

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
Fiscal Year Ended June 30, 2024

**AUDIT REPORT**

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

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

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CITY OF LIBBY

LINCOLN COUNTY, MONTANA

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CITY OF LIBBY  
LINCOLN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2024

**CITY COUNCIL**

Peggy Williams  
Gail Burger  
Melissa Berke  
Kristin Smith  
Hugh Taylor  
Brian Zimmerman

Mayor  
Council  
Council  
Council  
Council  
Council

**CITY OFFICIALS**

Samuel Sikes  
Dean D. Chisholm  
Scott Kessel  
Leann Monigold  
Jay Scheffield  
Jody Martin & Charlotte Luedecke

City Administrator  
City Attorney  
Chief of Police  
Clerk/Treasurer  
City Judge  
Deputy Clerks

**City of Libby  
Lincoln County, Montana  
Management's Discussion and Analysis  
June 30, 2024**

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, 2024. 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 \$26,517,744.
- The government's total net position increased by \$1,485,103.
- At the close of the current fiscal year, the City of Libby's governmental funds reported combined ending fund balances of \$4,150,123 an increase of \$805,571 compared with the prior year decrease of \$397,188. At the end of the current fiscal year, fund balance for the General Fund was \$687,531.
- The City's total debt decreased by \$397,449 during the current fiscal year. This was due to incurring no new loans while continuing to make payments on existing loans.

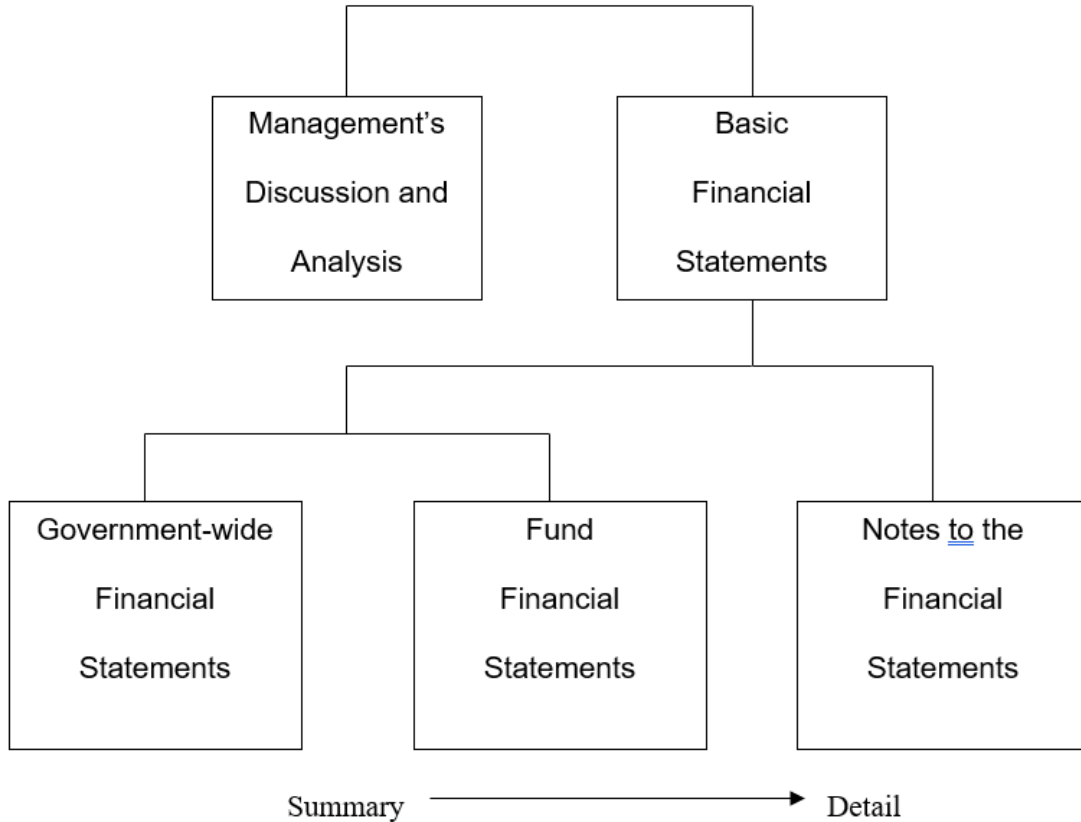
**Overview of the Financial Statements**

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.

**City of Libby  
Lincoln County, Montana  
Management's Discussion and Analysis  
June 30, 2024**

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements 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.

**City of Libby**  
**Lincoln County, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**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.

**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.

**City of Libby**  
**Lincoln County, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**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.

