CITY OF LIBBY

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

CITY OF LIBBY

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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CITY OF LIBBY

LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

CITY COUNCIL

Peggy Williams	Mayor
Gary Beach	Council
Melissa Berke	Council
Kristin Smith	Council
Hugh Taylor	Council
Brian Zimmerman	Council
Zach McNew	Council

CITY OFFICIALS

Samuel Sikes	City Administrator
Dean D. Chisholm	City Attorney
Scott Kessel	Chief of Police
Leann Monigold	Clerk/Treasurer
Jay Scheffield	City Judge
Jody Martin & Charlotte Luedecke	Deputy Clerks

City of Libby
Management's Discussion and Analysis
June 30, 2023

As management of the City of Libby, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

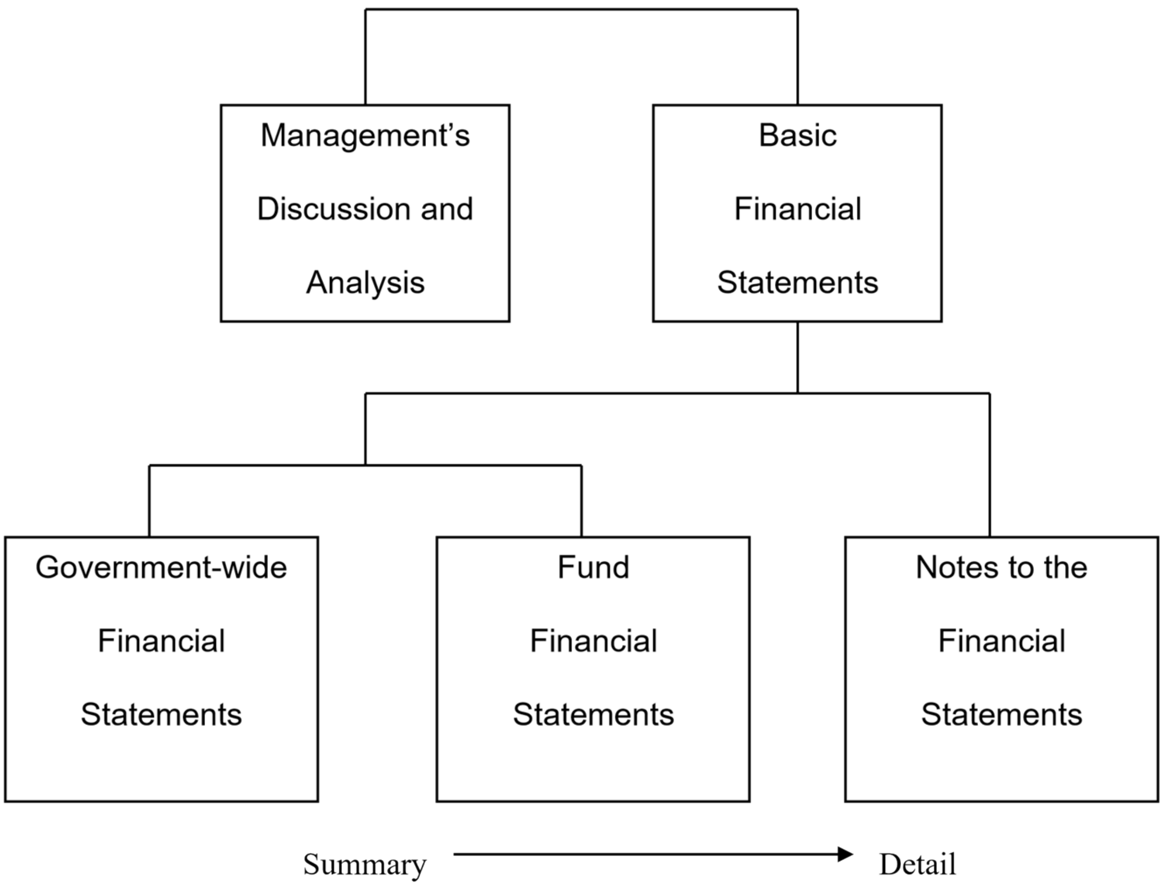
- The assets of the City of Libby exceeded its liabilities at the close of the fiscal year by $25,033,316.
- The government's total net position decreased by $168,658.
- At the close of the current fiscal year, the City of Libby's governmental funds reported combined ending fund balances of $3,345,227 a decrease of $397,188 compared with the prior year decrease of $636,430. At the end of the current fiscal year, fund balance for the General Fund was $688,828 or 51% percent of the total general fund expenditures for the fiscal year.
- The City's total debt decreased by $85,575 during the current fiscal year. This was due to incurring no new loans while making continuing payments on exiting loans.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Libby's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Libby.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 11 to 12) in the basic financial statements are the **Governmentwide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 13 through 21) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements, and 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds.

Budgetary information required by Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Libby.

The government-wide financial statements are on pages 11 to 12 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Libby like all other governmental entities in Montana uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All the funds of the City of Libby can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Fund Financial Statements

Governmental Funds – continued
The City of Libby adopts an annual budget for its governmental funds, and a budget for its proprietary funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund, IP Settlement Fund, Street Maintenance Fund, & Community Development Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting which is the modified accrual basis and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Libby has two enterprise funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Libby uses enterprise funds to account for its water and sewer services. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – The City of Libby has two fiduciary funds. Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These may include (a) pension trust funds, (b) investment trust funds, (c) private-purpose trust funds, and (d) agency funds. The city uses fiduciary funds to account for court bonds and fire relief pension.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 to 53 of this report.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Libby exceeded liabilities and deferred inflows of resources by $25,033,316 as of June 30, 2023. The City's net position decreased by $168,658 for the fiscal year ended June 30, 2023. The City of Libby uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Libby's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Libby's net position, $4,076,584 represents resources that are subject to external restrictions on how they may be used. Of the total restricted net position, $2,500,166 represents restrictions for Governmental Activities. The remaining restricted net position of $1,572,054 represents restrictions for Business-type Activities.

Governmental activities: Governmental activities decreased the City's net position by $681,218.

Business-type activities: Business-type activities increased the City of Libby's net position by $512,560.

Table 1 - Net Position

	Governmental Activities FY23	Governmental Activities FY22	Change Inc (Dec)	Business-type Activities FY23	Business-type Activities FY22	Change Inc (Dec)
Current and other assets	$ 4,599,410	$ 5,036,095	$ (436,685)	$ 3,965,305	$ 3,656,984	$ 308,321
Capital assets	4,595,642	4,833,153	(237,511)	23,809,264	23,697,622	111,642
Total assets	$ 9,195,052	$ 9,869,248	$ (674,196)	$ 27,774,569	$ 27,354,606	$ 419,963
Long-term debt outstanding	$ 624,997	$ 477,346	$ 147,651	$ 9,929,091	$ 9,987,306	$ (58,215)
Other liabilities	1,053,805	1,194,434	(140,629)	328,412	362,794	(34,382)
Total liabilities	$ 1,678,802	$ 1,671,780	$ 7,022	$ 10,257,503	$ 10,350,100	$ (92,597)
Net investment in capital assets	$ 4,595,642	$ 4,833,153	$ (237,511)	$ 14,695,372	$ 14,281,410	$ 413,962
Restricted	2,504,530	2,976,381	(471,851)	1,572,054	2,223,816	(651,762)
Unrestricted (deficit)	416,078	387,934	28,144	1,249,640	499,280	750,360
Total net position	$ 7,516,250	$ 8,197,468	$ (681,218)	$ 17,517,066	$ 17,004,506	$ 512,560

