocation Grant" (MAG). The City was also awarded \$559,000 in MAG ARPA funds from Gallatin County and \$2,000,000 in ARPA competitive funds from the State of Montana. The City remains hopeful it will not have to borrow any funds, but if needed they are working on a State Revolving Fund (SRF) loan. The Department of Environmental Quality (DEQ) rolled out a lead/galvanized/copper service line inventory requirement, which the City of Three Forks completed in FY2023-2024. This data was submitted to DEQ and known lead and galvanized line owners were sent notifications. The City will be required to work on helping property owners replace these lines over the next decade, resulting in unforeseen costs at this time. The City and Great West Engineers will formulate a plan to coincide with the property owner's requirement of replacement while the City has streets excavated for the distribution improvements in hopes of reducing costs and other resources.

The City Council will continue to review expenditures in the Water and Sewer funds to evaluate operational and maintenance costs. As needed, the City will hold public meetings to adjust user fees as necessary.

The City submitted three projects thought eligible for House Bill 335 funding for repair and maintenance projects for government infrastructure. Two projects were approved for this grant funding (City Hall remodel and Library ADA door and roof replacements), and the third project (Fire Hall addition) was not awarded. However, the City Council opted to include this addition to the Fire Hall in its FY2024-2025 budget. The City of Three Forks has \$172,780 in grant funding and \$68,270 budgeted for the match. The Fire Hall project is budgeted from Capital Improvement Funds, and Fire Impact Fees at \$40,000 from each fund.

The City currently has three outstanding loans: one for the TFRA bleachers, one loan in the Water fund and one in the Sewer fund. Budgeted payments in FY2023-2024 on these three loans combined was \$379,158

Contact for Further Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the City Clerk, at City of Three Forks, 206 Main Street, PO Box 187, Three Forks, MT 59752; 406-285-3541.

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FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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City of Three Forks, Montana
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,475,731	\$ 2,992,387	\$ 5,468,118
Investments	275,264	81,838	357,102
Accounts receivable	10	-	10
Lease receivable, current	13,625	-	13,625
Taxes and special assessment receivables	32,247	-	32,247
Customer receivable	-	116,521	116,521
Interest receivable	1,361	-	1,361
Due from other governments	80,773	-	80,773
Total Current assets	<u>2,879,011</u>	<u>3,190,746</u>	<u>6,069,757</u>
Noncurrent other assets			
Restricted cash and investments	-	224,763	224,763
Lease receivable, noncurrent	79,154	-	79,154
Total Noncurrent other assets	<u>79,154</u>	<u>224,763</u>	<u>303,917</u>
Capital assets			
Land	24,878	143,000	167,878
Right-of-use lease asset	101,329	-	101,329
Construction in progress	176,315	819,101	995,416
Other capital assets	3,756,962	14,226,980	17,983,942
Less: accumulated depreciation	<u>(2,087,620)</u>	<u>(5,748,954)</u>	<u>(7,836,574)</u>
Net Capital assets	<u>1,971,864</u>	<u>9,440,127</u>	<u>11,411,991</u>
Total Assets	<u>4,930,029</u>	<u>12,855,636</u>	<u>17,785,665</u>
Deferred Outflows of Resources			
Pension related items	<u>18,311</u>	<u>41,752</u>	<u>60,063</u>
Total Deferred Outflows of Resources	<u>18,311</u>	<u>41,752</u>	<u>60,063</u>
Total assets and deferred outflows	<u>\$ 4,948,340</u>	<u>\$ 12,897,388</u>	<u>\$ 17,845,728</u>

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Net Position (continued)
June 30, 2024

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 22,552	\$ 50,417	\$ 72,969
Deposits payable	-	11,200	11,200
Lease liability, current	7,636	-	7,636
Compensated absences, current	6,399	22,064	28,463
Intercap loan, current	30,165	-	30,165
Revenues collected in advance	-	142,781	142,781
Revenue bonds, current	-	258,000	258,000
Total Current liabilities	66,752	484,462	551,214
Noncurrent liabilities			
Lease liability, noncurrent	74,856	-	74,856
Compensated absences, noncurrent	3,749	11,550	15,299
Intercap loan, noncurrent	179,921	-	179,921
Revenue bonds, noncurrent	-	2,916,000	2,916,000
Other post employment liability	11,458	36,280	47,738
Net pension liability	149,083	339,936	489,019
Total Noncurrent liabilities	419,067	3,303,766	3,722,833
Total Liabilities	485,819	3,788,228	4,274,047
Deferred Inflows of Resources			
Lease related items	88,536	-	88,536
OPEB related items	14,309	45,312	59,621
Pension related items	6,081	13,865	19,946
Total Deferred Inflows of Resources	108,926	59,177	168,103
Net Position			
Net investment in capital assets	1,679,171	6,266,127	7,945,298
Restricted for:			
General government	4,243	-	4,243
Public safety	266,450	-	266,450
Public works	958,089	-	958,089
Culture and recreation	148,047	-	148,047
Debt service	190,577	224,763	415,340
Unrestricted	1,107,018	2,559,093	3,666,111
Total Net Position	4,353,595	9,049,983	13,403,578
Total liabilities, deferred inflows and net position	\$ 4,948,340	\$ 12,897,388	\$ 17,845,728

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 225,492	\$ 9,885	\$ 8,793
Public safety	413,227	1,003	-
Public works	362,095	18,000	426,020
Public health	176	-	-
Culture and recreation	461,568	281,639	5,600
Housing and community development	42,339	-	660
Other	5,904	-	-
Interest and fiscal fees	13,644	-	-
Total governmental activities	<u>1,524,445</u>	<u>310,527</u>	<u>441,073</u>
Business-type activities			
Water	528,752	528,268	-
Sewer	688,067	791,017	-
Total business-type activities	<u>1,216,819</u>	<u>1,319,285</u>	<u>-</u>
Total primary governmental activities	<u>\$ 2,741,264</u>	<u>\$ 1,629,812</u>	<u>\$ 441,073</u>

General revenues:

Property taxes, levied for general purposes

Grants and contributions, not restricted to programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Changes in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of the financial statements.

		Net (Expense) Revenue and Changes in Net Position			
		Primary Government			
Capital Grants and Contributions	Miscellaneous	Governmental Activities	Business-type Activities	Total	
\$ -	\$ 7,198	\$ (199,616)	\$ -	\$ (199,616)	
-	430	(411,794)	-	(411,794)	
-	360,840	442,765	-	442,765	
-	-	(176)	-	(176)	
-	25,488	(148,841)	-	(148,841)	
-	-	(41,679)	-	(41,679)	
-	-	(5,904)	-	(5,904)	
-	-	(13,644)	-	(13,644)	
-	393,956	(378,889)	-	(378,889)	
324,923	-	-	324,439	324,439	
-	-	-	102,950	102,950	
324,923	-	-	427,389	427,389	
\$ 324,923	\$ 393,956	(378,889)	427,389	48,500	
		596,443	-	596,443	
		402,760	8,776	411,536	
		31,743	118,316	150,059	
		14,438	-	14,438	
		1,045,384	127,092	1,172,476	
		666,495	554,481	1,220,976	
		3,687,100	8,495,502	12,182,602	
		\$ 4,353,595	\$ 9,049,983	\$ 13,403,578	

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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City of Three Forks, Montana
Balance Sheet – Governmental Funds
June 30, 2024

	<u>General Fund</u>	<u>Three Forks Rodeo Arena</u>	<u>Gas Tax Apportionment</u>
Assets			
Cash and cash equivalents	\$ 238,247	\$ 41,320	\$ 542,239
Investments	-	203,630	-
Accounts receivable	10	-	-
Lease receivable	92,779	-	-
Interest receivable	1,361	-	-
Property tax receivable	10,437	-	-
Personal tax receivable	3,236	-	-
Special assessment receivable	-	-	-
Due from other governments	76,267	-	-
	<u>422,337</u>	<u>244,950</u>	<u>542,239</u>
Total Assets	<u>\$ 422,337</u>	<u>\$ 244,950</u>	<u>\$ 542,239</u>
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Accounts payable	\$ 13,330	\$ 617	1,266
Total Liabilities	<u>13,330</u>	<u>617</u>	<u>1,266</u>
Deferred inflows of resources:			
Deferred inflows of lease related items	88,536	-	-
Deferred inflows of tax revenues	13,673	-	-
Total Deferred inflows of resources	<u>102,209</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	4,243	-	-
Restricted	-	-	540,973
Committed	-	244,333	-
Unassigned	302,555	-	-
Total Fund balances	<u>306,798</u>	<u>244,333</u>	<u>540,973</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 422,337</u>	<u>\$ 244,950</u>	<u>\$ 542,239</u>

The accompanying notes are an integral part of the financial statements.

<u>Headwaters Trail Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,150	\$ 1,650,775	\$ 2,475,731
-	71,634	275,264
-	-	10
-	-	92,779
-	-	1,361
-	1,637	12,074
-	487	3,723
-	16,450	16,450
-	4,506	80,773
<u>\$ 3,150</u>	<u>\$ 1,745,489</u>	<u>\$ 2,958,165</u>
<u>\$ 1,118</u>	<u>\$ 6,106</u>	<u>\$ 22,437</u>
<u>1,118</u>	<u>6,106</u>	<u>22,437</u>
-	-	88,536
-	18,575	32,248
-	18,575	120,784
	-	4,243
2,032	1,001,583	1,544,588
-	719,225	963,558
-	-	302,555
<u>2,032</u>	<u>1,720,808</u>	<u>2,814,944</u>
<u>\$ 3,150</u>	<u>\$ 1,745,489</u>	<u>\$ 2,958,165</u>

The accompanying notes are an integral part of the financial statements.