**Table 1 - Net Position**

|                                  | Governmental<br>Activities |              |                             | Business-type<br>Activities |               |                             |
|----------------------------------|----------------------------|--------------|-----------------------------|-----------------------------|---------------|-----------------------------|
|                                  | <u>FY24</u>                | <u>FY23</u>  | <u>Change<br/>Inc (Dec)</u> | <u>FY24</u>                 | <u>FY23</u>   | <u>Change<br/>Inc (Dec)</u> |
| Current and other assets         | \$ 4,641,404               | \$ 4,599,410 | \$ 41,994                   | \$ 3,525,819                | \$ 3,965,305  | \$ (439,486)                |
| Capital assets                   | 4,413,416                  | 4,595,642    | (182,226)                   | 24,622,363                  | 23,809,264    | 813,099                     |
| Total assets                     | \$ 9,054,820               | \$ 9,195,052 | \$ (140,232)                | \$ 28,148,182               | \$ 27,774,569 | \$ 373,613                  |
| Long-term debt outstanding       | \$ 530,094                 | \$ 624,997   | \$ (94,903)                 | \$ 9,626,545                | \$ 9,929,091  | \$ (302,546)                |
| Other liabilities                | 386,079                    | 1,053,805    | (667,726)                   | 142,540                     | 328,412       | (185,872)                   |
| Total liabilities                | \$ 916,173                 | \$ 1,678,802 | \$ (762,629)                | \$ 9,769,085                | \$ 10,257,503 | \$ (488,418)                |
| Net investment in capital assets | \$ 4,413,416               | \$ 4,595,642 | \$ (182,226)                | \$ 15,815,683               | \$ 14,695,372 | \$ 1,120,311                |
| Restricted                       | 3,059,931                  | 2,504,530    | 555,401                     | 1,734,305                   | 1,572,054     | 162,251                     |
| Unrestricted (deficit)           | 665,300                    | 416,078      | 249,222                     | 829,109                     | 1,249,640     | (420,531)                   |
| Total net position               | \$ 8,138,647               | \$ 7,516,250 | \$ 622,397                  | \$ 18,379,097               | \$ 17,517,066 | \$ 862,031                  |



**City of Libby**  
**Lincoln County, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**Table 2 - Changes in Net Position**

|                                                           | Governmental<br>Activities |                     |                             | Business-type<br>Activities |                   |                             |
|-----------------------------------------------------------|----------------------------|---------------------|-----------------------------|-----------------------------|-------------------|-----------------------------|
|                                                           | <u>FY24</u>                | <u>FY23</u>         | <u>Change<br/>Inc (Dec)</u> | <u>FY24</u>                 | <u>FY23</u>       | <u>Change<br/>Inc (Dec)</u> |
| <b>Revenues</b>                                           |                            |                     |                             |                             |                   |                             |
| <i>Program revenues (by major source):</i>                |                            |                     |                             |                             |                   |                             |
| Charges for services                                      | \$ 396,454                 | \$ 373,462          | \$ 22,992                   | \$ 2,390,961                | \$ 2,372,099      | \$ 18,862                   |
| Operating grants and contributions                        | 703,378                    | 169,214             | 534,164                     | -                           | -                 | -                           |
| Capital grants and contributions                          | 848,438                    | 152,957             | 695,481                     | 90,128                      | 451,086           | (360,958)                   |
| <i>General revenues (by major source):</i>                |                            |                     |                             |                             |                   |                             |
| Property taxes for general purposes                       | 438,101                    | 427,038             | 11,063                      | -                           | -                 | -                           |
| Licenses and permits                                      | 77,618                     | 70,991              | 6,627                       | -                           | -                 | -                           |
| Video poker apportionment                                 | 20,875                     | 22,625              | (1,750)                     | -                           | -                 | -                           |
| Miscellaneous                                             | 41,250                     | 36,326              | 4,924                       | 9,401                       | 22,542            | (13,141)                    |
| Interest/investment earnings                              | 154,878                    | 31,499              | 123,379                     | 122,078                     | 27,127            | 94,951                      |
| Local option taxes                                        | 94,793                     | 91,865              | 2,928                       | -                           | -                 | -                           |
| State entitlement                                         | 638,845                    | 619,913             | 18,932                      | -                           | -                 | -                           |
| State Contributions for retirement                        | 86,532                     | -                   | 86,532                      | 18,627                      | -                 | 18,627                      |
| Contributions & donations                                 | -                          | 120,565             | (120,565)                   | -                           | 22,247            | (22,247)                    |
| Total revenues                                            | \$ 3,501,162               | \$ 2,116,455        | \$ 1,384,707                | \$ 2,631,195                | \$ 2,895,101      | \$ (263,906)                |
| <b>Program expenses</b>                                   |                            |                     |                             |                             |                   |                             |
| General government                                        | \$ 438,188                 | \$ 463,852          | \$ (25,664)                 | \$ -                        | \$ -              | \$ -                        |
| Public safety                                             | 762,319                    | 736,048             | 26,271                      | -                           | -                 | -                           |
| Public works                                              | 629,353                    | 668,026             | (38,673)                    | -                           | -                 | -                           |
| Public health                                             | 12,000                     | 12,000              | -                           | -                           | -                 | -                           |
| Culture and recreation                                    | 60,585                     | 62,265              | (1,680)                     | -                           | -                 | -                           |
| Housing and community development                         | 18,967                     | 588,059             | (569,092)                   | -                           | -                 | -                           |
| Conservation of natural resources                         | 7,892                      | 7,892               | -                           | -                           | -                 | -                           |
| Debt service - interest                                   | 359                        | 446                 | (87)                        | -                           | -                 | -                           |
| Miscellaneous                                             | 48,395                     | 47,034              | 1,361                       | -                           | -                 | -                           |
| Water Utility                                             | -                          | -                   | -                           | 1,854,787                   | 1,787,513         | 67,274                      |
| Sewer Utility                                             | -                          | -                   | -                           | 814,409                     | 807,079           | 7,330                       |
| Total expenses                                            | \$ 1,978,058               | \$ 2,585,622        | \$ (607,564)                | \$ 2,669,196                | \$ 2,594,592      | \$ 74,604                   |
| Excess (deficiency) before<br>special items and transfers | \$ 1,523,104               | \$ (469,167)        | \$ 1,992,271                | \$ (38,001)                 | \$ 300,509        | \$ (338,510)                |
| Transfers - net                                           | (900,032)                  | (212,051)           | (687,981)                   | 900,032                     | 212,051           | 687,981                     |
| <b>Increase (decrease) in net position</b>                | <b>\$ 623,072</b>          | <b>\$ (681,218)</b> | <b>\$ 1,304,290</b>         | <b>\$ 862,031</b>           | <b>\$ 512,560</b> | <b>\$ 349,471</b>           |