Table 2 - Changes in Net Position

	Governmental Activities FY23	Governmental Activities FY22	Change Inc (Dec)	Business-type Activities FY23	Business-type Activities FY22	Change Inc (Dec)
Revenues						
Program revenues (by major source):						
Charges for services	$ 373,462	$ 388,751	$ (15,289)	$ 2,372,099	$ 2,237,069	$ 135,030
Operating grants and contributions	169,214	260,888	(91,674)	-	78,559	(78,559)
Capital grants and contributions	152,957	705	152,252	451,086	1,038,806	(587,720)
General revenues (by major source):						
Property taxes for general purposes	427,038	423,622	3,416	-	-	-
Licenses and permits	70,991	85,727	(14,736)	-	-	-
Video poker apportionment	22,625	21,400	1,225	-	-	-
Miscellaneous	36,326	79,667	(43,341)	22,542	-	22,542
Interest/investment earnings	31,499	11,988	19,511	27,127	19,821	7,306
Local option taxes	91,865	57,037	34,828	-	-	-
State entitlement	619,913	602,656	17,257	-	-	-
State contributions to retirement	120,565	87,911	32,654	22,247	39,591	(17,344)
Gain (loss) on capital contributions	-	(255,737)	255,737	-	255,737	(255,737)
Total revenues	$ 2,116,455	$ 1,764,615	$ 351,840	$ 2,895,101	$ 3,669,583	$ (774,482)
Program expenses						
General government	$ 463,852	$ 330,487	$ 133,365	$ -	$ -	$ -
Public safety	736,048	787,644	(51,596)	-	-	-
Public works	668,026	627,525	40,501	-	-	-
Public health	12,000	12,000	-	-	-	-
Culture and recreation	62,265	106,315	(44,050)	-	-	-
Housing and community development	588,059	94,421	493,638	-	-	-
Conservation of natural resources	7,892	13,973	(6,081)	-	-	-
Debt service - interest	446	529	(83)	-	-	-
Miscellaneous	47,034	38,559	8,475	-	-	-
Water Utility	-	-	-	1,787,513	1,763,644	23,869
Sewer Utility	-	-	-	807,079	810,418	(3,339)
Total expenses	$ 2,585,622	$ 2,011,453	$ 574,169	$ 2,594,592	$ 2,574,062	$ 20,530
Excess (deficiency) before special items and transfers	(469,167)	(246,838)	(222,329)	300,509	1,095,521	(795,012)
Transfers - net	(212,051)	(263,345)	51,294	212,051	263,345	(51,294)
Increase (decrease) in net position	$ (681,218)	$ (510,183)	$ (171,035)	$ 512,560	$ 1,358,866	$ (846,306)

As noted earlier, the City of Libby uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Libby's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Libby's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Libby. At the end of the current fiscal year, total fund balance of the General Fund was $688,828. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 69 percent of total General Fund total liabilities, deferred inflows of resources and fund balance.

As June 30, 2023, the governmental funds of the City of Libby reported a combined fund balance of $3,345,227, a 10.6 percent decrease over last year.

Governmental Fund Budgetary Highlights: Capital assets, less accumulated depreciation, in FY 22 were $4,833,153 and in FY 23 they were $ 4,595,642 for a decrease of $237,511 or 4.9%.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer at the end of the fiscal year amounted to $1,249,640.

Capital Asset and Debt Administration:

Capital assets. The City of Libby's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals $28,404,906 (less accumulated depreciation). These assets include buildings, improvements other than buildings, land, machinery and equipment, park facilities, vehicles, and utility system infrastructure.

Long-term Debt. As of June 30, 2023, the City of Libby had total debt outstanding of $9,113,892. The debt of the City represents bonds secured solely by specified revenue sources (i.e., revenue bonds, special assessments) and other long-term debt.

Additional information regarding the City of Libby's long-term debt can be found in the Notes To The Basic Financial Statements of this report.

Current Conditions

Most of the projects in the past CIP plan have been or are in the works to be completed. The water distribution system is the most problematic issue facing the city. After purchasing the system in 1986 from PP&L, the city has been working on different elements of the system. A new water treatment plant was put online in 1996. The City completed the raw water main in 2014. Also finished in 2014, was the installation of 5 PRV zones and about 130 new meter pits.

The Flower Creek Dam was finished in the spring of 2017. Grants totaling approximately $1,515,000 dedicated towards these water projects have been completed. The improvements included the replacement of one-half mile of new water main along Highway 2 West and throughout the City and a new water transmission line from the WTP to the PRV station on Cedar St. The City is now focusing on wastewater system improvements.

Other items in the long term planning are to continue the resurfacing of the streets. The city has been paving between 20 and 30 blocks of streets a year over the past several years. The city has also implemented a sidewalk program that helps the local residents to buy into replacing the sidewalks in the front of their property with help from the city.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Leann Monigold
City of Libby, Clerk/Treasurer
PO Box 1428
Libby, MT. 59923

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

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

INDEPENDENT AUDITOR'S REPORT

City of Libby
Lincoln County
Libby, Montana

Opinions
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Libby, Lincoln County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Libby, Lincoln County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Libby, Lincoln County, Montana, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Change in Accounting Principle
As described in Note 1 to the financial statements, in 2023, the City of Libby adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter Our opinion is not modified with respect to this matter.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Libby, Lincoln County, Montana's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Libby, Lincoln County, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 13, 2024, on our consideration of the City of Libby, Lincoln County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Libby, Lincoln County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Libby, Lincoln County, Montana's internal control over financial reporting and compliance.

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

June 13, 2024

City of Libby
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 4,123,835	$ 1,921,673	$ 6,045,508
Taxes and assessments receivable, net	50,461	-	50,461
Accounts receivable - net	-	132,349	132,349
Notes and loans receivable	61,015	-	61,015
Lease receivable	111,466	-	111,466
Due from other governments	120,019	106,482	226,501
Total current assets	$ 4,466,796	$ 2,160,504	$ 6,627,300
Noncurrent assets			
Restricted cash and investments	$ -	$ 1,652,279	$ 1,652,279
Deferred assessments receivable	8,664	-	8,664
Capital assets - land	765,789	59,929	825,718
Capital assets - construction in progress	-	818,212	818,212
Capital assets - depreciable, net	3,829,853	22,931,123	26,760,976
Total noncurrent assets	$ 4,604,306	$ 25,461,543	$ 30,065,849
Total assets	$ 9,071,102	$ 27,622,047	$ 36,693,149
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	$ 123,950	$ 152,522	$ 276,472
Total deferred outflows of resources	$ 123,950	$ 152,522	$ 276,472
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,195,052	$ 27,774,569	$ 36,969,621
LIABILITIES			
Current liabilities			
Warrants payable	$ 148,622	$ -	$ 148,622
Accounts payable	119,344	172,401	291,745
Accrued payroll	19,111	26,832	45,943
Revenues collected in advance	611,550	21,934	633,484
Current portion of long-term capital liabilities	-	305,501	305,501
Current portion of compensated absences payable	40,997	75,031	116,028
Total current liabilities	$ 939,624	$ 601,699	$ 1,541,323
Noncurrent liabilities			
Deposits payable	$ -	$ 33,600	$ 33,600
Noncurrent portion of OPEB	14,065	21,097	35,162
Noncurrent portion of long-term capital liabilities	-	8,808,391	8,808,391
Noncurrent portion of compensated absences	10,733	22,387	33,120
Net pension liability	573,267	717,781	1,291,048
Total noncurrent liabilities	$ 598,065	$ 9,603,256	$ 10,201,321
Total liabilities	$ 1,537,689	$ 10,204,955	$ 11,742,644
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	$ 29,647	$ 52,548	$ 82,195
Deferred inflows of resources - Leases	111,466	-	111,466
Total deferred inflows of resources	$ 141,113	$ 52,548	$ 193,661
NET POSITION			
Net investment in capital assets	$ 4,595,642	$ 14,695,372	$ 19,291,014
Restricted for capital projects	-	923,678	923,678
Restricted for debt service	4,364	614,776	619,140
Restricted for special projects	2,500,166	-	2,500,166
Restricted for other purposes	-	33,600	33,600
Unrestricted	416,078	1,249,640	1,665,718
Total net position	$ 7,516,250	$ 17,517,066	$ 25,033,316
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 9,195,052	$ 27,774,569	$ 36,969,621