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City of Three Forks, Montana
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2024

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

Total fund balances - governmental funds	\$ 2,814,944
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,059,484, the accumulated depreciation is \$2,087,620.	1,971,864
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available". All of the unearned property tax revenue reported in the governmental funds is not available.	32,248
The deferred outflows of resources related to the pension activity are not reported in the fund statements.	18,311
The deferred inflows of resources related to the pension and other post employment benefits activity are not reported in the fund statements.	(20,390)
Long-term liabilities including other post employment benefits, leases, compensated absences, intercap loan, and net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(463,382)</u>
Total net position - governmental activities	<u>\$ 4,353,595</u>

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>Three Forks Rodeo Arena</u>	<u>Gas Tax Apportionment</u>
Revenues:			
Taxes/assessments	\$ 504,786	\$ -	\$ -
Licenses and permits	17,380	-	-
Intergovernmental	189,919	-	425,646
Charges for services	11,095	278,319	-
Fines and forfeitures	-	-	-
Interest on investments	-	5,947	-
Other	21,991	9,721	-
Total Revenues	<u>745,171</u>	<u>293,987</u>	<u>425,646</u>
Expenditures:			
Current:			
General government	219,061	-	-
Public safety	408,437	-	-
Public works	58,845	-	42,008
Public health	176	-	-
Culture and recreation	85,029	173,173	-
Housing and community development	38,621	-	-
Other	2,710	1,297	-
Capital outlay	-	-	-
Debt service			
Principal payments	-	29,425	-
Interest and fiscal fees	-	13,644	-
Total Expenditures	<u>812,879</u>	<u>217,539</u>	<u>42,008</u>
Excess (deficiency) of revenues over expenditures	<u>(67,708)</u>	<u>76,448</u>	<u>383,638</u>
Other financing sources (uses):			
Operating transfers	<u>(14,821)</u>	<u>-</u>	<u>-</u>
Total Other financing sources (uses)	<u>(14,821)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(82,529)</u>	<u>76,448</u>	<u>383,638</u>
Fund balances, beginning of year	<u>389,327</u>	<u>167,885</u>	<u>157,335</u>
Fund balances, end of year	<u>\$ 306,798</u>	<u>\$ 244,333</u>	<u>\$ 540,973</u>

The accompanying notes are an integral part of the financial statements.

Headwaters Trail Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 387,391	\$ 892,177
-	-	17,380
100,000	128,268	843,833
-	21,113	310,527
-	75	75
-	25,796	31,743
32,228	15,767	79,707
<u>132,228</u>	<u>578,410</u>	<u>2,175,442</u>
-	-	219,061
-	-	408,437
150,890	38,782	290,525
-	-	176
-	147,437	405,639
-	-	38,621
-	1,897	5,904
23,778	118,011	141,789
-	-	29,425
-	-	13,644
<u>174,668</u>	<u>306,127</u>	<u>1,553,221</u>
<u>(42,440)</u>	<u>272,283</u>	<u>622,221</u>
-	14,821	-
-	14,821	-
<u>(42,440)</u>	<u>287,104</u>	<u>622,221</u>
<u>44,472</u>	<u>1,433,704</u>	<u>2,192,723</u>
<u>\$ 2,032</u>	<u>\$ 1,720,808</u>	<u>\$ 2,814,944</u>

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
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, 2024

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

Net change in fund balances - total governmental funds	\$ 622,221
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.	11,895
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	15,498
Repayment of principal and lease payments are an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of net position.	36,548
The current period net increase in compensated absences and other postemployment benefits payable did not require the use current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	(3,169)
Pension expense as reported in the funds is based on contributions made by the employer, however in the statement of activities it is based on the actuarial study performed for the pension plans. This is the amount by which the actual pension expense exceed the contributions to the plan.	<u>(16,498)</u>
Change in net position of governmental activities	<u>\$ 666,495</u>

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Three Forks, Montana
Statement of Net Position-Proprietary Funds
June 30, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 907,992	\$ 2,084,395	\$ 2,992,387
Investments	51,658	30,180	81,838
Customer receivable	46,843	69,678	116,521
Total Current assets	<u>1,006,493</u>	<u>2,184,253</u>	<u>3,190,746</u>
Other assets			
Restricted cash and investments	47,986	176,777	224,763
Total Other assets	<u>47,986</u>	<u>176,777</u>	<u>224,763</u>
Capital assets			
Land	87,500	55,500	143,000
Construction in progress	819,101	-	819,101
Buildings	98,085	48,085	146,170
Other structures and improvements	106,092	57,487	163,579
Machinery and equipment	219,271	372,363	591,634
Source of supply	1,742,355	-	1,742,355
Transmission and distribution	2,105,349	9,087,306	11,192,655
General plant	390,587	-	390,587
Accumulated depreciation and amortization	<u>(2,317,456)</u>	<u>(3,431,498)</u>	<u>(5,748,954)</u>
Net Capital assets	<u>3,250,884</u>	<u>6,189,243</u>	<u>9,440,127</u>
Total Assets	<u>4,305,363</u>	<u>8,550,273</u>	<u>12,855,636</u>
Deferred Outflows of Resources			
Pension related items	20,877	20,875	41,752
Total Deferred Outflows of Resources	<u>20,877</u>	<u>20,875</u>	<u>41,752</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,326,240</u>	<u>\$ 8,571,148</u>	<u>\$ 12,897,388</u>

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Net Position-Proprietary Funds (continued)
June 30, 2024

	Water Fund	Sewer Fund	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 31,214	\$ 19,203	\$ 50,417
Deposits payable	11,200	-	11,200
Compensated absences, current	11,032	11,032	22,064
Revenues collected in advance	142,781	-	142,781
Revenue bonds, current	34,000	224,000	258,000
Total Current liabilities	<u>230,227</u>	<u>254,235</u>	<u>484,462</u>
Noncurrent liabilities			
Compensated absences	5,775	5,775	11,550
Revenue bonds, noncurrent	348,000	2,568,000	2,916,000
OPEB liability	18,140	18,140	36,280
Net pension liability	169,975	169,961	339,936
Total Noncurrent liabilities	<u>541,890</u>	<u>2,761,876</u>	<u>3,303,766</u>
Total Liabilities	<u>772,117</u>	<u>3,016,111</u>	<u>3,788,228</u>
Deferred Inflows of Resources			
OPEB related items	22,656	22,656	45,312
Pension related items	6,933	6,932	13,865
Total Deferred Inflows of Resources	<u>29,589</u>	<u>29,588</u>	<u>59,177</u>
Net Position			
Net investment in capital assets	2,868,884	3,397,243	6,266,127
Restricted for debt service	47,986	176,777	224,763
Unrestricted	607,664	1,951,429	2,559,093
Total Net Position	<u>3,524,534</u>	<u>5,525,449</u>	<u>9,049,983</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,326,240</u>	<u>\$ 8,571,148</u>	<u>\$ 12,897,388</u>

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Revenues, Expenses, and Changes in Net Position-
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 528,268	\$ 791,017	\$ 1,319,285
Total operating revenues	528,268	791,017	1,319,285
Operating expenses:			
Personnel services	\$ 230,301	\$ 230,339	460,640
Depreciation and amortization	106,993	194,591	301,584
Supplies, service, materials	181,270	189,237	370,507
Total operating expenses	518,564	614,167	1,132,731
Operating income	9,704	176,850	186,554
Non-operating revenues (expenses)			
Interest income	102,824	15,492	118,316
Interest expense	(10,188)	(73,900)	(84,088)
Intergovernmental revenue	329,311	4,388	333,699
Total Non-operating revenues (expenses)	421,947	(54,020)	367,927
Change in net position	431,651	122,830	554,481
Net position, beginning of year	3,092,883	5,402,619	8,495,502
Net position, end of year	\$ 3,524,534	\$ 5,525,449	\$ 9,049,983

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Receipts from customers	\$ 526,443	\$ 792,194	\$ 1,318,637
Payments to suppliers	(163,327)	(186,454)	(349,781)
Payments to employees	(229,586)	(229,569)	(459,155)
Net Cash Provided by Operating Activities	133,530	376,171	509,701
Cash Flows from Noncapital Financing Activities			
Subsidies from taxes and other governments	179,788	4,388	184,176
Net Cash Provided by Noncapital Financing Activities	179,788	4,388	184,176
Cash Flows from Capital and Related Financing Activities			
Purchases of property, plant and equipment	(330,608)	-	(330,608)
Principal payments on bonds and loans	(34,000)	(218,000)	(252,000)
Interest paid on debt	(10,188)	(73,900)	(84,088)
Net Cash Used by Capital and Related Financing Activities	(374,796)	(291,900)	(666,696)
Cash Flows from Investing Activities			
Interest Earnings	102,824	15,492	118,316
Purchase of investments	(1,169)	(682)	(1,851)
Net Cash Provided by Investing Activities	101,655	14,810	116,465
Net Increase in Cash and Cash Equivalents	40,177	103,469	143,646
Cash and Cash Equivalents, Beginning of Year	915,801	2,157,703	3,073,504
Cash and Cash Equivalents, End of Year	\$ 955,978	\$ 2,261,172	\$ 3,217,150
Classified As:			
Current Assets	\$ 907,992	\$ 2,084,395	\$ 2,992,387
Restricted Assets	47,986	176,777	224,763
Total Cash and Cash Equivalents	\$ 955,978	\$ 2,261,172	\$ 3,217,150

The accompanying notes are an integral part of the financial statements.