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 \$26,517,744 as of June 30, 2024. The City's net position increased by \$1,485,103 for the fiscal year ended June 30, 2024. 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, \$4,861,436 represents resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$3,059,931 represents restrictions for Governmental Activities. The remaining restricted net position of \$1,801,505 represents restrictions for Business-type Activities.

**Governmental activities:** Governmental activities increased the City's net position by \$622,397.

**City of Libby**  
**Lincoln County, Montana**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**Business-type activities:** Business-type activities increased the City of Libby's net position by \$862,031.

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 \$687,531. 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 67 percent of total General Fund total liabilities, deferred inflows of resources and fund balance.

As June 30, 2024, the governmental funds of the City of Libby reported a combined fund balance of \$4,150,123, an \$805,571 increase over last year.

Capital assets, less accumulated depreciation, in fiscal year 2023 were \$4,595,642 and in fiscal year 2024 they were \$ 4,413,416 for a decrease of \$182,226 or 4%.

**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 \$761,909.

**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, 2024, totals \$29,035,779 (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, 2024, the City of Libby had total debt outstanding of \$10,156,638. The debt of the City represents bonds secured solely by specified revenue sources (i.e., revenue bonds, special assessments) and other long-term liabilities.

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.

**City of Libby  
Lincoln County, Montana  
Management's Discussion and Analysis  
June 30, 2024**

**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*

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**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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for 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 2024, the City of Libby adopted new accounting guidance, GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, 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.

### **Supplementary Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report March 25, 2025, 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.*

March 25, 2025

**City of Libby, Lincoln County, Montana**  
**Statement of Net Position**  
**June 30, 2024**

|                                                                              | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|------------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b>ASSETS</b>                                                                |                                    |                                     |                      |
| Current assets:                                                              |                                    |                                     |                      |
| Cash and investments                                                         | \$ 4,377,061                       | \$ 1,499,156                        | \$ 5,876,217         |
| Taxes and assessments receivable, net                                        | 55,035                             | -                                   | 55,035               |
| Accounts receivable - net                                                    | -                                  | 164,485                             | 164,485              |
| Due from other governments                                                   | 8,676                              | 37,033                              | 45,709               |
| Total current assets                                                         | <u>\$ 4,440,772</u>                | <u>\$ 1,700,674</u>                 | <u>\$ 6,141,446</u>  |
| Noncurrent assets                                                            |                                    |                                     |                      |
| Restricted cash and investments                                              | \$ -                               | \$ 1,734,305                        | \$ 1,734,305         |
| Lease receivables                                                            | 67,926                             | -                                   | 67,926               |
| Note receivables, net                                                        | 62,236                             | -                                   | 62,236               |
| Capital assets - land                                                        | 765,789                            | 59,929                              | 825,718              |
| Capital assets - construction in progress                                    | -                                  | 2,285,663                           | 2,285,663            |
| Capital assets - depreciable, net                                            | 3,647,627                          | 22,276,771                          | 25,924,398           |
| Total noncurrent assets                                                      | <u>\$ 4,543,578</u>                | <u>\$ 26,356,668</u>                | <u>\$ 30,900,246</u> |
| Total assets                                                                 | <u>\$ 8,984,350</u>                | <u>\$ 28,057,342</u>                | <u>\$ 37,041,692</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                        |                                    |                                     |                      |
| Deferred outflows of resources - pensions                                    | \$ 70,470                          | \$ 90,840                           | \$ 161,310           |
| Total deferred outflows of resources                                         | <u>\$ 70,470</u>                   | <u>\$ 90,840</u>                    | <u>\$ 161,310</u>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b>                   | <u>\$ 9,054,820</u>                | <u>\$ 28,148,182</u>                | <u>\$ 37,203,002</u> |
| <b>LIABILITIES</b>                                                           |                                    |                                     |                      |
| Current liabilities                                                          |                                    |                                     |                      |
| Warrants payable                                                             | \$ 197,902                         | \$ -                                | \$ 197,902           |
| Accounts payable                                                             | 29,296                             | 49,114                              | 78,410               |
| Other payroll liabilities                                                    | 8,416                              | -                                   | 8,416                |
| Revenues collected in advance                                                | -                                  | 19,806                              | 19,806               |
| Current portion of long-term capital liabilities                             | -                                  | 313,109                             | 313,109              |
| Current portion of compensated absences payable                              | 69,016                             | 79,566                              | 148,582              |
| Total current liabilities                                                    | <u>\$ 304,630</u>                  | <u>\$ 461,595</u>                   | <u>\$ 766,225</u>    |
| Noncurrent liabilities                                                       |                                    |                                     |                      |
| Deposits payable                                                             | \$ -                               | \$ 33,600                           | \$ 33,600            |
| Noncurrent portion of OPEB                                                   | 10,461                             | 14,445                              | 24,906               |
| Noncurrent portion of long-term capital liabilities                          | -                                  | 8,493,571                           | 8,493,571            |
| Noncurrent portion of compensated absences                                   | 12,454                             | 23,293                              | 35,747               |
| Net pension liability                                                        | 448,624                            | 717,006                             | 1,165,630            |
| Total noncurrent liabilities                                                 | <u>\$ 471,539</u>                  | <u>\$ 9,281,915</u>                 | <u>\$ 9,753,454</u>  |
| Total liabilities                                                            | <u>\$ 776,169</u>                  | <u>\$ 9,743,510</u>                 | <u>\$ 10,519,679</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                         |                                    |                                     |                      |
| Deferred inflows of resources - pensions                                     | \$ 72,078                          | \$ 25,575                           | \$ 97,653            |
| Deferred inflows of resources - leases                                       | 67,926                             | -                                   | 67,926               |
| Total deferred inflows of resources                                          | <u>\$ 140,004</u>                  | <u>\$ 25,575</u>                    | <u>\$ 165,579</u>    |
| <b>NET POSITION</b>                                                          |                                    |                                     |                      |
| Net investment in capital assets                                             | \$ 4,413,416                       | \$ 15,815,683                       | \$ 20,229,099        |
| Restricted for capital projects                                              | -                                  | 1,054,124                           | 1,054,124            |
| Restricted for debt service                                                  | 5,065                              | 646,581                             | 651,646              |
| Restricted for special projects                                              | 3,054,866                          | -                                   | 3,054,866            |
| Restricted for other purposes                                                | -                                  | 33,600                              | 33,600               |
| Unrestricted                                                                 | 665,300                            | 829,109                             | 1,494,409            |
| Total net position                                                           | <u>\$ 8,138,647</u>                | <u>\$ 18,379,097</u>                | <u>\$ 26,517,744</u> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND NET POSITION</b> | <u>\$ 9,054,820</u>                | <u>\$ 28,148,182</u>                | <u>\$ 37,203,002</u> |