See accompanying Notes to the Financial Statements

City of Libby, Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 463,852	$ 113,027	$ -	$ -	$ (350,825)	$ -	$ (350,825)
Public safety	736,048	12,000	-	-	(724,048)	-	(724,048)
Public works	668,026	242,459	158,364	152,957	(114,246)	-	(114,246)
Public health	12,000	-	-	-	(12,000)	-	(12,000)
Culture and recreation	62,265	5,976	850	-	(55,439)	-	(55,439)
Housing and community development	588,059	-	10,000	-	(578,059)	-	(578,059)
Conservation of natural resources	7,892	-	-	-	(7,892)	-	(7,892)
Debt service - interest	446	-	-	-	(446)	-	(446)
Miscellaneous	$ 47,034	$ -	-	-	(47,034)	-	(47,034)
Total governmental activities	$ 2,585,622	$ 373,462	$ 169,214	$ 152,957	$ (1,889,989)	$ -	$ (1,889,989)
Business-type activities:							
Water Utility	$ 1,787,513	$ 1,608,323	$ -	$ -	$ -	(179,190)	(179,190)
Sewer Utility	807,079	763,776	-	451,086	-	407,783	407,783
Total business-type activities	$ 2,594,592	$ 2,372,099	$ -	$ 451,086	$ -	$ 228,593	$ 228,593
Total primary government	$ 5,180,214	$ 2,745,561	$ 169,214	$ 604,043	$ (1,889,989)	$ 228,593	$ (1,661,396)
		General Revenues:					
		Property taxes for general purposes			$ 427,038	$ -	$ 427,038
		Licenses and permits			70,991	-	70,991
		Video poker apportionment			22,625	-	22,625
		Miscellaneous			36,326	22,542	58,868
		Interest/investment earnings			31,499	27,127	58,626
		Local option taxes			91,865	-	91,865
		State entitlement			619,913	-	619,913
		State contributions to retirement			120,565	22,247	142,812
		Transfers - net			(212,051)	212,051	-
		Total general revenues, special items and transfers			$ 1,208,771	$ 283,967	$ 1,492,738
		Change in net position			$ (681,218)	$ 512,560	$ (168,658)
		Net position - beginning			$ 8,197,468	$ 17,004,506	$ 25,201,974
		Net position - end			$ 7,516,250	$ 17,517,066	$ 25,033,316

See accompanying Notes to the Financial Statements

City of Libby, Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	General	Community Development	ARPA	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and investments	$ 850,930	$ 1,494,200	$ 611,550	$ 1,167,155	$ 4,123,835
Taxes and assessments receivable, net	35,011	-	-	15,450	50,461
Notes and loans receivable	-	61,015	-	-	61,015
Lease receivable	111,466	-	-	-	111,466
Due from other governments	-	-	120,019	-	120,019
Total current assets	$ 997,407	$ 1,555,215	$ 731,569	$ 1,182,605	$ 4,466,796
Noncurrent assets:					
Advances to other funds	$ -	$ 10,876	$ -	$ -	$ 10,876
Deferred assessments receivable	-	-	-	8,664	8,664
Total noncurrent assets	$ -	$ 10,876	$ -	$ 8,664	$ 19,540
TOTAL ASSETS	$ 997,407	$ 1,566,091	$ 731,569	$ 1,191,269	$ 4,486,336
LIABILITIES					
Current liabilities:					
Warrants payable	$ 148,622	$ -	$ -	$ -	$ 148,622
Accounts payable	-	-	119,344	-	119,344
Accrued payroll	13,480	-	-	5,631	19,111
Revenues collected in advance	-	-	611,550	-	611,550
Total current liabilities	$ 162,102	$ -	$ 730,894	$ 5,631	$ 898,627
Noncurrent liabilities:					
Advances payable	$ -	$ -	$ -	$ 10,876	$ 10,876
Total liabilities	$ 162,102	$ -	$ 730,894	$ 16,507	$ 909,503
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes and assessments	$ 35,011	$ -	$ -	$ 24,114	$ 59,125
Deferred inflows of resources - notes receivable	-	61,015	-	-	61,015
Deferred inflows of resources - Leases	111,466	-	-	-	111,466
Total deferred inflows of resources	$ 146,477	$ 61,015	$ -	$ 24,114	$ 231,606
FUND BALANCES					
Nonspendable	$ -	$ 10,876	$ -	$ -	$ 10,876
Restricted	-	1,494,200	675	420,937	1,915,812
Committed	-	-	-	735,511	735,511
Unassigned fund balance	688,828	-	-	(5,800)	683,028
Total fund balance	$ 688,828	$ 1,505,076	$ 675	$ 1,150,648	$ 3,345,227
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 997,407	$ 1,566,091	$ 731,569	$ 1,191,269	$ 4,486,336

See accompanying Notes to the Financial Statements

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

Total fund balances - governmental funds	$	3,345,227
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,595,642
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		59,125
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(51,730)
Net pension and other postemployment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(587,332)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		123,950
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.		(29,647)
Future cash flows from the loans and long term receivables are recognized as deferred inflows of resources in the fund financial statements because the resources are not available to pay for the current year expenditures		61,015
Total net position - governmental activities	$	7,516,250

See accompanying Notes to the Financial Statements

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

	General	Community Development	ARPA	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	$ 512,211	$ -	$ -	$ 213,159	$ 725,370
Licenses and permits	70,991	-	-	-	70,991
Intergovernmental	711,306	10,000	152,957	153,562	1,027,825
Charges for services	35,276	-	-	-	35,276
Fines and forfeitures	37,484	-	-	-	37,484
Miscellaneous	109,419	15,300	-	-	124,719
Investment earnings	6,995	14,267	-	10,237	31,499
Total revenues	$ 1,483,682	$ 39,567	$ 152,957	$ 376,958	$ 2,053,164
EXPENDITURES					
General government	$ 289,693	$ -	$ -	$ -	$ 289,693
Public safety	705,406	-	-	-	705,406
Public works	209,105	-	-	277,139	486,244
Public health	12,000	-	-	-	12,000
Culture and recreation	54,049	-	-	-	54,049
Housing and community development	-	551,419	-	-	551,419
Debt service - interest	-	-	-	446	446
Miscellaneous	47,034	-	-	-	47,034
Capital outlay	22,451	-	152,282	69,559	244,292
Total expenditures	$ 1,339,738	$ 551,419	$ 152,282	$ 347,144	$ 2,390,583
Excess (deficiency) of revenues over expenditures	$ 143,944	$ (511,852)	$ 675	$ 29,814	$ (337,419)
OTHER FINANCING SOURCES (USES)					
Transfers in	$ -	$ -	$ -	$ 101,000	$ 101,000
Transfers out	(101,000)	-	-	(59,769)	(160,769)
Total other financing sources (uses)	$ (101,000)	$ -	$ -	$ 41,231	$ (59,769)
Net Change in Fund Balance	$ 42,944	$ (511,852)	$ 675	$ 71,045	$ (397,188)
Fund balances - beginning	$ 645,884	$ 2,016,928	$ -	$ 1,079,603	$ 3,742,415
Fund balance - ending	$ 688,828	$ 1,505,076	$ 675	$ 1,150,648	$ 3,345,227