City of Three Forks, Montana
Statement of Cash Flows – Proprietary Funds (continued)
For the Year Ended June 30, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Income	\$ 9,704	\$ 176,850	\$ 186,554
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	106,993	194,591	301,584
Change in:			
Accounts receivable	(2,175)	1,177	(998)
Accounts payable	17,943	2,783	20,726
Deposits payable	350	-	350
Compensated absences	186	186	372
OPEB related items	2,340	2,340	4,680
Pension related items	(1,811)	(1,756)	(3,567)
Net Cash Provided by Operating Activities	<u>\$ 133,530</u>	<u>\$ 376,171</u>	<u>\$ 509,701</u>

The accompanying notes are an integral part of the financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

DRAFT

City of Three Forks, Montana
Statement of Fiduciary Net Position
June 30, 2024

	<u>Custodial Fund</u>
Assets	
Taxes receivable	\$ 293
Total assets	<u>293</u>
 Liabilities	
Due to other organizations	\$ 293
Total liabilities	<u>293</u>
 Net Position	
Total net position	<u>\$ -</u>

City of Three Forks, Montana
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	<u>Custodial Fund</u>
Additions	
Tax collections for other organizations	\$ 8,090
Miscellaneous	8,150
Total additions	<u>16,240</u>
 Deductions	
Payments to other organizations	<u>16,240</u>
Total deductions	<u>16,240</u>
 Net increase (decrease) in fiduciary net position	-
Net position - beginning of year	<u>-</u>
Net position - end of year	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

The City of Three Forks, Montana (the “City”), is an independent political entity established under Montana Law. The City is governed by an elected Mayor and City Commission. The City Commission, by law, has the authority to adopt budgets, appropriate funds, levy taxes, employ personnel and pass ordinances. The Gallatin County Treasurer’s office functions in a fiduciary capacity to the extent that it bills and collects taxes and receives certain intergovernmental revenue for the City; however, Gallatin County does not function in an oversight capacity with regard to the City.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2024, and for the year then ended.

The more significant accounting policies of the City are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its blended component unit. The blended component unit is included in the City’s reporting entity because of the significance of its operational and financial relationship with the City, as described below.

The following is a blended component unit of the City:

City of Three Forks Library: The operations of the library are included in the financial statements as a Special Revenue Fund. The library is governed by a library board which consists of five members. The library is financed by tax revenues of both the City, as well as by allocated motor vehicle local option tax, interest earnings, and library fines (charges for services). The City and County have entered into a contract which provides up to \$78,919 of County taxes in support of the library and contribute additional amounts for capital outlay. The library also rents out its basement space for \$950 per month. A citizen vote approved 3.0 mills to be levied for the City of Three Forks Library. The City also approved a total of 6.0 mills (including the voter approved 3 mills) for the fiscal year ended June 30, 2024 and received \$43,734 in total tax revenue.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all the non-fiduciary activities of the primary government and its component units. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The City did not retroactively include infrastructure in its assets.

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB 34 regarding interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. There are no internal service fund transactions to be eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements. The City has presented the major funds that met those qualifications.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund. The City has no nonmajor proprietary funds. There is no column representing internal service funds presented in the statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds do not have a measurement focus.

Funds

As mentioned, the Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental funds and nonmajor funds aggregated.

The following major funds are presented in a separate column on the Governmental Fund Financial Statements:

The *General Fund* is the primary operating unit of the City. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Three Forks Rodeo Arena Fund* is managed by the Three Forks Rodeo Arena Board, who is appointed by the City Council. They manage the Fairgrounds operations and schedule all events.

The *Gas Tax Apportionment Fund* is a special revenue fund that accounts for balances and revenues received from the standard Montana Department of Transportation Gas Tax Allocation Program.

The *Headwaters Trail Project Fund* is a special revenue fund that accounts for the financial resources related to the building and maintenance of the Headwaters Trail.

The following major funds are presented in a separate column on the Proprietary Fund Financial Statements:

The Water Fund accounts for the City's water utility operations.

The Sewer Fund accounts for the City's sewer utility operations.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the City's policy is to apply restricted net position first.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

An annual appropriated operating budget is adopted each fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds on the modified accrual basis. An annual appropriated operating budget is adopted each fiscal year for the Proprietary Funds on the accrual basis.

The final budget is legally enacted by the City Commission on the second Monday in August, after holding public hearings as required by State statutes.

The operating budgets cannot be increased except through a public hearing or for a public emergency, which could not have been reasonably foreseen at the time of adoption of the budget. Budget appropriation transfers may be made between the general classifications of salaries and wages, maintenance and operation and capital outlay.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. Their capitalization threshold for reporting capital assets is \$10,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net Position, net of applicable accumulated depreciation. Capital assets which are not depreciable, such as land and construction in progress are reported separately.

The City records an intangible lease asset and related debt for all material lease contracts when the City is the lessee in accordance with GASB Statement No. 87. The asset is amortized over the lease or the useful life of the leased asset, whichever is less.

Depreciation expense is reported in the Statement of Activities and is calculated using the straight-line method based on the assets estimated useful life. Depreciation is recorded on a straight-line basis over the useful lives of the assets.

The estimated useful lives of assets are as follows:

Building and structures	20 to 50 years
Improvements	10 to 25 years
Machinery and equipment	5 to 30 years
Utility lines and improvements	25 to 50 years
Intangible assets	10 to 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. According to GASB 34, the City must record infrastructure assets prospectively from the date of implementation.

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The City defines infrastructure as the basic physical assets that allow the City to function. The assets to be recorded will include the street system, water purification and distribution system, sewer collection treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas; and streets, sidewalks, curbs, and streetlights.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Enterprise Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained as management considers all balances to be fully collectible.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Assessments

Unpaid special improvement district assessments are reflected as special assessments receivable and deferred inflows in the various funds. Revenue is not recognized until collection of these fees.

Compensated Absences Payable

Earned but unpaid vacation and sick pay is included as a liability in the proprietary fund types and Government-Wide Financial Statements. The portion relating to the governmental fund types not expected to be paid with expendable and available resources is not reported in the governmental fund statements.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those short-term loans related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances to and from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all investments with original maturities of three months or less to be highly liquid investments and, therefore, cash equivalents.

Restricted Cash

Certain resources in the Water and Sewer Funds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Investments

Investments are comprised of certificates of deposits (“CD”) that have an original maturity of greater than three months.

Lessor Activities and Lease Receivables

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

At the commencement of a lease, the City 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 related to leases include how the government determines (1) the discount rates it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City 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.

1. Summary of Significant Accounting Policies (continued)

Lessee Activities and Lease Liabilities

As a lessee, the City recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. At the commencement of a lease, the City 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 right-of-use 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 rates it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the discount rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- 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 City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right-of-use lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Right-of-use lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Fund Balance/Net Position

Fund Balance

The City has implemented Governmental Accounting Standards Board Statement 54. As a result, the classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable.

Nonspendable represents the portion of fund balance that is not in spendable form such as inventories, and, in the general fund, long term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The Restricted fund balance category contains balances that can be spent only for the specific purposes stipulated by external parties or through enabling legislation. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

The Committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Council.

1. Summary of Significant Accounting Policies (continued)

Fund Balance/Net Position (continued)

Amounts in the Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by an official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Council, the Mayor, and the Clerk/Treasurer individually have the authority to express assignments. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed. Also included in the assigned fund balance for the general fund are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in the next fiscal year.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available in a fund, the assumed order of spending is restricted first, next committed, next assigned, and finally unassigned.

Minimum General Fund – Fund Balance

The City does not maintain a stabilization fund.

Net Position

In funds other than governmental, net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

1. Summary of Significant Accounting Policies (continued)

Fund Balance/Net Position (continued)

Classification of Net Position

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure in future years, into one component of net position.

Accumulated depreciation, the outstanding balances of bonds, notes and other borrowings, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and specific projects and programs established by the City Council.

Unrestricted – This category represents the net position of the City which is not restricted for any project or other purpose.

In the Fund Financial Statements, commitments and assignments segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various commitments and assignments are established by the actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditures) until then.

The City has several types of deferred outflows of resources and all relate to the net pension liability and OPEB liability. They relate to the City's allocable share of the difference between actual and expected contributions, the difference between actual and expected experience and the effect of changes of assumptions during the year on the valuation of the net pension liability and OPEB liability. It also includes the contributions paid to the pension plans subsequent to the measurement date. This amount is reported only in the government-wide financial statements. See Notes 10 and 11 for detailed information.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (continued)

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several types of items in this area. One type, unavailable revenue, only arises under a modified accrual basis of accounting. Accordingly, this is reported only in the governmental funds balance sheet.

Other types of deferred inflows of resources relate to the net pension liability and OPEB liability. This relates to the difference between projected and actual earnings on the pension plans and OPEB liability and changes in proportion and differences between employer contributions and proportionate share of contributions. See Notes 10 and 11 for detailed information.

The City also has deferred inflows related to leases where the City is the lessor. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the terms of the lease.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Montana Public Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Tax Abatements

Per GASB No. 77, governments that enter into tax abatement agreements are to disclose pertinent information about the agreements in the notes to the financial statements. Per the County Treasurer, the City had no tax abatements for fiscal year 2024.

Subsequent Events

Subsequent events have been evaluated through **DRAFT, 2025**, the date the report was available to be issued. See Note 15.

1. Summary of Significant Accounting Policies (continued)

Upcoming Accounting Pronouncements

GASB Statement No. 101 – Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024.

GASB Statement No. 102 – Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103 – Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information. The Statement requires that governments display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide and governmental fund statements of resource flows. The Statement continues the requirement that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement requires governments to present budgetary comparison information using a single method of communication – RSI. Governments are also required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies (continued)

Upcoming Accounting Pronouncements (continued)

GASB Statement No. 104 – Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. This Statement also requires additional disclosure for capital assets held for sale and requires that capital assets held for sale be evaluated each reporting period. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

2. Cash and Investments

Cash and investments may include cash, demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); direct obligations of the United States government and securities issued by agencies of the United States; repurchase agreements; and registered warrants.

As of June 30, 2024, the carrying amount of the City's deposits with financial institutions was \$6,055,112 and the bank balance was \$6,146,296. These deposits include demand and savings deposits, and certificates of deposit. Interest bearing accounts are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000, per bank, per depositor. The uninsured portion was fully secured by pledged securities held by the financial institutions or by their trust departments or agents, but not in the City's name (class 3 collateral).

Montana statutes require that the City obtain securities for the uninsured portion of the 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) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The state statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the City deposits at June 30, 2024 exceeded the amount required by state statutes.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. As of June 30, 2024, the City's certificates of deposit fair market values are valued using level 2 inputs.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

2. Cash and Investments (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is minimized by compliance with State law, which limits local governments to certain investment types. The City has no formal investment policy that would further limit its exposure to credit risk.