See accompanying Notes to the Financial Statements

**City of Libby, Lincoln County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2024**

| <u>Functions/Programs</u>                           | <u>Program Revenues</u> |                                 |                                                   |                                                 | <u>Net (Expenses) Revenues and<br/>Changes in Net Position</u> |                                          |                      |
|-----------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|------------------------------------------|----------------------|
|                                                     | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary Government</u>                                      |                                          | <u>Total</u>         |
|                                                     |                         |                                 |                                                   |                                                 | <u>Governmental<br/>Activities</u>                             | <u>Business-<br/>type<br/>Activities</u> |                      |
| <b>Primary government:</b>                          |                         |                                 |                                                   |                                                 |                                                                |                                          |                      |
| Governmental activities:                            |                         |                                 |                                                   |                                                 |                                                                |                                          |                      |
| General government                                  | \$ 438,188              | \$ 111,851                      | \$ 5,633                                          | \$ -                                            | \$ (320,704)                                                   | \$ -                                     | \$ (320,704)         |
| Public safety                                       | 762,319                 | 12,000                          | -                                                 | -                                               | (750,319)                                                      | -                                        | (750,319)            |
| Public works                                        | 629,353                 | 272,603                         | 659,395                                           | 848,438                                         | 1,151,083                                                      | -                                        | 1,151,083            |
| Public health                                       | 12,000                  | -                               | -                                                 | -                                               | (12,000)                                                       | -                                        | (12,000)             |
| Culture and recreation                              | 60,585                  | -                               | 850                                               | -                                               | (59,735)                                                       | -                                        | (59,735)             |
| Housing and community development                   | 18,967                  | -                               | 37,500                                            | -                                               | 18,533                                                         | -                                        | 18,533               |
| Conservation of natural resources                   | 7,892                   | -                               | -                                                 | -                                               | (7,892)                                                        | -                                        | (7,892)              |
| Debt service - interest                             | 359                     | -                               | -                                                 | -                                               | (359)                                                          | -                                        | (359)                |
| Miscellaneous                                       | 48,395                  | -                               | -                                                 | -                                               | (48,395)                                                       | -                                        | (48,395)             |
| Total governmental activities                       | <u>\$ 1,978,058</u>     | <u>\$ 396,454</u>               | <u>\$ 703,378</u>                                 | <u>\$ 848,438</u>                               | <u>\$ (29,788)</u>                                             | <u>\$ -</u>                              | <u>\$ (29,788)</u>   |
| Business-type activities:                           |                         |                                 |                                                   |                                                 |                                                                |                                          |                      |
| Water Utility                                       | \$ 1,854,787            | \$ 1,580,693                    | \$ -                                              | \$ -                                            | \$ -                                                           | \$ (274,094)                             | \$ (274,094)         |
| Sewer Utility                                       | 814,409                 | 810,268                         | -                                                 | 90,128                                          | -                                                              | 85,987                                   | 85,987               |
| Total business-type activities                      | <u>\$ 2,669,196</u>     | <u>\$ 2,390,961</u>             | <u>\$ -</u>                                       | <u>\$ 90,128</u>                                | <u>\$ -</u>                                                    | <u>\$ (188,107)</u>                      | <u>\$ (188,107)</u>  |
| Total primary government                            | <u>\$ 4,647,254</u>     | <u>\$ 2,787,415</u>             | <u>\$ 703,378</u>                                 | <u>\$ 938,566</u>                               | <u>\$ (29,788)</u>                                             | <u>\$ (188,107)</u>                      | <u>\$ (217,895)</u>  |
| General Revenues:                                   |                         |                                 |                                                   |                                                 |                                                                |                                          |                      |
| Property taxes for general purposes                 |                         |                                 |                                                   |                                                 | \$ 438,101                                                     | \$ -                                     | \$ 438,101           |
| Licenses and permits                                |                         |                                 |                                                   |                                                 | 77,618                                                         | -                                        | 77,618               |
| Video poker apportionment                           |                         |                                 |                                                   |                                                 | 20,875                                                         | -                                        | 20,875               |
| Miscellaneous                                       |                         |                                 |                                                   |                                                 | 41,250                                                         | 9,401                                    | 50,651               |
| Interest/investment earnings                        |                         |                                 |                                                   |                                                 | 154,878                                                        | 122,078                                  | 276,956              |
| Local option taxes                                  |                         |                                 |                                                   |                                                 | 94,793                                                         | -                                        | 94,793               |
| State entitlement                                   |                         |                                 |                                                   |                                                 | 638,845                                                        | -                                        | 638,845              |
| State Contributions for retirement                  |                         |                                 |                                                   |                                                 | 86,532                                                         | 18,627                                   | 105,159              |
| Transfers - net                                     |                         |                                 |                                                   |                                                 | (900,032)                                                      | 900,032                                  | -                    |
| Total general revenues, special items and transfers |                         |                                 |                                                   |                                                 | <u>\$ 652,860</u>                                              | <u>\$ 1,050,138</u>                      | <u>\$ 1,702,998</u>  |
| Change in net position                              |                         |                                 |                                                   |                                                 | <u>\$ 623,072</u>                                              | <u>\$ 862,031</u>                        | <u>\$ 1,485,103</u>  |
| Net position - beginning                            |                         |                                 |                                                   |                                                 | \$ 7,516,250                                                   | \$ 17,517,066                            | \$ 25,033,316        |
| Restatements                                        |                         |                                 |                                                   |                                                 | (675)                                                          | -                                        | (675)                |
| Net position - beginning - restated                 |                         |                                 |                                                   |                                                 | <u>\$ 7,515,575</u>                                            | <u>\$ 17,517,066</u>                     | <u>\$ 25,032,641</u> |
| Net position - end                                  |                         |                                 |                                                   |                                                 | <u>\$ 8,138,647</u>                                            | <u>\$ 18,379,097</u>                     | <u>\$ 26,517,744</u> |