See accompanying Notes to the Financial Statements

City of Libby, Lincoln County, Montana
Reconciliation of the Statement of Revenues, Expenditures.
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	$	(397,188)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		244,292
- Depreciation expense		(329,521)
In the Statement of Activities, the loss or gain on the sale, disposal, or contribution of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Contribution of capital assets to sewer fund		(152,282)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Note receivables, net (deferred inflows)		(18,908)
- Long-term receivables (deferred inflows)		6,692
The change in compensated absences is shown as an expense in the Statement of Activities		24,688
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(1,469)
Pension expense related to the net pension liablity is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(162,539)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		56,599
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.		48,418
Change in net position - Statement of Activities	$	(681,218)

See accompanying Notes to the Financial Statements

City of Libby, Lincoln County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Water Utility	**Sewer Utility**	**Totals**
ASSETS			
Current assets:			
Cash and investments	$ 1,631,930	$ 289,743	$ 1,921,673
Accounts receivable - net	92,025	40,324	132,349
Due from other governments	-	106,482	106,482
Total current assets	$ 1,723,955	$ 436,549	$ 2,160,504
Noncurrent assets:			
Restricted cash and investments	$ 1,312,421	$ 339,858	$ 1,652,279
Capital assets - land	59,929	-	59,929
Capital assets - construction in progress	198,434	619,778	818,212
Capital assets - depreciable, net	19,942,043	2,989,080	22,931,123
Total noncurrent assets	$ 21,512,827	$ 3,948,716	$ 25,461,543
Total assets	$ 23,236,782	$ 4,385,265	$ 27,622,047
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	$ 100,711	$ 51,811	$ 152,522
Total deferred outflows of resources	$ 100,711	$ 51,811	$ 152,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 23,337,493	$ 4,437,076	$ 27,774,569
LIABILITIES			
Current liabilities:			
Accounts payable	$ 73,023	$ 99,378	$ 172,401
Accrued payroll	18,916	7,916	26,832
Revenues collected in advance	15,251	6,683	21,934
Current portion of long-term capital liabilities	254,890	50,611	305,501
Current portion of compensated absences payable	54,371	20,660	75,031
Total current liabilities	$ 416,451	$ 185,248	$ 601,699
Noncurrent liabilities:			
Deposits payable	$ 33,600	$ -	$ 33,600
Noncurrent portion of OPEB	14,065	7,032	21,097
Noncurrent portion of long-term capital liabilities	7,022,794	1,785,597	8,808,391
Noncurrent portion of compensated absences	18,148	4,239	22,387
Net pension liability	473,954	243,827	717,781
Total noncurrent liabilities	$ 7,562,561	$ 2,040,695	$ 9,603,256
Total liabilities	$ 7,979,012	$ 2,225,943	$ 10,204,955
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	$ 34,698	$ 17,850	$ 52,548
Total deferred inflows of resources	$ 34,698	$ 17,850	$ 52,548
NET POSITION			
Net investment in capital assets	$ 12,922,722	$ 1,772,650	$ 14,695,372
Restricted for capital projects	681,768	241,910	923,678
Restricted for debt service	516,828	97,948	614,776
Restricted for other purposes	33,600	-	33,600
Unrestricted	1,168,865	80,775	1,249,640
Total net position	$ 15,323,783	$ 2,193,283	$ 17,517,066
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	$ 23,337,493	$ 4,437,076	$ 27,774,569

See accompanying Notes to the Financial Statements

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

	Business-Type Activities - Enterprise Funds		
	Water Utility	**Sewer Utility**	**Totals**
OPERATING REVENUES			
Charges for services	$ 1,608,323	$ 763,776	$ 2,372,099
Miscellaneous revenues	17,438	5,104	22,542
Total operating revenues	$ 1,625,761	$ 768,880	$ 2,394,641
OPERATING EXPENSES			
Personal services	$ 597,021	$ 293,647	$ 890,668
Supplies	194,818	99,898	294,716
Purchased services	137,404	173,455	310,859
Building materials	4,362	-	4,362
Fixed charges	46,799	47,550	94,349
Depreciation	615,848	146,403	762,251
Total operating expenses	$ 1,596,252	$ 760,953	$ 2,357,205
Operating income (loss)	$ 29,509	$ 7,927	$ 37,436
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	$ 14,690	$ 458,643	$ 473,333
Interest revenue	21,791	5,336	27,127
Debt service interest expense	(191,261)	(46,126)	(237,387)
Total non-operating revenues (expenses)	$ (154,780)	$ 417,853	$ 263,073
Income (loss) before contributions and transfers	$ (125,271)	$ 425,780	$ 300,509
Capital contributions	-	152,282	152,282
Transfers in	30,450	29,319	59,769
Change in net position	$ (94,821)	$ 607,381	$ 512,560
Net Position - Beginning of the year	$ 15,418,604	$ 1,585,902	$ 17,004,506
Net Position - End of the year	$ 15,323,783	$ 2,193,283	$ 17,517,066

See accompanying Notes to the Financial Statements

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

	Business - Type Activities		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from providing services	$ 1,594,095	$ 760,483	$ 2,354,578
Cash received from miscellaneous sources	17,438	5,104	22,542
Cash payments to suppliers	(245,979)	(149,097)	(395,076)
Cash payments for professional services	(137,404)	(173,455)	(310,859)
Cash payments to employees	(551,931)	(274,329)	(826,260)
Net cash provided (used) by operating activities	$ 676,219	$ 168,706	$ 844,925
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	$ (206,151)	$ (353,227)	$ (559,378)
Cash received from intergovernmental grants	-	361,324	361,324
Principal paid on debt	(252,926)	(49,394)	(302,320)
Interest paid on debt	(191,261)	(46,126)	(237,387)
Net cash provided (used) by capital and related financing activities	$ (650,338)	$ (87,423)	$ (737,761)
Cash flows from non-capital financing activities:			
Transfer in from governmental funds	$ 30,450	$ 29,319	$ 59,769
Net cash provided (used) from non-capital financing activities	$ 30,450	$ 29,319	$ 59,769
Cash flows from investing activities:			
Interest on investments	$ 21,791	$ 5,336	$ 27,127
Net cash provided (used) by investing activities	$ 21,791	$ 5,336	$ 27,127
Net increase (decrease) in cash and cash equivalents	$ 78,122	$ 115,938	$ 194,060
Cash and cash equivalents at beginning	2,866,229	513,663	3,379,892
Cash and cash equivalents at end	$ 2,944,351	$ 629,601	$ 3,573,952
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 29,509	$ 7,927	$ 37,436
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	615,848	146,403	762,251
Other post-employment benefits expense	1,469	734	2,203
Pension expense	31,136	16,242	47,378
Changes in assets and liabilities:			
Accounts receivable	(2,690)	(3,080)	(5,770)
Revenues collected in advance	(1,291)	(213)	(1,504)
Deposit payable	(10,247)	-	(10,247)
Accounts payable	-	(1,649)	(1,649)
Accrued payroll	(95)	(795)	(890)
Compensated absence liabilities	12,580	3,137	15,717
Net cash provided (used) by operating activities	$ 676,219	$ 168,706	$ 844,925
Noncash investing and financing activities:			
On behalf public employees retirement system payments	$ 14,690	$ 7,557	$ 22,247

See accompanying notes to the financial statements

City of Libby, Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds
ASSETS	
Cash and short-term investments	$ 3,373
Taxes receivable	4,365
Total assets	$ 7,738
LIABILITIES	
Due to others	$ 7,738
Total liabilities	$ 7,738
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	$ 7,738

See accompanying Notes to the Financial Statements

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

		Custodial Funds
ADDITIONS		
Taxes, licenses, and fees collected for other govenments	$	53,242
Miscellaneous		3,454
Total additions	$	56,696
DEDUCTIONS		
Taxes, licenses, and fees distributed to other govenments	$	63,369
Change in net position	$	(6,673)
Net Position - Beginning of the year	$	6,673
Net Position - End of the year	$	-

See accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

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

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus,* and includes all component unit's of which the City appointed a voting majority of the component unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City.