On June 30, 2024, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year.

3. Taxes and Assessments Receivable

Property tax levies are set in August in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the City's jurisdiction. Taxable values are established by the Montana Department of Revenue based on market values. A re-evaluation of all property is required to be completed on a periodic basis. Taxable value is defined by state statute as a fixed percentage of market value.

Real property taxes and special assessments are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes and assessments become delinquent and the City may file a lien on the related property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes and assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. Real property on which taxes and assessments remain delinquent and unpaid may be seized and sold at tax sales. In the case of personal property, the property may be seized and sold after the taxes become delinquent. The City is permitted by state statutes to levy taxes up to certain fixed limits for various purposes.

The taxes levied by the City for the year ended June 30, 2024, were within legal limits. The tax levies were based upon a taxable valuation of \$5,432,160.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

4. Capital Assets

All capital assets of the City are depreciable with the exception of land and construction in progress. Capital assets of the City for the year ended June 30, 2024, consisted of the following:

	As of June 30, 2023	Additions	Retirements	As of June 30, 2024
Governmental Activities				
Capital assets not subject to depreciation:				
Land	\$ 24,878	\$ -	\$ -	\$ 24,878
Construction in progress	43,228	133,087	-	176,315
Capital assets subject to depreciation:				
Buildings	584,764	-	-	584,764
Other structures and improvements	1,188,764	8,702	-	1,197,466
Machinery and equipment	1,751,949	-	-	1,751,949
Infrastructure	222,783	-	-	222,783
Lease assets - Office space	101,329	-	-	101,329
Total capital assets	<u>3,917,695</u>	<u>141,789</u>	<u>-</u>	<u>4,059,484</u>
Accumulated depreciation				
Buildings	(298,427)	(12,799)	-	(311,226)
Other structures and improvements	(598,899)	(49,458)	-	(648,357)
Machinery and equipment	(839,439)	(57,590)	-	(897,029)
Infrastructure	(204,417)	(1,775)	-	(206,192)
Lease assets - Office space	(16,544)	(8,272)	-	(24,816)
Accumulated depreciation	<u>(1,957,726)</u>	<u>(129,894)</u>	<u>-</u>	<u>(2,087,620)</u>
Total governmental activities	<u>\$ 1,959,969</u>	<u>\$ 11,895</u>	<u>\$ -</u>	<u>\$ 1,971,864</u>
Business-type Activities				
Capital assets not subject to depreciation:				
Land	\$ 143,000	\$ -	\$ -	\$ 143,000
Construction in progress	488,493	330,608	-	819,101
Capital assets subject to depreciation:				
Buildings	146,170	-	-	146,170
Other structures and improvements	163,579	-	-	163,579
Machinery and equipment	591,634	-	-	591,634
Source of supply	1,742,355	-	-	1,742,355
Transmission and distribution	11,192,655	-	-	11,192,655
General plant	390,587	-	-	390,587
Total capital assets	<u>14,858,473</u>	<u>330,608</u>	<u>-</u>	<u>15,189,081</u>
Accumulated depreciation				
Buildings	(77,958)	(7,467)	-	(85,425)
Other structures and improvements	(149,838)	(3,401)	-	(153,239)
Machinery and equipment	(467,873)	(12,863)	-	(480,736)
Source of supply	(357,232)	(38,755)	-	(395,987)
Transmission and distribution	(4,093,393)	(230,961)	-	(4,324,354)
General plant	(301,076)	(8,137)	-	(309,213)
Accumulated depreciation	<u>(5,447,370)</u>	<u>(301,584)</u>	<u>-</u>	<u>(5,748,954)</u>
Total business-type activities	<u>\$ 9,411,103</u>	<u>\$ 29,024</u>	<u>\$ -</u>	<u>\$ 9,440,127</u>
Total capital assets (net)	<u>\$ 11,371,072</u>	<u>\$ 40,919</u>	<u>\$ -</u>	<u>\$ 11,411,991</u>

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

4. Capital Assets (continued)

In accordance with GASB 34, the City has reported all capital assets, with the exception of pre-July 1, 2003 infrastructure in the Government-Wide Statement of Net Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2024, depreciation expense on capital assets was charged to the governmental functions/programs as follows:

Governmental Activities:	<u>Depreciation</u>
General government	\$ 36
Public safety	11,913
Public works	69,339
Culture and recreation	48,606
	<u>\$ 129,894</u>
Business-type Activities:	
Water	\$ 106,993
Sewer	194,591
	<u>\$ 301,584</u>

5. Compensated Absences

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of the debt for governmental activities and for business-type activities at June 30, 2024, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amounts outstanding at June 30, 2024, are listed below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance July 1, 2023	\$ 8,459	\$ 33,242	\$ 41,701
Additions	1,689	372	2,061
Reductions	-	-	-
Balance June 30, 2024	<u>10,148</u>	<u>33,614</u>	<u>\$ 43,762</u>
Current portion	\$ 6,399	\$ 22,064	\$ 28,463
Long-term portion	<u>3,749</u>	<u>11,550</u>	<u>15,299</u>
Total Compensated Absences	<u>\$ 10,148</u>	<u>\$ 33,614</u>	<u>\$ 43,762</u>

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

6. Long-Term Debt

Governmental Activities Long Term Debt – Direct Borrowing

The following is a summary of long-term debt transactions of the City’s governmental activities for the fiscal year ended June 30, 2024:

	<u>Intercap - Bleachers</u>
Balance July 1, 2023	\$ 239,511
Additions	-
Reductions	<u>(29,425)</u>
Balance June 30, 2024	<u>\$ 210,086</u>
Current portion	\$ 30,165
Long-term portion	<u>179,921</u>
	<u>\$ 210,086</u>

Intercap Loan Payable- The City applies for funding as needed to finance projects or fixed assets acquisitions. The Intercap loan is payable solely by the Three Forks Rodeo Arena fund revenues.

Governmental activities:	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>	<u>Current portion</u>	<u>Long-term portion</u>
BOI Intercap/Rodeo Bleachers	\$ 239,511	\$ -	\$ (29,425)	\$ 210,086	\$ 30,165	\$ 179,921

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2024</u>
BOI Intercap/Rodeo Bleachers	8/7/2020	1.55% - 6%	10 yrs	8/15/2030	\$ 310,000	\$ 210,086

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

6. Long-Term Debt (continued)

Governmental Activities Long Term Debt – Direct Borrowing (continued)

Intercap loans payable currently outstanding and debt service requirements to maturity are as follows:

	Intercap - Bleachers	
	Principal	Interest
FY2025	\$ 30,165	\$ 11,649
FY2026	30,924	9,903
FY2027	31,702	8,114
FY2028	32,500	6,280
FY2029	33,317	4,400
FY2030-2034	51,478	2,970
	\$ 210,086	\$ 43,316

Business-type Activities Long Term Debt - Direct Borrowing

The following is a summary of long-term debt transactions of the City’s business-type activities for the fiscal year ended June 30, 2024:

	<u>Revenue Bonds</u>
Balance July 1, 2023	\$ 3,426,000
Reductions	(252,000)
Balance June 30, 2024	\$ 3,174,000
Current portion	\$ 258,000
Long-term portion	2,916,000
	\$ 3,174,000

Revenue Bonds – The City has pledged future water and sewer net revenues to repay the water and wastewater system revenue bonds. Proceeds from the bonds provided financing for various water and sewer projects and are payable solely from water and sewer net revenues. The following is a summary of the revenue bonds:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current portion	Long-term portion
Water System Revenue Bonds, Series 2014B	\$ 416,000	\$ -	\$ (34,000)	\$ 382,000	\$ 34,000	\$ 348,000
Waste Water System Revenue Bonds	3,010,000	-	(218,000)	2,792,000	224,000	2,568,000
Total	\$ 3,426,000	\$ -	\$ (252,000)	\$ 3,174,000	\$ 258,000	\$ 2,916,000

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

6. Long-Term Debt (continued)

Business-type Activities Long Term Debt - Direct Borrowing (continued)

	<u>Date issued</u>	<u>Final maturity</u>	<u>Amount of issue</u>	<u>Debt service</u>	<u>Future debt service</u>
Water System Revenue Bonds, Series 2014B, serial maturities through 2034	8/8/2014	7/1/2034	\$ 681,000	\$ 44,188	\$ 434,175
Water Fund Total			<u>\$ 681,000</u>	<u>\$ 44,188</u>	<u>\$ 434,175</u>
Waste Water System Revenue Bonds, serial maturities through 2035	6/25/2015	7/1/2035	\$ 4,605,340	\$ 291,900	\$ 3,210,463
Sewer Fund Total			<u>\$ 4,605,340</u>	<u>\$ 291,900</u>	<u>\$ 3,210,463</u>

These revenue bonds are unsecured and repayment is from charges for services of the corresponding facilities.

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

The Revenue bonds require that net revenues in excess of current expenses equal 110 percent of the maximum amount of principal and interest in any subsequent fiscal year.

Revenue bond debt service requirements to maturity are as follows:

	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
FY2025	\$ 258,000	\$ 77,750	2.50%
FY2026	264,000	71,263	2.50%
FY2027	271,000	64,613	2.50%
FY2028	277,000	57,800	2.50%
FY2029	285,000	50,825	2.50%
FY2030-2034	1,535,000	143,063	2.50%
FY2035-2036	284,000	5,324	2.50%
	<u>\$ 3,174,000</u>	<u>\$ 470,638</u>	

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

7. Interfund Activity

The interfund transfers for the fiscal year ended June 30, 2024 were as follows:

Major Fund	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 14,821
Nonmajor Funds		
Streets Capital Improvement Fund	<u>14,821</u>	<u>-</u>
	<u>\$ 14,821</u>	<u>\$ 14,821</u>

The transfer to the Streets Capital Improvement Fund from the General Fund was to reallocate rental income.

8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with Governmental Accounting Standards Board Statement No. 32, the City has removed the balances from their financial statements related to the deferred compensation plan, as these amounts represent neither assets nor liabilities to the City, and the plan is administered by an independent third party.