See accompanying Notes to the Financial Statements



**City of Libby, Lincoln County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

|                                                                              | <u>General</u>             | <u>Gas Tax</u>           | <u>Community<br/>Development</u> | <u>ARPA</u>            | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------------------------------------------------------|----------------------------|--------------------------|----------------------------------|------------------------|-----------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                |                            |                          |                                  |                        |                                         |                                         |
| Current assets:                                                              |                            |                          |                                  |                        |                                         |                                         |
| Cash and investments                                                         | \$ 914,469                 | \$ 688,312               | \$ 1,572,074                     | \$ -                   | \$ 1,202,206                            | \$ 4,377,061                            |
| Taxes and assessments receivable, net                                        | 36,716                     | -                        | -                                | -                      | 18,319                                  | 55,035                                  |
| Due from other funds                                                         | 8,676                      | -                        | -                                | -                      | -                                       | 8,676                                   |
| Due from other governments                                                   | -                          | -                        | -                                | 8,676                  | -                                       | 8,676                                   |
| Total current assets                                                         | <u>\$ 959,861</u>          | <u>\$ 688,312</u>        | <u>\$ 1,572,074</u>              | <u>\$ 8,676</u>        | <u>\$ 1,220,525</u>                     | <u>\$ 4,449,448</u>                     |
| Noncurrent assets:                                                           |                            |                          |                                  |                        |                                         |                                         |
| Advances to other funds                                                      | \$ -                       | \$ -                     | \$ 9,090                         | \$ -                   | \$ -                                    | \$ 9,090                                |
| Lease receivables                                                            | 67,926                     | -                        | -                                | -                      | -                                       | 67,926                                  |
| Note receivables, net                                                        | -                          | -                        | 62,236                           | -                      | -                                       | 62,236                                  |
| Total noncurrent assets                                                      | <u>\$ 67,926</u>           | <u>\$ -</u>              | <u>\$ 71,326</u>                 | <u>\$ -</u>            | <u>\$ -</u>                             | <u>\$ 139,252</u>                       |
| <b>TOTAL ASSETS</b>                                                          | <u><u>\$ 1,027,787</u></u> | <u><u>\$ 688,312</u></u> | <u><u>\$ 1,643,400</u></u>       | <u><u>\$ 8,676</u></u> | <u><u>\$ 1,220,525</u></u>              | <u><u>\$ 4,588,700</u></u>              |
| <b>LIABILITIES</b>                                                           |                            |                          |                                  |                        |                                         |                                         |
| Current liabilities:                                                         |                            |                          |                                  |                        |                                         |                                         |
| Warrants payable                                                             | \$ 197,902                 | \$ -                     | \$ -                             | \$ -                   | \$ -                                    | \$ 197,902                              |
| Accounts payable                                                             | 29,296                     | -                        | -                                | -                      | -                                       | 29,296                                  |
| Due to other funds                                                           | -                          | -                        | -                                | 8,676                  | -                                       | 8,676                                   |
| Other payroll liabilities                                                    | 8,416                      | -                        | -                                | -                      | -                                       | 8,416                                   |
| Total current liabilities                                                    | <u>\$ 235,614</u>          | <u>\$ -</u>              | <u>\$ -</u>                      | <u>\$ 8,676</u>        | <u>\$ -</u>                             | <u>\$ 244,290</u>                       |
| Noncurrent liabilities:                                                      |                            |                          |                                  |                        |                                         |                                         |
| Advances payable                                                             | \$ -                       | \$ -                     | \$ -                             | \$ -                   | \$ 9,090                                | \$ 9,090                                |
| Total noncurrent liabilities                                                 | <u>\$ -</u>                | <u>\$ -</u>              | <u>\$ -</u>                      | <u>\$ -</u>            | <u>\$ 9,090</u>                         | <u>\$ 9,090</u>                         |
| Total liabilities                                                            | <u><u>\$ 235,614</u></u>   | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>               | <u><u>\$ 8,676</u></u> | <u><u>\$ 9,090</u></u>                  | <u><u>\$ 253,380</u></u>                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                         |                            |                          |                                  |                        |                                         |                                         |
| Deferred inflows of resources - taxes and assessments                        | \$ 36,716                  | \$ -                     | \$ -                             | \$ -                   | \$ 18,319                               | \$ 55,035                               |
| Deferred inflows of resources - leases                                       | 67,926                     | -                        | -                                | -                      | -                                       | 67,926                                  |
| Deferred inflows of resources - note receivables                             | -                          | -                        | 62,236                           | -                      | -                                       | 62,236                                  |
| Total deferred inflows of resources                                          | <u>\$ 104,642</u>          | <u>\$ -</u>              | <u>\$ 62,236</u>                 | <u>\$ -</u>            | <u>\$ 18,319</u>                        | <u>\$ 185,197</u>                       |
| <b>FUND BALANCES</b>                                                         |                            |                          |                                  |                        |                                         |                                         |
| Restricted                                                                   | \$ -                       | \$ 688,312               | \$ 1,581,164                     | \$ -                   | \$ 239,485                              | \$ 2,508,961                            |
| Committed                                                                    | -                          | -                        | -                                | -                      | 956,127                                 | 956,127                                 |
| Unassigned fund balance                                                      | 687,531                    | -                        | -                                | -                      | (2,496)                                 | 685,035                                 |
| Total fund balance                                                           | <u>\$ 687,531</u>          | <u>\$ 688,312</u>        | <u>\$ 1,581,164</u>              | <u>\$ -</u>            | <u>\$ 1,193,116</u>                     | <u>\$ 4,150,123</u>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCE</b> | <u><u>\$ 1,027,787</u></u> | <u><u>\$ 688,312</u></u> | <u><u>\$ 1,643,400</u></u>       | <u><u>\$ 8,676</u></u> | <u><u>\$ 1,220,525</u></u>              | <u><u>\$ 4,588,700</u></u>              |