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting

<u>Government-wide Financial Statements:</u>

Basis of Presentation
The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the City except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

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

Measurement Focus and Basis of Accounting

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

Fund Financial Statements

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

a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual
All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

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

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

Major Funds:
The City reports the following major governmental funds:

> *General Fund* – This is the City's primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.
>
> *Community Development Fund* – A special revenue fund that is used to account for the lending and repayment of monies loaned to businesses and individuals for projects approved by the City's Community Development department.
>
> *ARPA Fund* – A special revenue fund that is used to account for the revenues received under the American Rescue Plan Act and the expenditure of those funds.

***Proprietary Funds*:**
All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:
The City reports the following major proprietary funds:

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

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

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

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the City in a custodial capacity. This fund primarily consist reporting of resources held by the City as an agent for individuals, private organizations, other local governmental entities.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition
Composition of cash, deposits and investments at fair value on June 30, 2023, are as follows:

	Primary Government
Cash on hand and deposits:	
Cash on hand	
Petty Cash	$ 418
Cash in banks:	
Demand deposits	46,856
Savings deposits	7,546,005
Credit Union deposits	107,881
Total	$ 7,701,160

Cash equivalents
Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The City's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and credit union deposits, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the City's cash management pool to be cash equivalents.

Credit Risk

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

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

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

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

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

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

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

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

The government has no investments that require credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

Depository Account		June 30, 2023 Balance
Insured	$	404,737
- Collateral held by the pledging bank's trust department but not in the City's name		7,215,795
- Uninsured and Uncollateralized deposits		74,971
Total deposits and investments	$	7,695,503

Deposit Security

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

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

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

The amount of collateral held for City deposits at June 30, 2023, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

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

Fund	Description	Amount
Water	Water deposits	$ 33,600
Water	Current Reserve 2013C DNRC Dam Bond	26,742
Water	Future Reserve 2013C DNRC Dam Bond	53,484
Water	Current Reserve 2013 A&B USDA Dam Bond	19,824
Water	Future Reserve 2013 A&B USDA Dam Bond	129,408
Water	Future Reserve 2014 USDA Bond	89,820
Water	Current Reserve 2013 A&B DNRC Bond	72,975
Water	Future Reserve 2013 A&B DNRC Bond	277,775
Water	Replacement Reserve	608,793
Sewer	Future Reserves 2010 USDA Bond	66,384
Sewer	Replacement Reserve	244,338
Sewer	Future Revenue 2011 USDA Bond	29,136
Total		$1,652,279

NOTE 4. RECEIVABLES

Tax Receivables

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

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

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

Note and Loan Receivables

The City reported the following note receivables net of estimated uncollectible amounts:

Fund Name	Amount
Libby VFW	$ 61,015

NOTE 5. INVENTORIES AND PREPAIDS

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

NOTE 6. CAPITAL ASSETS

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at $5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20 – 50 years
Improvements	10 – 50 years
Machinery & Equipment	3 – 20 years
Source of Supply	50 years
Treatment Plant	5 – 50 years
Transmission & Distribution	5 – 50 years
Infrastructure	50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2023 Basic Financial Statements.

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

Governmental activities:	Balance July 1, 2022	Additions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:				
Land	$ 765,789	$ 152,282	$ (152,282)	$ 765,789
Total capital assets not being depreciated	$ 765,789	$ 152,282	$ (152,282)	$ 765,789
Other capital assets:				
Buildings	$ 3,014,270	$ -	$ -	$ 3,014,270
Improvements other than buildings	664,542	-	-	664,542
Machinery and equipment	2,768,560	18,641	-	2,787,201
Infrastructure	2,852,704	73,369	-	2,926,073
Total other capital assets at historical cost	$ 9,300,076	$ 92,010	$ -	$ 9,392,086
Less: accumulated depreciation	(5,232,712)	(329,521)	-	(5,562,233)
Total	$ 4,833,153	$ (85,229)	$ (152,282)	$ 4,595,642

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	$ 54,126
Public safety	59,773
Public works	181,782
Culture and recreation	8,216
Housing and community development	17,732
Conservation of natural resources	7,892
Total governmental activities depreciation expense	$329,521

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

Business-type activities:

	Balance July 1, 2022	Additions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:				
Land	$ 59,929	$ -	$ -	$ 59,929
Construction in progress	14,889	651,041	152,282	818,212
Total capital assets not being depreciated	$ 74,818	$ 651,041	$ 152,282	$ 878,141
Other capital assets:				
Buildings	$ 75,342	$ -	$ -	$ 75,342
Improvements other than buildings	56,018	-	-	56,018
Machinery and equipment	799,550	70,570	-	870,120
Infrastructure	10,616,351	-	-	10,616,351
Source of Supply	6,505,137	-	-	6,505,137
Treatment Plant	10,487,750	-	-	10,487,750
Transmission and Distribution	9,334,734	-	-	9,334,734
Total other capital assets at historical cost	$ 37,874,882	$ 70,570	$ -	$ 37,945,452
Less: accumulated depreciation	(14,252,078)	(762,251)		(15,014,329)
Total	$ 23,697,622	$ (40,640)	$ 152,282	$ 23,809,264

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

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

Governmental Activities:

	Balance July 1, 2022	Deletions	Balance June 30, 2023	Due Within One Year
Compensated absences	$ 76,418	$ (24,688)	$ 51,730	$ 40,997
Total	$ 76,418	$ (24,688)	$ 51,730	$ 40,997

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

Business-type Activities:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Revenue bonds	$ 9,323,626	$ -	$ (297,044)	$ 9,026,582	$ 305,501
Loans/Contracted debt	92,586	-	(5,276)	87,310	-
Compensated absences	81,701	16,717	-	98,418	75,031
Total	$ 9,497,913	$ 16,717	$ (302,320)	$ 9,212,310	$ 380,532

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

Purpose	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2023
USDA - DAM	2.63%	40yrs	11/2055	$3,200,000	$129,408	$ 2,815,650
USDA - DAM	2.63%	40yrs	11/2055	490,000	19,824	431,075
DNRC - Coal Severance Tax Loan Program Series 2013C Revenue Bonds	3.00%	20yrs	11/2033	800,000	53,484	478,681
USDA Rural Development Series 2014 Revenue Bonds	2.50%	40yrs	07/2054	2,268,000	89,820	1,931,671
DNRC - Coal Severance Tax Loan Program Series 2013A Revenue Bonds	3.00%	20yrs	05/2033	253,177	16,926	145,297
DNRC Drinking Water State Revolving Loan Program, Series 2013B Revenue Refunding Bonds	2.50%	22yrs	07/2035	2,189,579	130,000	1,388,000
USDA Rural Development Series 2011 Revenue Bonds	3.00%	40yrs	09/2051	678,000	29,136	554,271
USDA Rural Development Series 2010 Revenue Bonds	2.25%	40yrs	10/2048	1,745,000	66,384	1,281,937
				$11,623,756	$297,044	$ 9,026,582

Reported in business-type activities.