9. Segment Information for Enterprise Funds

Segment disclosures herein are not required because both of the City’s enterprise funds are reported as a major fund in the fund statements.

10. Other Post-Employment Benefits

Plan Description

As required by State law (MCA 2-18-704), the City allows its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participation in the local government’s group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other post-employment benefits plan (OPEB) since retirees are typically older than the average age of active plan participants and therefore receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City covers OPEB cost when they come due, on a pay-as-you-go basis.

10. Other Post-Employment Benefits (continued)

Plan Description (continued)

The City's contract with Allegiance Benefits details the plan eligibility. Montana Municipal Interlocal Authority (MMIA) is the administrator of the benefit plan which covers both active and retired members. The City's current labor contracts do not include any obligations for payments to retirees. The City also allows terminated employees to continue their health care coverage for 18 months past the date of termination as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

Because the local government has fewer than 100 employees (active and inactive) that are provided with OPEB through the plan, the local government qualifies to use the alternative measurement method for calculating the OPEB liability.

OPEB is recorded on an accrual basis for all enterprise funds. OPEB is recorded on a modified accrual basis for the governmental funds. Plan contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Funding Policy

The City of Three Forks provides Group Health Insurance – Medical and Dental – through MMIA. The premiums vary for single, for employee and spouse, for employee and children, and for employee and family. The premiums for MMIA Dental also vary. The City pays 100% of the premiums for the librarian. The City pays 90% of the premiums for all other employees and their dependents.

City Council members have the option to sign up for the Group Health Insurance and pay 100% of their own premiums.

MMIA, as the plan administrator for many Montana cities and towns, engaged an actuary to assist the cities, including the City of Three Forks, with the alternative measurement method (AMM) for June 30, 2024. MMIA allows members to stay on the City's plan after age 65. The rate MMIA charges for individuals with Medicare (age 65) is less than an employee or retiree under 65; however, with Medicare being primary for benefit payments, the costs end up being even lower than the premium amounts. MMIA's actuary assumes all members will stay on the plan for their entire life expectancy. With the life expectancy at 78 and the assumed retirement age at 62, this results in more years after 65 than before.

This valuation constitutes the only analysis and presentation of the City's post-employment benefit plan. There is no separate, audited GAAP-basis postemployment benefit plan report.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

10. Other Post-Employment Benefits (continued)

Employees Covered by the Benefit Terms

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	5
	<u>5</u>

Total OPEB Liability

As of June 30, 2024, the City's total OPEB liability is \$47,738 and was determined by using the alternative measurement method as of June 30, 2023 with a roll-forward estimate as of June 30, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2024 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>OPEB Valuation</u>	<u>Roll-forward</u>
Average age of retirement based on historical data	55.6	
Turnover rate	0.00 percent	
Discount rate	4.11 percent	4.34 percent
Salary increase	3.50 percent	

Health cost trend rates were based on the following table:

	<u>Annual %</u>		<u>Annual %</u>
2023-2024	9.06%	2054-2058	4.80%
2024-2025	6.50%	2058-2063	4.70%
2025-2026	6.00%	2063-2070	4.60%
2026-2027	5.90%	2070-2071	4.50%
2027-2028	5.70%	2071-2072	4.40%
2028-2029	5.60%	2072-2073	4.30%
2029-2030	5.50%	2073-2075	4.20%
2030-2031	5.30%	2075-2076	4.10%
2031-2048	5.20%	2076-2078	4.00%
2048-2049	5.10%	2078-2079	3.90%
2049-2051	5.00%	2079+	3.80%
2051-2054	4.90%		

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

10. Other Post-Employment Benefits (continued)

Changes in the Total Liability

Changes in total OPEB liability as of June 30, 2024:

Balance as of June 30, 2023	\$	36,426
Changes for the year:		
Service cost		6,721
Interest		1,874
Differences between expected and actual experience		5,151
Benefit payments		<u>(2,434)</u>
Change in net OPEB obligation		<u>11,312</u>
Balance as of June 30, 2024	\$	<u>47,738</u>

	<u>Water</u>	<u>Sewer</u>	<u>Governmental</u>	<u>Total</u>
Prior year OPEB liab	\$ 13,842	\$ 13,842	\$ 8,742	\$ 36,426
Current year OPEB liab	18,140	18,140	11,458	47,738
Change	<u>\$ 4,298</u>	<u>\$ 4,298</u>	<u>\$ 2,716</u>	<u>\$ 11,312</u>

There were no changes to the benefit terms in the current year. The changes in assumptions or other inputs was the revised discount rate per Bond Buyer's 20-year municipal bond rates as of June 30, 2024.

Sensitivity Analysis

The following table presents the total OPEB liability reported by the City, as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent:

	Discount Rate		
	<u>1.0% Decrease</u>	<u>4.34%</u>	<u>1.0% Increase</u>
Total OPEB Liability	\$ 49,924	\$ 47,738	\$ 45,649

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

10. Other Post-Employment Benefits (continued)

Sensitivity Analysis (continued)

The following table presents the total OPEB liability reported by the City, as well as how that liability would change if the healthcare trend rate used in projecting benefit payments were to decrease or increase by 1 percent:

	1.0% Decrease	Healthcare Cost Trend Rates*	1.0% Increase
Total OPEB Liability	\$ 44,564	\$ 47,738	\$ 51,218

(*See Actuarial Assumptions and Other Inputs disclosure on page 57 to determine the healthcare cost trends used to calculate the OPEB liability.)

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

For the year ending June 30, 2024, the City recognized OPEB expense of (\$6,160). The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (26,106)
Changes in assumptions or other inputs	-	(33,515)
Total	\$ -	\$ (59,621)

Amounts reported as deferred outflow (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred (Inflows) Outflows of Resources
2024	\$ (64,772)
2025	\$ 5,151
2026	\$ -
2027	\$ -
2028	\$ -
Thereafter	\$ -

11. Net Pension Liability

PERS

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. The information is provided to employers who are using a June 30, 2023 measurement date for the 2024 reporting.

Summary of Significant Accounting Policies

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

Plan Description

The 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 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

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. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

11. Net Pension Liability (continued)

Benefits Provided

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

Service retirement:

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

Early Retirement

Early retirement, actuarially reduced:

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

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

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018)
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement
- Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

11. Net Pension Liability (continued)

Benefits Provided (continued)

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA):

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 1. 1.5% for each year PERS is funded at or above 90%
 2. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 3. 0% whenever the amortization period for PERS is 40 years or more.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

11. Net Pension Liability (continued)

Contributions

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

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

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

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

<u>Fiscal Year</u>	Local Government		<u>Employer</u>	<u>State</u>
	<u>Hired <07/01/11</u>	<u>Hired >07/01/11</u>		
2024	7.90%	7.90%	9.070%	0.100%
2023	7.90%	7.90%	8.970%	0.100%
2022	7.90%	7.90%	8.870%	0.100%
2021	7.90%	7.90%	8.770%	0.100%
2020	7.90%	7.90%	8.670%	0.100%
2019	7.90%	7.90%	8.570%	0.100%
2018	7.90%	7.90%	8.470%	0.100%
2017	7.90%	7.90%	8.370%	0.100%
2016	7.90%	7.90%	8.270%	0.100%
2015	7.90%	7.90%	8.170%	0.100%
2014	7.90%	7.90%	8.070%	0.100%
2012-2013	6.90%	7.90%	7.070%	0.100%
2010-2011	6.90%		7.070%	0.100%
2008-2009	6.90%		6.935%	0.100%
2000-2007	6.90%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates

11. Net Pension Liability (continued)

Contributions (continued)

2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increased an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reductions of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are directed to member accounts.
3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The state contributed a Statutory Appropriation from the General Fund of \$34,979,900.

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the Total Pension Liability (TPL) as of June 30, 2023, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023, are displayed on page 65. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$489,019 and the employer's proportionate share was 0.020039 percent.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

11. Net Pension Liability (continued)

	Net Pension Liability as of 06/30/2024	Net Pension Liability as of 06/30/2023	Percent of Collective NPL as of 06/30/2024	Percent of Collective NPL as of 06/30/2023	Change in Percent of Collective NPL
City's PERS Proportionate Share	\$ 489,019	\$ 496,533	0.020039%	0.020881%	-0.000842%
State of Montana PERS Proportionate Share associated with employer	134,571	147,714	0.005514%	0.006212%	-0.000698%
Total	\$ 623,590	\$ 644,247	0.025553%	0.027093%	-0.001540%

Changes in actuarial assumptions and methods: There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes to the Plan between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense

At June 30, 2024, the employer recognized a Pension Expense of \$53,568 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$12,625 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

	Pension Expense as of 06/30/2024
	<u>PERS</u>
City's Proportionate Share	\$ 53,568
State of Montana Proportionate Share associated with the Employer	<u>12,625</u>
Total	<u>\$ 66,193</u>

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

11. Net Pension Liability (continued)

Deferred Inflows and Outflows

At June 30, 2024, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ 19,477	\$ -
Projected Investment Earnings vs. Actual Investment Earnings	1,241	-
Changes in Assumptions	-	17,442
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	2,504
Employer Contributions Subsequent to the Measurement Date	39,345	-
Total	<u>\$ 60,063</u>	<u>\$ 19,946</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are recognized in the employer's pension expense as follows:

Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2025	\$ (9,178)
2026	\$ (15,999)
2027	\$ 28,916
2028	\$ (2,967)
2029	\$ -
Thereafter	\$ -

11. Net Pension Liability (continued)

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined on the results of an actuarial valuation date of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of pension plan investment expense, including inflation) 7.30%
- General Wage Growth* 3.50%
 *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases
 Guaranteed Annual Benefit Adjustment (GABA) each January
 After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
 - 3.0% for members hired prior to July 1, 2007
 - 1.5% for members between July 1, 2007 and June 30, 2013
 - 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 0.1% for each 2.0% PERS is funded below 90%; and
 - c) 0% whenever the amortization period for PERS is 40 years or more
- Mortality assumptions among active participants based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Mortality assumptions among disabled retirees based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Mortality assumptions among healthy retirees based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021 with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses shown in the experience study.

11. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated. The State contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown in the experience study. 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 to the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

11. Net Pension Liability (continued)

Target Allocations (continued)

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	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

Sensitivity Analysis

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
City's Proportionate Share of the PERS Net Pension Liability at June 30, 2024	\$ 706,386	\$ 489,019	\$ 306,668

Stand-Alone Statements

The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena, MT 59620-0131, (406) 444-3154 or are available on the MPERA website at <http://mpera.mt.gov/about/annualreports1/annualreports>.

11. Net Pension Liability (continued)

FDRA

City volunteer fire fighters are covered by the Firemen’s Pension and Disability benefit plan (the plan), which is established by State law. The Association is managed by a Board of Trustees made up of members of the fire department and is accounted for as an agency fund. The Association provides retirement benefits. Retirement benefits are \$50 per month with 10 years of service at age 60, plus \$2.50 per month for each year of service over 10 years, up to a maximum monthly benefit of \$75 for 20 years of service and above at age 55. Disability benefits are similar without regard to age.

Per Montana Code Annotated 19-18-503, each pension fund must be soundly funded. The fund is soundly funded at fiscal year-end if (a) assets are maintained at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater; or (b) funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. As the plan covers volunteers, there are no salaries paid and no contributions required by the volunteers. The contributions to the plan have been sufficient to fund current year benefit payments and are enough to maintain the plan as soundly funded currently; however, in the past, it was not. The City requested a voted levy to help fund the plan and it passed in fiscal year 2010. The proceeds from the levy in addition to another 4.27 mills are being contributed to the plan each year. The City contributions to the pension plan were \$16,239 for the year ended June 30, 2024. The City has elected to omit pension reporting related to the FDRA in accordance with GASB 73. See Note 16 for the qualified opinion related to the omission.

12. Risk Management

The City faces a considerable number of risks of loss, including: a. damage to and loss of property and contents, b. employee torts c. professional liability, i.e., errors and omissions d. environmental damage e. workers' compensation, i.e. employee or volunteer injuries, and f. medical insurance cost of employees.

A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of losses, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities.

The City participates in two state-wide public risk pools operated by the Montana Municipal Interlocal Authority (MMIA), for workers' compensation and for tort liability coverage. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the City's enterprise and general funds based on total appropriations. Settled claims resulting from these risks did not exceed commercial insurance coverage during June 30, 2024.

In 1986, the City joined together with other Montana cities to form MMIA, which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments.

The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence, and \$12.5 million per occurrence for any claim that is not subject to the limitations on government liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid. State tort law limits the City's liability to \$1.5 million. The City pays premiums for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued \$4.41 million and \$6.155 million, respectively, of bonds to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service; these notes were retired in 2011.

The City also owns a policy with MMIA for loss or damage to property. This is an all-risk policy, essentially all property owned by the City being insured for 100% of replacement cost, subject to a \$5,000 deductible per occurrence for locations/buildings and a \$1,000 deductible per occurrence for mobile equipment. MMIA reinsures their property insurance with a national municipal pool, Public Entities' Property Insurance.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

13. Major Purpose Presentation

The table presented below displays the City’s fund balances by major purpose, as displayed on pages 25 and 26 on the governmental funds balance sheet. Statement 54 requires the disclosure of the purpose of each Major Special Revenue Fund.

	General Fund	Three Forks Rodeo Arena	Gas Tax Apportionment	Headwaters Trail Project	Nonmajor Governmental Funds	Total
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 265,455	\$ 265,455
Public works	-	-	540,973	-	414,356	955,329
Culture and recreation	-	-	-	2,032	146,015	148,047
Debt service	-	-	-	-	175,757	175,757
Subtotal Restricted Fund Balance	-	-	540,973	2,032	1,001,583	1,544,588
Committed for:						
Public safety	-	-	-	-	170,445	170,445
Public works	-	-	-	-	515,349	515,349
Culture and recreation	-	244,333	-	-	33,431	277,764
Subtotal Committed Fund Balance	-	244,333	-	-	719,225	963,558
Nonspendable:	4,243	-	-	-	-	4,243
Unassigned:	302,555	-	-	-	-	302,555
Total Fund Balances	\$ 306,798	\$ 244,333	\$ 540,973	\$ 2,032	\$ 1,720,808	\$ 2,814,944

14. Leases

Lessee Activities and Lease Liabilities

On October 1, 2013, the City entered into a 20-year lease agreement to rent an office space for the purpose of operation of offices for the Sheriff’s Department of the City of Three Forks. The City has the right to renew the lease for one ten-year renewal period. Based on this agreement, the City will be making monthly payments through 2033. The monthly base rent increases at a set rate per square foot every five years.

At the time of initial assessment, there was no interest rate specified in the original lease agreement. The City used a discount rate of 1.75% based on their estimated incremental borrowing rate.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

14. Leases (continued)

Lease-related interest expense of \$1,508 was recognized for the year ended June 30, 2024.

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current portion	Long-term portion
Office Lease	\$ 89,604	\$ -	\$ (7,112)	\$ 82,492	\$ 7,636	\$ 74,856

Remaining obligations associated with this lease are as follows:

Year Ending June 30	Principal	Interest
2025	\$ 7,636	\$ 1,372
2026	7,771	1,237
2027	7,908	1,100
2028	8,045	963
2029	9,128	811
2030-2034	42,004	1,555
	<u>\$ 82,492</u>	<u>\$ 7,038</u>

Lessor Activities and Lease Receivables

On August 31, 2000, the City entered into a 20-year lease agreement for the lease of a parcel of land for placement of a cell tower. An amendment to the agreement on August 31, 2016 allows for two additional five-year renewals with a rent escalation of 3% per year. Renewals shall automatically renew unless an election not to renew is made by the tenant no less than sixty days prior to the expiration of the current term. Based on this agreement, the City is receiving yearly payments through 2030. At the time of initial assessment, there was no interest rate specified in the original lease agreement. The City used a discount rate of 1.75% based on their estimated incremental borrowing rate.

City of Three Forks, Montana
Notes to the Financial Statements
For the Year Ended June 30, 2024

14. Leases (continued)

The remaining receivable for the lease was \$92,779 as of June 30, 2024. Deferred inflows related to this lease were \$88,536 as of June 30, 2024.

Rent income of \$14,364 and related interest income of \$1,680 was recognized for the year ended June 30, 2024.

Remaining receivables associated with this lease are as follows:

<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 13,625	\$ 1,438
2026	14,327	1,187
2027	15,052	923
2028	15,803	649
2029	16,581	357
2030-2031	17,391	52
	<u>\$ 92,779</u>	<u>\$ 4,606</u>

15. Subsequent Events

The City will continue to work with DNRC, Great West Engineering, and Headwaters Economics for the flood mitigation channel project. The City finally received its approval from U.S. Fish Wildlife Services for this project. The City received an official email notification of award of the FEMA FMA grant in October 2024. The City was officially awarded the \$4.15 million from the FMA grant. The State’s Resiliency Fund awarded the City its 25% match, making the City successful in \$5.5 million in grant funding toward this project. The City has also been collecting on the SID that passed for this project to help fund the additional cost for ground easements. Great West Engineering will work to obtain permitting in the spring of 2025. The City hopes to begin construction in the fall of 2025, but most likely it will be spring of 2026.

As of the report date, the City has spent roughly \$165,000 and received over \$100,000 of donated time and engineering bills paid from Headwaters Economics. The City has put aside over \$725,000 to help fund this project and collected \$190,000 from the SID for this project.

15. Subsequent Events (continued)

There remains a developer wanting to annex into the City and construct a large housing development, south of the Magris Talc Plant, but the City does not have the water capacity for the project. The City Engineers negotiated with the developer to allow the City to drill up to 4 water wells on this property which is still ongoing within the Water Project mentioned earlier. The City has drilled 2 of the 4 wells. The first was of poor quantity and the second has been determined as good production and quality and has been drilled/converted as a supply well, rather than a test well. This new well has very little arsenic, produces over 200 gallons per minute and low gross-alpha which will allow the City to move forward in the project towards connection and distribution. In January 2025, Great West Engineering will provide the City a task order to begin design and bidding process to connect it to the existing system.

16. Qualified Opinion

The City elected to omit pension reporting related to the FDRA in accordance with GASB 73 as is required by accounting principles generally accepted in the United States of America. The effect of this omission is not reasonably determinable.