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, 2024**

|                                                                                                                                                                                                                                                                                                                                                        |                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>Total fund balances - governmental funds</b>                                                                                                                                                                                                                                                                                                        | \$ 4,150,123               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                                                                                                                                                                                                                              | 4,413,416                  |
| 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.                                                                                                                                                                        | 55,035                     |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.                                                                                                                                                                                                                        | (81,470)                   |
| Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.                                                                                                                                                                                    | (459,085)                  |
| 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. | 70,470                     |
| 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.                       | (72,078)                   |
| Future cash flows from note receivables are recognized as deferred inflows of resources in the fund financial statements due to the resources not being available to pay current year outflows.                                                                                                                                                        | 62,236                     |
| <b>Total net position - governmental activities</b>                                                                                                                                                                                                                                                                                                    | <b>\$ <u>8,138,647</u></b> |

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, 2024**

|                                                   | General             | Gas Tax           | Community Development | ARPA              | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------|---------------------|-------------------|-----------------------|-------------------|--------------------------|--------------------------|
| <b>REVENUES</b>                                   |                     |                   |                       |                   |                          |                          |
| Taxes and assessments                             | \$ 536,985          | \$ -              | \$ -                  | \$ -              | \$ 3,663                 | \$ 540,648               |
| Licenses and permits                              | 40,420              | -                 | -                     | -                 | 37,198                   | 77,618                   |
| Intergovernmental                                 | 759,436             | 599,712           | -                     | 848,438           | 62,518                   | 2,270,104                |
| Charges for services                              | 48,453              | -                 | -                     | -                 | -                        | 48,453                   |
| Fines and forfeitures                             | 38,158              | -                 | -                     | -                 | -                        | 38,158                   |
| Miscellaneous                                     | 126,570             | -                 | -                     | -                 | 226,120                  | 352,690                  |
| Investment earnings                               | 35,018              | 6,132             | 77,323                | -                 | 36,405                   | 154,878                  |
| Total revenues                                    | <u>\$ 1,585,040</u> | <u>\$ 605,844</u> | <u>\$ 77,323</u>      | <u>\$ 848,438</u> | <u>\$ 365,904</u>        | <u>\$ 3,482,549</u>      |
| <b>EXPENDITURES</b>                               |                     |                   |                       |                   |                          |                          |
| General government                                | \$ 341,213          | \$ -              | \$ -                  | \$ -              | \$ 22,535                | \$ 363,748               |
| Public safety                                     | 684,232             | -                 | -                     | -                 | 50,682                   | 734,914                  |
| Public works                                      | 181,133             | 91,129            | -                     | -                 | 167,916                  | 440,178                  |
| Public health                                     | 12,000              | -                 | -                     | -                 | -                        | 12,000                   |
| Culture and recreation                            | 52,369              | -                 | -                     | -                 | -                        | 52,369                   |
| Housing and community development                 | -                   | -                 | 1,235                 | -                 | -                        | 1,235                    |
| Debt service - interest                           | -                   | -                 | -                     | -                 | 359                      | 359                      |
| Miscellaneous                                     | 48,395              | -                 | -                     | -                 | -                        | 48,395                   |
| Capital outlay                                    | 9,995               | 29,350            | -                     | 848,438           | 84,403                   | 972,186                  |
| Total expenditures                                | <u>\$ 1,329,337</u> | <u>\$ 120,479</u> | <u>\$ 1,235</u>       | <u>\$ 848,438</u> | <u>\$ 325,895</u>        | <u>\$ 2,625,384</u>      |
| Excess (deficiency) of revenues over expenditures | <u>\$ 255,703</u>   | <u>\$ 485,365</u> | <u>\$ 76,088</u>      | <u>\$ -</u>       | <u>\$ 40,009</u>         | <u>\$ 857,165</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                   |                       |                   |                          |                          |
| Transfers in                                      | \$ 3,000            | \$ -              | \$ -                  | \$ -              | \$ 260,000               | \$ 263,000               |
| Transfers out                                     | (260,000)           | -                 | -                     | -                 | (54,594)                 | (314,594)                |
| Total other financing sources (uses)              | <u>\$ (257,000)</u> | <u>\$ -</u>       | <u>\$ -</u>           | <u>\$ -</u>       | <u>\$ 205,406</u>        | <u>\$ (51,594)</u>       |
| Net Change in Fund Balance                        | <u>\$ (1,297)</u>   | <u>\$ 485,365</u> | <u>\$ 76,088</u>      | <u>\$ -</u>       | <u>\$ 245,415</u>        | <u>\$ 805,571</u>        |
| Fund balances - beginning                         | \$ 688,828          | \$ -              | \$ 1,505,076          | \$ 675            | \$ 1,150,648             | \$ 3,345,227             |
| Restatements                                      | -                   | 202,947           | -                     | (675)             | (202,947)                | (675)                    |
| Fund balances - beginning, restated               | <u>\$ 688,828</u>   | <u>\$ 202,947</u> | <u>\$ 1,505,076</u>   | <u>\$ -</u>       | <u>\$ 947,701</u>        | <u>\$ 3,344,552</u>      |
| Fund balance - ending                             | <u>\$ 687,531</u>   | <u>\$ 688,312</u> | <u>\$ 1,581,164</u>   | <u>\$ -</u>       | <u>\$ 1,193,116</u>      | <u>\$ 4,150,123</u>      |

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, 2024**

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

|                                                               |    |         |
|---------------------------------------------------------------|----|---------|
| <b>Net change in fund balances - total governmental funds</b> | \$ | 805,571 |
|---------------------------------------------------------------|----|---------|

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 | 972,186   |
| - Depreciation expense     | (305,974) |

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

|                                                                   |           |
|-------------------------------------------------------------------|-----------|
| - Capital contribution of capital assets to water and sewer funds | (848,438) |
|-------------------------------------------------------------------|-----------|

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) | 1,221   |
| - Long-term receivables (deferred inflows) | (4,090) |

|                                                                                          |          |
|------------------------------------------------------------------------------------------|----------|
| The change in compensated absences is shown as an expense in the Statement of Activities | (29,740) |
|------------------------------------------------------------------------------------------|----------|

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

|                                                            |       |
|------------------------------------------------------------|-------|
| - Post-employment benefits other than retirement liability | 3,604 |
|------------------------------------------------------------|-------|

|                                                                                                                                                                                                     |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance | (40,097) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                                                                  |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 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 | 21,482 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                                                                                                             |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 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. | 47,347 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                         |           |                       |
|---------------------------------------------------------|-----------|-----------------------|
| <b>Change in net position - Statement of Activities</b> | <b>\$</b> | <b><u>623,072</u></b> |
|---------------------------------------------------------|-----------|-----------------------|