Revenue bond resolutions included various restricted covenants. The most significant covenants are detailed below:

1) The compliance requirements of the 2013C DNRC Dam Water Bond include current loan reserves equal to the next bond payment equal to $26,742, and future loan reserves equal maximum annual payment of $53,484 as this is the lessor of reserve options of a) 10% of outstanding balance, b) maximum annual payment or c) 125% of average annual debt service. These accounts are reported as restricted cash in the Water Fund by the City as detailed at Note 3. These requirements were met in fiscal years ending June 30, 2023.

2) The compliance requirements of the 2013A & B USDA Dam Water Bond include current reserves equal to the amount of the monthly installments of principal and interest of $72,975. For the future loan reserves the City is required to deposit $1,194 a month for ten years that equaled $277,775 in 2023. Lastly, the City is required to create an asset replacement reserve and deposit $6,897 a month over the life of the loan. The asset replacement requirements equaled $608,793 in 2023. These accounts are reported as restricted cash in the Water Fund by the City as detailed at Note 3. These requirements were met in fiscal years ending June 30, 2023.

3) The compliance requirements of the 2014 USDA Water Bond include current reserves equal to the amount of the monthly installments of principal and interest of $7,485. For the future loan reserves the City is required to deposit $749 a month for ten years that equaled $53,484 in 2023. Lastly, the City is required to create an asset replacement reserve and deposit $6,897 a month over the life of the loan. The asset replacement requirements equaled $608,793 in 2023. These accounts are reported as restricted cash in the Water Fund by the City as detailed at Note 3. These requirements were met in fiscal years ending June 30, 2023.

4) The compliance requirements of the 2013A & B DNRC Water Bond include current loan reserves equal to the next bond payment equal to $72,975. For the future loan reserves the City is required deposit monthly amounts of $12,224 for ten years and maintain general reserves $130,425 for total requirement of $261,326. These accounts are reported as restricted cash in the Water Fund by the City as detailed at Note 3. These requirements were met in fiscal years ending June 30, 2023.

5) The compliance requirements of the 2010 USDA Sewer Bond include current reserves equal to the amount of the monthly installments of principal and interest of $5,532. For the future loan reserves are to equal maximum annual payment of $66,384 as this is the lessor of reserve options of a) 10% of outstanding balance, b) maximum annual payment or c) 125% of average annual debt service. Lastly, the City is required to create an asset replacement reserve and deposit $1,666 a month until the balance equals $244,338. The asset replacement requirements equaled $244,338 in 2023. These accounts are reported as restricted cash in the Sewer Fund by the City as detailed at Note 3. These requirements were met in fiscal years ending June 30, 2023.

6) The compliance requirements of the 2011 USDA Sewer Bond include current reserves equal to the amount of the monthly installments of principal and interest of $2,428. For the future loan reserves are to equal maximum annual payment of $29,136 as this is the lessor of reserve options of a) 10% of outstanding balance, b) maximum annual payment or c) 125% of average annual debt service. The City is also required to maintain an emergency reserve of $29,136. Lastly, the City is required to create an asset replacement reserve and deposit $1,629 a month until the balance equals $244,338. The asset replacement requirements equaled $244,338 in 2023, these requirements were met in fiscal year 2023. These accounts are reported as restricted cash in the Sewer Fund by the City as detailed at Note 3. These requirements were met in the fiscal year ending June 30, 2023.

7) The City is to maintain net revenues of at least equal to 110% the maximum annual principal and interest payments due in any fiscal year in both the Water and Sewer Funds. The calculated requirement for net revenues is $355,007 in the Water Fund, and $100,194 in the Sewer Fund. The City exceeded the requirement for the Water Fund and Sewer Fund and is in compliance as of June 30, 2023.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2024	$ 305,501	$ 229,580
2025	313,109	221,561
2026	321,866	213,340
2027	329,780	204,890
2028	338,853	196,216
2029	348,090	187,316
2030	356,496	178,173
2031	366,077	168,792
2032	375,833	159,174
2033	385,775	149,281
2034	352,111	139,267
2035	333,963	130,572
2036	277,298	122,074
2037	218,774	115,798
2038	224,390	110,182
2039	230,150	104,422
2040	236,059	98,513
2041	242,120	92,452
2042	248,340	86,232
2043	254,718	79,854
2044	261,263	73,309
2045	267,976	66,596
2046	274,862	59,710
2047	281,928	52,644
2048	289,177	45,395
2049	253,774	38,230
2050	236,194	31,994
2051	242,473	25,715
2052	226,024	19,508
2053	225,300	13,752
2054	221,243	7,882
2055	146,096	3,136
2056	40,969	188
Total	$ 9,026,582	$ 3,425,748

Loans/Contracted Debt

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

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2023
Flathead Electric - loan						
PRV Hydro Turbine***	6/1/17	3.50%	20yrs	6/1/37	$ 122,125	$ 87,310

Reported in business-type activities.

***During fiscal year 2017, the City entered into an agreement with Flathead Electric Cooperative. The Cooperative gave the City ownership of a PRF Hydro Turbine to produce energy for the City. The City reported the value of the turbine as a long-term liability. This liability is reduced each year by the value of the power produced by the turbine that is given back to the Cooperative until the liability is reduced to zero. Once the liability is eliminated, the City can use the power as they see fit to run City operations.

There is no amortization schedule included for this liability as this is not a typical loan arrangement where principal and interest payments are made for a set amount each month, and the value of the power produced by the turbine will vary from one year to the next.

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the City. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

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

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	23
Total employees	23

Total OPEB Liability

The City's total OPEB liability of $35,162 at June 30, 2023, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of the prior year evaluation.

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

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

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

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

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

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

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

Changes in the Total OPEB Liability

Balance at 6/30/2022	$	31,490
Changes for the year:		
Service Cost	$	3,672
Net Changes	$	3,672
Balance at 6/30/2023	$	35,162

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability	$ 35,567	$ 31,490	$ 28,047

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	$ 27,186	$ 31,490	$ 36,670

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

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

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

For the year ended June 30, 2023, the City recognized an OPEB expense of $3,672. The City does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since City records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. NET PENSION LIABILITY

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

City's/Town's Proportionate Share Associated With:

		PERS		MPORS		Pension Totals
Net Pension Liability	$	967,245	$	323,802	$	1,291,047
Deferred outflows of resources*	$	196,231	$	80,043	$	276,274
Deferred inflows of resources	$	70,811	$	11,385	$	82,196
Pension expense	$	154,448	$	165,607	$	320,055

*Deferred outflows for PERS, and MPORS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of $74,781 and $29,131, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2023.