REQUIRED SUPPLEMENTAL INFORMATION

City of Three Forks, Montana
Schedule of Revenues and Expenditures – Budget and Actual - General Fund
For the Year Ended June 30, 2024

	General Fund	
	Original and Final Budget	Actual
Revenues:		
Taxes	\$ 87,000	\$ 504,786
Licenses and permits	18,750	17,380
Intergovernmental	257,526	187,374
Charges for services	24,000	11,095
Fines and forfeitures	750	-
Other	28,467	21,991
Total revenues	<u>416,493</u>	<u>742,626</u>
Expenditures:		
Current:		
General government	286,836	216,516
Public safety	419,990	408,437
Public works	52,077	58,845
Public health	200	176
Culture and recreation	114,133	85,029
Housing & community development	48,572	38,621
Other	7,762	2,710
Capital outlay	121,000	-
Total expenditures	<u>1,050,570</u>	<u>810,334</u>
Revenues under expenditures before other financing uses	<u>\$ (634,077)</u>	<u>\$ (67,708)</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Schedule of Revenues and Expenditures - Budget and Actual –
Three Forks Rodeo Arena Fund
For the Year Ended June 30, 2024

	Three Forks Rodeo Arena Special Revenue Fund	
	Original and Final Budget	Actual
Revenues:		
Charges for services	\$ 285,000	\$ 278,319
Interest on investments	4,000	5,947
Other	6,000	9,721
Total revenues	295,000	293,987
Expenditures:		
Current:		
Culture and recreation	184,519	173,173
Other	3,700	1,297
Capital outlay	25,000	-
Debt service	58,071	43,069
Total expenditures	271,290	217,539
Revenues over expenditures before other financing uses	\$ 23,710	\$ 76,448

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Schedule of Revenues and Expenditures - Budget and Actual –
Gas Tax Apportionment Fund and Headwaters Trail Project Fund
For the Year Ended June 30, 2024

	<u>Gas Tax Apportionment Fund</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues:		
Intergovernmental	\$ 438,500	\$ 425,646
Total revenues	<u>438,500</u>	<u>425,646</u>
Expenditures:		
Current:		
Public works	90,000	42,008
Capital outlay	471,000	-
Total expenditures	<u>561,000</u>	<u>42,008</u>
Revenues over (under) expenditures before other financing uses	<u>\$ (122,500)</u>	<u>\$ 383,638</u>
	<u>Headwaters Trail Project Fund</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues:		
Intergovernmental	\$ 175,000	\$ 100,000
Other	90,000	32,228
Total revenues	<u>265,000</u>	<u>132,228</u>
Expenditures:		
Current:		
Public works	117,300	150,890
Capital outlay	85,000	23,778
Total expenditures	<u>202,300</u>	<u>174,668</u>
Revenues over (under) expenditures before other financing uses	<u>\$ 62,700</u>	<u>\$ (42,440)</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Schedule of Changes in the Total Other Post-Employment Benefits (OPEB) Liability and
Related Ratios
For the Last Ten Fiscal Years*

Total OPEB Liability	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 6,721	\$ 18,666	\$ 28,042	\$ 18,981	\$ 17,701
Interest	1,874	3,603	6,040	3,243	4,065
Changes of benefit terms	-	9,925	-	-	-
Differences between expected and actual experience	5,151	(26,106)	(70,478)	(23,050)	(37,768)
Changes of assumptions or other inputs	-	(38,666)	(14,912)	3,623	(280)
Benefit payments	<u>(2,434)</u>	<u>-</u>	<u>(1,890)</u>	<u>(4,469)</u>	<u>(2,831)</u>
Change in total OPEB obligation	11,312	(32,578)	(53,198)	(1,672)	(19,113)
Beginning balance, total OPEB liability	36,426	69,004	122,202	123,874	142,987
Ending balance, total OPEB liability	<u>\$ 47,738</u>	<u>\$ 36,426</u>	<u>\$ 69,004</u>	<u>\$ 122,202</u>	<u>\$ 123,874</u>
Covered-employee payroll	\$ 506,440	\$ 439,529	\$ 509,248	\$ 413,633	\$ 377,552
Total OPEB Obligation as a percentage of covered-employee payroll	9.43%	8.29%	13.55%	29.54%	32.81%

	<u>2019</u>	<u>2018</u>
Service cost	\$ 11,023	\$ 11,127
Interest	4,934	4,994
Changes of benefit terms	-	-
Differences between expected and actual experience	-	4,501
Changes of assumptions or other inputs	4,275	(3,730)
Benefit payments	<u>(7,191)</u>	<u>(4,874)</u>
Change in total OPEB obligation	13,041	12,018
Beginning balance, total OPEB liability	129,946	117,928
Ending balance, total OPEB liability	<u>\$ 142,987</u>	<u>\$ 129,946</u>
Covered-employee payroll	\$ 350,543	\$ 342,002
Total OPEB Obligation as a percentage of covered-employee payroll	40.79%	38.00%

**The amounts presented above for each fiscal year were determined as of June 30th, the Plan's measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Schedule of Proportionate Share of the Net Pension Liability
Montana Public Employees' Retirement System
For the Last Ten Fiscal Years

Reporting Date	2024	2023	2022	2021	2020
As of Measurement Date	2023	2022	2021	2020	2019
City's proportion of the net pension liability	0.020039%	0.020881%	0.019461%	0.018988%	0.019087%
City's proportionate share of the net pension liability	\$ 489,019	\$ 496,533	\$ 352,877	\$ 500,953	\$ 398,973
State's proportionate share of the net pension liability associated with the City	\$ 134,571	\$ 147,714	\$ 103,543	\$ 157,160	\$ 129,340
Total	\$ 623,590	\$ 644,247	\$ 456,420	\$ 658,113	\$ 528,313
City's covered payroll	\$ 361,273	\$ 369,793	\$ 343,761	\$ 318,593	\$ 314,929
City's proportionate share of the net pension share of the net pension liability as a percentage of its covered payroll	135.36%	134.27%	102.65%	157.24%	126.69%
Plan fiduciary net position as a percentage of the total pension liability	73.93%	73.66%	79.91%	68.90%	73.85%

Reporting Date	2019	2018	2017	2016	2015
As of Measurement Date	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.018928%	0.022923%	0.025209%	0.025273%	0.026345%
City's proportionate share of the net pension liability	\$ 395,055	\$ 446,457	\$ 429,400	\$ 353,279	\$ 328,263
State's proportionate share of the net pension liability associated with the City	\$ 131,714	\$ 5,334	\$ 5,247	\$ 4,340	\$ 4,009
Total	\$ 526,769	\$ 451,791	\$ 434,647	\$ 357,619	\$ 332,272
City's covered payroll	\$ 311,282	\$ 284,365	\$ 301,962	\$ 294,937	\$ 298,226
City's proportionate share of the net pension share of the net pension liability as a percentage of its covered payroll	126.91%	157.00%	142.20%	119.78%	110.07%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

The amounts presented above for each fiscal year were determined as of June 30th, the Plan's measurement date.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Schedule of Contributions
Montana Public Employees' Retirement System
For the Last Ten Fiscal Years

As of Reporting Date	2024	2023	2022	2021	2020
City's contractually required DB contribution	\$ 39,345	\$ 32,405	\$ 32,801	\$ 30,148	\$ 27,622
City's Contribution in relation to the contractually required contribution	39,345	32,405	32,801	30,148	27,622
City's Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 437,563	\$ 361,273	\$ 369,793	\$ 343,761	\$ 318,593
Contributions as percentage of Covered Payroll	8.99%	8.97%	8.87%	8.77%	8.67%

As of Reporting Date	2019	2018	2017	2016	2015
City's contractually required DB contribution	\$ 26,989	\$ 26,366	\$ 23,802	\$ 25,240	\$ 24,304
City's Contribution in relation to the contractually required contribution	26,989	26,366	23,802	25,240	24,304
City's Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 314,929	\$ 311,282	\$ 284,365	\$ 301,962	\$ 294,937
Contributions as percentage of Covered Payroll	8.57%	8.47%	8.37%	8.36%	8.24%

The amounts presented above for each fiscal year were determined as of June 30th, the City's most recent fiscal year end.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

City of Three Forks, Montana
Notes to Required Supplemental Information
For the Year Ended June 30, 2024

1. Budgets

State law permits the inclusion of obligations for construction in progress and obligations for the purchase of personal property as expenditures for budget purposes (MCA 20-9-121). However, the City does not use encumbrances, so there is no difference between Budget Basis and GAAP Basis in expenditures related to encumbrances. The difference between budget and actual for the general fund is related to the on-behalf state pension revenue and expense payments. The on-behalf payment for fiscal year 2024 was \$2,545 for PERS.

	<u>Expenditures</u>	<u>Revenues</u>
Budget Basis	\$ 810,334	\$ 742,626
State On-Behalf Payments	<u>2,545</u>	<u>2,545</u>
GAAP Basis	<u>\$ 812,879</u>	<u>\$ 745,171</u>

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original and amended final budgeted amounts and reflect line-item budget transfers within the funds during the year (if any).

2. Other Post-Employment Benefits (OPEB)

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

Change in assumptions: The discount rate was revised per Bond Buyer’s 20-year municipal bond rate as of June 30, 2024. See also Note 10 for the healthcare cost trend rates used in the valuation of the ending Total OPEB Liability.

3. Net Pension Liability

PERS

Change in benefit terms

The following changes to the plan provisions 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

1. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2. 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.
3. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

City of Three Forks, Montana
Notes to Required Supplemental Information
For the Year Ended June 30, 2024

3. Net Pension Liability (continued)

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Returns*	7.30%, net of pension plan investment and administrative expenses
*Includes inflation at Merit salary increases	2.75%
Asset valuation method	0% to 4.80%
Actuarial cost method	Four-year smoothed market
Amortization method	Entry age Normal
Remaining amortization period	Level percentage of payroll, open
Mortality (Active participants)	30 years
	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Mortality (Disabled retirees)	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.

City of Three Forks, Montana
Notes to Required Supplemental Information
For the Year Ended June 30, 2024

3. Net Pension Liability (continued)

Mortality (Contingent Survivors)	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Mortality (Health Retirees)	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2022 valuation were developed in the five-year experience study for the period ending 2021.

SUPPLEMENTAL INFORMATION

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**City of Three Forks, Montana
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Special Revenue		
	Street Lighting District 1	Parks Special Projects	Street Maintenance District
Assets			
Cash and cash equivalents	\$ 39,886	\$ 5,119	\$ 345,616
Property tax receivable	-	-	-
Personal tax receivable	-	-	-
Special assessment receivable	493	-	1,137
Due from other governments	-	-	-
Total assets	<u>\$ 40,379</u>	<u>\$ 5,119</u>	<u>\$ 346,753</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,082	\$ -	\$ 24
Total liabilities	<u>2,082</u>	<u>-</u>	<u>24</u>
Deferred inflows of resources:			
Deferred inflows of tax revenues	493	-	1,137
Total deferred inflows of resources	<u>493</u>	<u>-</u>	<u>1,137</u>
Fund balances:			
Restricted	37,804	5,119	345,592
Committed	-	-	-
Total fund balances	<u>37,804</u>	<u>5,119</u>	<u>345,592</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 40,379</u>	<u>\$ 5,119</u>	<u>\$ 346,753</u>

See Independent Auditors' Report.