See accompanying Notes to the Financial Statements

**City of Libby, Lincoln County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2024**

|                                                                          | <b>Business-Type Activities - Enterprise Funds</b> |                            |                             |
|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------|-----------------------------|
|                                                                          | <b>Water Utility</b>                               | <b>Sewer Utility</b>       | <b>Totals</b>               |
| <b>ASSETS</b>                                                            |                                                    |                            |                             |
| Current assets:                                                          |                                                    |                            |                             |
| Cash and investments                                                     | \$ 1,108,848                                       | \$ 390,308                 | \$ 1,499,156                |
| Accounts receivable - net                                                | 113,569                                            | 50,916                     | 164,485                     |
| Due from other governments                                               | -                                                  | 37,033                     | 37,033                      |
| Total current assets                                                     | <u>\$ 1,222,417</u>                                | <u>\$ 478,257</u>          | <u>\$ 1,700,674</u>         |
| Noncurrent assets:                                                       |                                                    |                            |                             |
| Restricted cash and investments                                          | \$ 1,382,347                                       | \$ 351,958                 | \$ 1,734,305                |
| Capital assets - land                                                    | 59,929                                             | -                          | 59,929                      |
| Capital assets - construction in progress                                | 1,332,190                                          | 953,473                    | 2,285,663                   |
| Capital assets - depreciable, net                                        | 19,419,109                                         | 2,857,662                  | 22,276,771                  |
| Total noncurrent assets                                                  | <u>\$ 22,193,575</u>                               | <u>\$ 4,163,093</u>        | <u>\$ 26,356,668</u>        |
| Total assets                                                             | <u>\$ 23,415,992</u>                               | <u>\$ 4,641,350</u>        | <u>\$ 28,057,342</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                                                    |                            |                             |
| Deferred outflows of resources - pensions                                | \$ 60,996                                          | \$ 29,844                  | \$ 90,840                   |
| Total deferred outflows of resources                                     | <u>\$ 60,996</u>                                   | <u>\$ 29,844</u>           | <u>\$ 90,840</u>            |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   | <u><u>\$ 23,476,988</u></u>                        | <u><u>\$ 4,671,194</u></u> | <u><u>\$ 28,148,182</u></u> |
| <b>LIABILITIES</b>                                                       |                                                    |                            |                             |
| Current liabilities:                                                     |                                                    |                            |                             |
| Accounts payable                                                         | \$ 22,795                                          | \$ 26,319                  | \$ 49,114                   |
| Revenues collected in advance                                            | 13,675                                             | 6,131                      | 19,806                      |
| Current portion of long-term capital liabilities                         | 261,250                                            | 51,859                     | 313,109                     |
| Current portion of compensated absences payable                          | 54,611                                             | 24,955                     | 79,566                      |
| Total current liabilities                                                | <u>\$ 352,331</u>                                  | <u>\$ 109,264</u>          | <u>\$ 461,595</u>           |
| Noncurrent liabilities:                                                  |                                                    |                            |                             |
| Deposits payable                                                         | \$ 33,600                                          | \$ -                       | \$ 33,600                   |
| Noncurrent portion of OPEB                                               | 9,464                                              | 4,981                      | 14,445                      |
| Noncurrent portion of long-term capital liabilities                      | 6,759,833                                          | 1,733,738                  | 8,493,571                   |