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

<u>Public Employee's Retirement System – Defined Benefit Retirement Plan</u>

Summary of Significant Accounting Policies

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

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

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

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

Summary of Benefits

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

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

Second Retirement (requires returning to PERS-covered employer or PERS service):
1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

    a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).

b. No service credit for second employment;
c. Start the same benefit amount the month following termination; and
d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
a. The same retirement as prior to the return to service;
b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula
Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

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

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

Contributions

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

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

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

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

Fiscal	Member		Local Government	
Year	Hired<07/01/11	Hired>07/01/11	Employer	State
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

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

2. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
      iii. The State contributed a statutory appropriation from its General Fund of $34,633,570.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2023, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of $967,245 and the City's proportionate share was 0.040677 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	$ 967,245	$ 638,496	0.040677%	0.035213%	0.005464%
State of Montana Proportionate Share associated with Employer	289,238	188,607	0.012164%	0.010402%	0.001762%
Total	$ 1,256,483	$ 827,103	0.052841%	0.045615%	0.007226%

Changes in actuarial assumptions and methods:

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the City recognized a Pension Expense of $124,468 for its proportionate share of the pension expense. The City also recognized grant revenue of $29,980 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	$ 124,468	$ (8,936)
State of Montana Proportionate Share associated with the Employer	29,980	51,654
Total	$ 154,448	$ 42,718

Recognition of Beginning Deferred Outflow

At June 30, 2023, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2022 contributions of $73,170.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,330	$ -
Actual vs. Expected Investment Earnings	28,427	-
Changes in Assumptions	36,045	70,811
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	53,946	-
Employer contributions sunsequent to the measurement date - FY23*	74,781	-
Total	$ 205,529	$ 70,811

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	$	23,133
2024	$	2,742
2025	$	(30,660)
2026	$	64,722
Thereafter	$	-

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

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
  *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Target Allocations

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

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

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
$ 1,394,329	$ 967,245	$ 608,927

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

PERS Disclosure for the defined contribution plan

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

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

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

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled $1,681,603.

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

Municipal Police Officers' Retirement System

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

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

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

Applies to members re-employed in a MPORS position after July 1, 2017:
- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
    - Is not awarded service credit for the period of reemployment;
    - Is refunded the accumulated contributions associated with the period of reemployment;
    - Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
    - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
    - Is awarded service credit for the period of reemployment;
    - Starting the first month following termination of service, receives:
    - The same retirement benefit previously paid to the member, and
    - A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
    - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - On the initial retirement benefit in January immediately following second retirement, and
    - On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Member's Final Average Compensation (FAC)

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

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

Contributions

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

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

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2023, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the City's and the state of Montana NPLS for June 30, 2023, and 2022, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of $323,802 and the City's proportionate share was 0.1371 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	$ 323,802	$ 251,823	0.1371%	0.1385%	-0.0014%
State of Montana Proportionate Share associated with Employer	658,114	511,846	0.2786%	0.2816%	-0.0030%
Total	$ 981,916	$ 763,669	0.4157%	0.4201%	-0.0044%

Changes in actuarial assumptions and methods:

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the City recognized a Pension Expense of $52,774 for its proportionate share of the pension expense. The City also recognized grant revenue of $112,833 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	$ 52,774	$ 37,437
State of Montana Proportionate Share associated with the Employer	112,833	75,850
Total	$ 165,607	$ 113,287

Recognition of Beginning Deferred Outflow

At June 30, 2023, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2022 contributions of $36,854.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,440	$ 1,697
Actual vs. Expected Investment Earnings	11,794	
Changes in Assumptions	28,575	6,215
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	3,473
Employer contributions sunsequent to the measurement date - FY23*	29,131	-
Total	$ 70,940	$ 11,385

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	$	17,271
2024	$	4,701
2025	$	(9,072)
2026	$	17,525
Thereafter	$	-

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

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

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

Target Allocations

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

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

Discount Rate

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

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
$ 487,924	$ 323,802	$ 193,456

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

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

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Advances to/from other funds

Purpose	Receivable Fund	Payable Fund	Amount
Mineral Ave Project	Community Development – Nonmajor Governmental	Mineral Ave SID – Nonmajor Governmental	$ 10,876

Interfund Transfers

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

Purpose	Receivable Fund	Payable Fund	Amount
Future Capital Assets	City Building CIP – Nonmajor Governmental	General – Major Governmental	$ 30,000
Future Capital Assets	Police Building CIP – Nonmajor Governmental	General – Major Governmental	27,000
Future Capital Assets	Fire Building CIP – Nonmajor Governmental	General – Major Governmental	40,000
Future Capital Assets	Streets CIP Fund – Nonmajor Governmental	General – Major Governmental	3,000
Operating	Building Code – Nonmajor Governmental	General – Major Governmental	1,000
Summer Water Allowance for Town water/sewer users	Water CIP – Nonmajor Governmental	IP Settlement – Nonmajor Governmental	30,450
Summer Sewer Allowance for Town water/sewer users	Sewer CIP – Nonmajor Governmental	IP Settlement – Nonmajor Governmental	29,319
			$ 160,769

NOTE 9. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The City categorizes fund balance of the governmental funds into the following categories:

Non-spendable – Includes resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principle portion of permanent funds.

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of council. This is the government's highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

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

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The City considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance

Major Fund	Amount	Reason Nonspendable
Community Development	$ 10,876	Advance to Other Fund

Restricted Fund Balance

Major Fund	Amount	Purpose of Restriction
Community Development	$ 1,494,200	Housing and Community Development
ARPA	675	Constructions and/or capital asset purchases
All Other Aggregate	1,000	General Government administration and services
	275,062	Road Repair, maintenance and supplies
	144,875	Lighting maintenance and operations
	$ 1,915,812	

Committed Fund Balance

Major Fund	Amount	Purpose of Commitment
All Other Aggregate	$ 175,983	Constructions and/or capital asset purchases
	559,528	Water distribution projects, summer water and sewer usage, and/or other projects approved by Town Council
	$ 735,511	

NOTE 10. DEFICIT FUND BALANCES/NET POSITION

Fund Name	Amount	Reason for Deficit	How Deficit will be Eliminated
Mineral Ave SID Project	$ 5,800	Advances payable	Increases in cash with collections of taxes assessments and payoff advance.

NOTE 11. SERVICES PROVIDED FROM OTHER GOVERNMENTS

County Provided Services

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

NOTE 12. RISK MANAGEMENT

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

Insurance Pools:

The City participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

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

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

NOTE 13. SUBSEQUENT EVENTS

The ARPA and Water Funds spent $1,448,460 on construction projects to upgrade the Cabin Heights water main subsequent to June 30, 2023.

NOTE 14. PENDING LITIGATION

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. The City Attorney's evaluation as to the outcome of each case is also noted. The City has liability insurance which may cover all or part of the damages requested.

Case	Damages Requested	Potential of Loss
Former City Employee v. The City of Libby for Permanent Partial and Permanent Total Disability	1,250,000	Unknown

REQUIRED SUPPLEMENTARY INFORMATION

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

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	$ 494,483	$ 494,483	$ 512,211	$ 17,728
Licenses and permits	78,130	78,130	70,991	(7,139)
Intergovernmental	691,413	691,413	711,306	19,893
Charges for services	47,200	47,200	35,276	(11,924)
Fines and forfeitures	47,460	47,460	37,484	(9,976)
Miscellaneous	97,433	97,433	109,419	11,986
Investment earnings	4,000	4,000	6,995	2,995
Amounts available for appropriation	$ 1,460,119	$ 1,460,119	$ 1,483,682	$ 23,563
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	$ 334,188	$ 334,188	$ 289,693	$ 44,495
Public safety	654,648	654,648	705,406	(50,758)
Public works	293,396	293,396	209,105	84,291
Public health	12,000	12,000	12,000	-
Culture and recreation	63,982	63,982	54,049	9,933
Debt service - principal	15,100	15,100	-	15,100
Debt service - interest	5,600	5,600	-	5,600
Miscellaneous	51,000	51,000	47,034	3,966
Capital outlay	30,205	30,205	22,451	7,754
Total charges to appropriations	$ 1,460,119	$ 1,460,119	$ 1,339,738	$ 120,381
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (101,000)	$ (101,000)
Total other financing sources (uses)	$ -	$ -	$ (101,000)	$ (101,000)
Net change in fund balance			$ 42,944	
Fund balance - beginning of the year			$ 645,884	
Fund balance - end of the year			$ 688,828	