<u>Ridgeview Street Maintenance District</u>	<u>Fire Control Capital Improvement</u>	<u>Library Operating</u>	<u>Fire Impact Fees</u>	<u>Total</u>
\$ 30,960	\$ 263,804	\$ 102,621	\$ 123,816	\$ 911,822
-	770	867	-	1,637
-	225	262	-	487
-	-	-	-	1,630
-	1,651	2,855	-	4,506
<u>\$ 30,960</u>	<u>\$ 266,450</u>	<u>\$ 106,605</u>	<u>\$ 123,816</u>	<u>\$ 920,082</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,407</u>	<u>\$ -</u>	<u>\$ 4,513</u>
<u>-</u>	<u>-</u>	<u>2,407</u>	<u>-</u>	<u>4,513</u>
<u>-</u>	<u>995</u>	<u>1,130</u>	<u>-</u>	<u>3,755</u>
<u>-</u>	<u>995</u>	<u>1,130</u>	<u>-</u>	<u>3,755</u>
30,960	265,455	103,068	-	787,998
-	-	-	123,816	123,816
<u>30,960</u>	<u>265,455</u>	<u>103,068</u>	<u>123,816</u>	<u>911,814</u>
<u>\$ 30,960</u>	<u>\$ 266,450</u>	<u>\$ 106,605</u>	<u>\$ 123,816</u>	<u>\$ 920,082</u>

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2024

	Debt Service Funds	
	<u>S.I.D. 34</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$ 175,757	\$ 175,757
Special assessment receivable	14,820	14,820
Total assets	\$ 190,577	\$ 190,577
Liabilities, Deferred Inflows, and Fund Balances		
Deferred inflows of resources:		
Deferred inflows of tax revenues	\$ 14,820	\$ 14,820
Total deferred inflows of resources	14,820	14,820
Fund balances:		
Restricted	175,757	175,757
Total fund balances	175,757	175,757
Total liabilities, deferred inflows, and fund balances	\$ 190,577	\$ 190,577

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2024

	Capital Project Funds				Total
	Library Reserve	Street Capital	Parks Capital	Fire Depart Capital	
Assets					
Cash and cash equivalents	\$ 37,828	\$ 445,308	\$ 33,431	\$ 46,629	\$ 563,196
Investments	-	71,634	-	-	71,634
Total assets	\$ 37,828	\$ 516,942	\$ 33,431	\$ 46,629	\$ 634,830
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 1,593	\$ -	\$ -	\$ 1,593
Total liabilities	-	1,593	-	-	1,593
Fund balances:					
Restricted	37,828	-	-	-	37,828
Committed	-	515,349	33,431	46,629	595,409
Total fund balances	37,828	515,349	33,431	46,629	633,237
Total liabilities, deferred inflows, and fund balances	\$ 37,828	\$ 516,942	\$ 33,431	\$ 46,629	\$ 634,830

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2024

	Total Nonmajor Governmental Funds
Assets	
Cash and cash equivalents	\$ 1,650,775
Investments	71,634
Property tax receivable	1,637
Personal tax receivable	487
Special assessment receivable	16,450
Due from other governments	4,506
	<hr/>
Total assets	\$ 1,745,489
	<hr/>
Liabilities, Deferred Inflows, and Fund Balances	
Liabilities:	
Accounts payable	\$ 6,106
	<hr/>
Total liabilities	6,106
	<hr/>
Deferred inflows or resources:	
Deferred inflows of tax revenues	18,575
	<hr/>
Total deferred inflows of resources	18,575
	<hr/>
Fund balances:	
Restricted	1,001,583
Committed	719,225
	<hr/>
Total fund balances	1,720,808
	<hr/>
Total liabilities, deferred inflows, and fund balances	\$ 1,745,489
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See Independent Auditors' Report.

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City of Three Forks, Montana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		
	Street Lighting District 1	Parks Special Projects	Street Maintenance District
Revenues:			
Taxes/assessments	\$ 25,592	\$ -	\$ 54,590
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest on investments	-	-	-
Other	-	350	-
Total revenues	<u>25,592</u>	<u>350</u>	<u>54,590</u>
Expenditures:			
Current:			
Public works	28,116	-	10,631
Culture and recreation	-	183	-
Other	-	-	-
Total expenditures	<u>28,116</u>	<u>183</u>	<u>10,631</u>
Revenues over (under) expenditures	<u>(2,524)</u>	<u>167</u>	<u>43,959</u>
Excess of revenues over expenditures and other financing sources (uses)	(2,524)	167	43,959
Fund balances, beginning of year	<u>40,328</u>	<u>4,952</u>	<u>301,633</u>
Fund balances, end of year	<u>\$ 37,804</u>	<u>\$ 5,119</u>	<u>\$ 345,592</u>

See Independent Auditors' Report.

Ridgeview Street Maintenance District	Fire Control Capital Improvement	Library Operating	Fire Impact Fees	Total
\$ 3,500	\$ 30,157	\$ 43,734	\$ -	\$ 157,573
-	-	92,604	-	92,604
-	-	2,110	1,003	3,113
-	-	75	-	75
-	-	2,517	3,460	5,977
-	-	15,417	-	15,767
<u>3,500</u>	<u>30,157</u>	<u>156,457</u>	<u>4,463</u>	<u>275,109</u>
35	-	-	-	38,782
-	-	137,775	-	137,958
-	-	1,897	-	1,897
<u>35</u>	<u>-</u>	<u>139,672</u>	<u>-</u>	<u>178,637</u>
<u>3,465</u>	<u>30,157</u>	<u>16,785</u>	<u>4,463</u>	<u>96,472</u>
3,465	30,157	16,785	4,463	96,472
<u>27,495</u>	<u>235,298</u>	<u>86,283</u>	<u>119,353</u>	<u>815,342</u>
\$ <u>30,960</u>	\$ <u>265,455</u>	\$ <u>103,068</u>	\$ <u>123,816</u>	\$ <u>911,814</u>

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2024

	Debt Service Funds	
	<u>S.I.D. 33</u>	<u>Total</u>
Revenues:		
Taxes/assessments	<u>\$ 175,757</u>	<u>\$ 175,757</u>
Total revenues	<u>175,757</u>	<u>175,757</u>
Revenues over (under) expenditures	<u>175,757</u>	<u>175,757</u>
Excess of revenues over expenditures and other financing sources (uses)	175,757	175,757
Fund balances, beginning of year	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 175,757</u>	<u>\$ 175,757</u>

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2024

	Capital Project Funds				Total
	Library Reserve	Streets Capital Improvement	Parks Capital Improvement	Fire Department Capital Improvement	
Revenues:					
Taxes/assessments	\$ -	\$ 54,061	\$ -	\$ -	\$ 54,061
Intergovernmental	-	35,664	-	-	35,664
Charges for services	-	18,000	-	-	18,000
Interest on investments	1,336	16,049	942	1,492	19,819
Total revenues	1,336	123,774	942	1,492	127,544
Expenditures:					
Current:					
Culture and recreation	9,479	-	-	-	9,479
Capital outlay	-	109,309	-	8,702	118,011
Total expenditures	9,479	109,309	-	8,702	127,490
Revenues over (under) expenditures	(8,143)	14,465	942	(7,210)	54
Other financing sources (uses):					
Operating transfers	-	14,821	-	-	14,821
Total other financing sources (uses)	-	14,821	-	-	14,821
Excess of revenues over expenditures and other financing sources (uses)	(8,143)	29,286	942	(7,210)	14,875
Fund balances, beginning of year	45,971	486,063	32,489	53,839	618,362
Fund balances, end of year	\$ 37,828	\$ 515,349	\$ 33,431	\$ 46,629	\$ 633,237

See Independent Auditors' Report.

City of Three Forks, Montana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2024

	Total Nonmajor Governmental Funds
Revenues:	
Taxes/assessments	\$ 387,391
Intergovernmental	128,268
Charges for services	21,113
Fines and forfeitures	75
Interest on investments	25,796
Other	15,767
Total revenues	<u>578,410</u>
Expenditures:	
Current:	
Public works	38,782
Culture and recreation	147,437
Other	1,897
Capital outlay	118,011
Total expenditures	<u>306,127</u>
Revenues over (under) expenditures	<u>272,283</u>
Other financing sources (uses):	
Operating transfers	14,821
Total other financing sources (uses)	<u>14,821</u>
Excess of revenues over expenditures and other financing sources (uses)	287,104
Fund balances, beginning of year	<u>1,433,704</u>
Fund balances, end of year	<u>\$ 1,720,808</u>

See Independent Auditors' Report.



INDEPENDENT AUDITORS' 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 Three Forks, Montana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Three Forks, Montana (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Three Forks, Montana's basic financial statements and have issued our report thereon dated **DRAFT 2025**. Our report qualifies our opinion on the governmental activities because management has not recorded the total pension liability and related expense required by GASB Statement No. 73.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standard*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the 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.

Bozeman, Montana
DRAFT, 2025

City of Three Forks, Montana
Schedule of Findings and Summary of Prior Year Findings
For the Year Ended June 30, 2024

Current Year Findings:

Internal Control Findings – Material Weakness

2024-1 FDRA Pension Liability not Recorded

Criteria

U.S. generally accepted accounting principles require the total pension liability and related expense (GASB Statement No. 73) be recorded in the financial statements.

Condition

The City did not record the FDRA pension liability and related expense in the financial statements.

Context

The City did not engage an actuarial firm to assist in determining the FDRA pension liability and related expense as of and for the year ended June 30, 2024.

Effect

The effect is the City's governmental activities liabilities are understated, net position is overstated and expense would change.

Recommendation

We recommend the City engage an actuarial firm to determine the total pension liability and related expense.

City Response

The City understands that GASB Statement No. 73 requires municipalities with Fire Department Relief Associations (FDRA) to report pension information in the manner required by GASB 68. The City recognizes that the FDRA is subject to these requirements and have voted to not have an actuarial study completed during the current year.

Prior Year Findings:

2023-1 FDRA Pension Liability not Recorded – Repeat finding, see 2024-1