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

	Community Development			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Intergovernmental	$ -	$ -	$ 10,000	$ 10,000
Miscellaneous	-	-	15,300	15,300
Investment earnings	2,546	2,546	14,267	11,721
Amounts available for appropriation	$ 2,546	$ 2,546	$ 39,567	$ 37,021
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	$ 629,349	$ 629,349	$ 551,419	$ 77,930
Total charges to appropriations	$ 629,349	$ 629,349	$ 551,419	$ 77,930
Net change in fund balance			$ (511,852)	
Fund balance - beginning of the year			$ 2,016,928	
Fund balance - end of the year			$ 1,505,076	

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

	ARPA			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Intergovernmental	$ 573,492	$ 573,492	$ 152,957	$ (420,535)
Amounts available for appropriation	$ 573,492	$ 573,492	$ 152,957	$ (420,535)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	$ 1,210,721	$ 1,210,721	$ 152,282	$ 1,058,439
Total charges to appropriations	$ 1,210,721	$ 1,210,721	$ 152,282	$ 1,058,439
Net change in fund balance			$ 675	
Fund balance - beginning of the year			$ -	
Fund balance - end of the year			$ 675	

City of Libby, Lincoln County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Community Development	ARPA
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 1,483,682	$ 39,567	$ 152,957
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 1,483,682	$ 39,567	$ 152,957
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,339,738	$ 551,419	$ 152,282
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,339,738	$ 551,419	$ 152,282

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service Cost	$ 3,672	$ 3,672	$ 3,663	$ 3,663	$ 3,134	$ 3,134	$ -
Change in assumptions and inputs	-	(17,550)	-	9,935	-	-	-
Net change in total OPEB liability	3,672	(13,878)	3,663	13,598	3,134	3,134	-
Total OPEB Liability - beginning	31,490	45,368	41,705	28,107	24,973	26,049	26,049
Restatement	-	-	-	-	-	(4,209)	-
Total OPEB Liability - ending	$ 35,162	$ 31,490	$ 45,368	$ 41,705	$ 28,107	$ 24,974	$ 26,049
Covered-employee payroll	$ 1,385,031	$ 1,385,031	$ 1,019,481	$ 1,019,481	$ 1,450,973	$ 1,450,973	$ 887,848
Total OPEB liability as a percentage of covered -employee payroll	3%	2%	4%	4%	2%	2%	3%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

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

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.040677%	0.035213%	0.039042%	0.037271%	0.035706%	0.050445%	0.050254%	0.051975%	0.060142%
Employer's proportionate share of the net pension liability associated with the Employer	$ 967,245	$ 638,498	$ 1,030,016	$ 779,090	$ 745,237	$ 982,490	$ 856,005	$ 726,546	$ 749,375
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 289,238	$ 188,607	$ 325,001	$ 254,438	$ 250,522	$ 14,207	$ 10,459	$ 8,924	$ 9,151
Total	$ 1,256,483	$ 827,105	$ 1,355,017	$ 1,033,528	$ 995,759	$ 996,697	$ 866,464	$ 735,470	$ 758,526
Employer's covered payroll	$ 714,846	$ 621,999	$ 655,064	$ 614,977	$ 590,755	$ 625,788	$ 601,959	$ 606,560	$ 687,703
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.31%	102.65%	157.24%	126.69%	126.15%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	MPORS 2023	MPORS 2022	MPORS 2021	MPORS 2020	MPORS 2019	MPORS 2018	MPORS 2017	MPORS 2016	MPORS 2015
Employer's proportion of the net pension liability	0.1371%	0.1385%	0.1410%	0.1390%	0.1432%	0.1483%	0.1533%	0.1568%	0.1629%
Employer's proportionate share of the net pension liability associated with the Employer	$ 323,802	$ 251,823	$ 344,747	$ 276,593	$ 245,308	$ 263,921	$ 276,000	$ 259,335	$ 255,911
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 658,114	$ 511,846	$ 695,323	$ 563,241	$ 501,456	$ 537,911	$ 547,872	$ 525,438	$ 516,970
Total	$ 981,916	$ 763,669	$ 1,040,070	$ 839,834	$ 746,764	$ 801,832	$ 823,872	$ 784,773	$ 772,881
Employer's covered payroll	$ 255,717	$ 250,708	$ 241,453	$ 229,023	$ 226,092	$ 221,991	$ 216,440	$ 216,977	$ 218,515
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.62%	100.44%	142.78%	120.77%	108.50%	118.89%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	69.67%	75.76%	64.84%	68.84%	70.95%	68.34%	65.62%	66.90%	67.01%

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

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

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	$ 65,483	$ 63,576	$ 55,121	$ 57,392	$ 52,892	$ 49,736	$ 52,379	$ 50,315	$ 49,983
Contributions in relation to the contractually required contributions	$ 65,483	$ 63,576	$ 55,121	$ 57,392	$ 52,892	$ 49,736	$ 52,379	$ 53,195	$ 54,627
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 730,022	$ 714,846	$ 621,999	$ 655,064	$ 614,977	$ 590,755	$ 625,788	$ 601,959	$ 606,560
Contributions as a percentage of covered payroll	8.97%	8.89%	8.86%	8.76%	8.60%	8.42%	8.37%	8.84%	9.01%

	MPORS 2023	MPORS 2022	MPORS 2021	MPORS 2020	MPORS 2019	MPORS 2018	MPORS 2017	MPORS 2016	MPORS 2015
Contractually required contributions	$ 38,234	$ 37,120	$ 36,127	$ 35,178	$ 33,133	$ 33,816	$ 31,966	$ 31,706	$ 31,453
Contributions in relation to the contractually required contributions	$ 38,234	$ 37,120	$ 36,127	$ 35,178	$ 33,133	$ 33,816	$ 31,966	$ 31,706	$ 31,453
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 265,330	$ 255,717	$ 250,708	$ 241,453	$ 229,023	$ 226,092	$ 221,991	$ 216,440	$ 216,977
Contributions as a percentage of covered payroll	14.41%	14.52%	14.39%	14.57%	14.47%	14.96%	14.40%	14.65%	14.50%

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

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013
- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013
- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each tear PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

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

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

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

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

2017 Legislative Changes

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

Refunds

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

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

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

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2013 Legislative Changes

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

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

2015 Legislative Changes

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

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

2017 Legislative Changes

Working Retiree Limitations – for MPORS
Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

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

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

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

present value of the member's benefit.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

City of Libby, Lincoln County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2023

The following change to the actuarial assumptions was adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.60%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.18%

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

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

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

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

City of Libby
Lincoln County
Libby, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Libby, Lincoln County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Libby's basic financial statements and have issued our report thereon dated June 13, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Libby, Lincoln County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Libby, Lincoln County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Libby's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 13, 2024

Denning, Downey & Associates, P.C.
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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

City of Libby
Lincoln County
Libby, Montana

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

Recommendation	Action Taken
2022-001 Misclassified Capital Outlay	Implemented
2022-002 Revenue Bond Requirements in the Sewer Fund	Implemented

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

June 13, 2024