| Noncurrent portion of compensated absences                               | 19,110                                             | 4,183                      | 23,293                      |
| Net pension liability                                                    | 481,444                                            | 235,562                    | 717,006                     |
| Total noncurrent liabilities                                             | <u>\$ 7,303,451</u>                                | <u>\$ 1,978,464</u>        | <u>\$ 9,281,915</u>         |
| Total liabilities                                                        | <u>\$ 7,655,782</u>                                | <u>\$ 2,087,728</u>        | <u>\$ 9,743,510</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                                                    |                            |                             |
| Deferred inflows of resources - pensions                                 | \$ 17,173                                          | \$ 8,402                   | \$ 25,575                   |
| Total deferred inflows of resources                                      | <u>\$ 17,173</u>                                   | <u>\$ 8,402</u>            | <u>\$ 25,575</u>            |
| <b>NET POSITION</b>                                                      |                                                    |                            |                             |
| Net investment in capital assets                                         | \$ 13,790,145                                      | \$ 2,025,538               | \$ 15,815,683               |
| Restricted for capital projects                                          | 797,686                                            | 256,438                    | 1,054,124                   |
| Restricted for debt service                                              | 551,061                                            | 95,520                     | 646,581                     |
| Restricted for other purposes                                            | 33,600                                             | -                          | 33,600                      |
| Unrestricted                                                             | 631,541                                            | 197,568                    | 829,109                     |
| Total net position                                                       | <u>\$ 15,804,033</u>                               | <u>\$ 2,575,064</u>        | <u>\$ 18,379,097</u>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <u><u>\$ 23,476,988</u></u>                        | <u><u>\$ 4,671,194</u></u> | <u><u>\$ 28,148,182</u></u> |

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, 2024**

|                                                    | <b>Business-Type Activities - Enterprise Funds</b> |                      |                      |
|----------------------------------------------------|----------------------------------------------------|----------------------|----------------------|
|                                                    | <b>Water Utility</b>                               | <b>Sewer Utility</b> | <b>Totals</b>        |
| <b>OPERATING REVENUES</b>                          |                                                    |                      |                      |
| Charges for services                               | \$ 1,580,713                                       | \$ 810,268           | \$ 2,390,981         |
| Miscellaneous revenues                             | 8,291                                              | 1,110                | 9,401                |
| Total operating revenues                           | <u>\$ 1,589,004</u>                                | <u>\$ 811,378</u>    | <u>\$ 2,400,382</u>  |
| <b>OPERATING EXPENSES</b>                          |                                                    |                      |                      |
| Personal services                                  | \$ 626,378                                         | \$ 300,565           | \$ 926,943           |
| Supplies                                           | 209,979                                            | 117,477              | 327,456              |
| Purchased services                                 | 168,064                                            | 154,996              | 323,060              |
| Building materials                                 | 2,953                                              | -                    | 2,953                |
| Fixed charges                                      | 48,394                                             | 48,394               | 96,788               |
| Depreciation                                       | 614,348                                            | 148,068              | 762,416              |
| Total operating expenses                           | <u>\$ 1,670,116</u>                                | <u>\$ 769,500</u>    | <u>\$ 2,439,616</u>  |
| Operating income (loss)                            | <u>\$ (81,112)</u>                                 | <u>\$ 41,878</u>     | <u>\$ (39,234)</u>   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>           |                                                    |                      |                      |
| Intergovernmental revenue                          | \$ 12,507                                          | \$ 96,248            | \$ 108,755           |
| Interest revenue                                   | 95,684                                             | 26,374               | 122,058              |
| Debt service interest expense                      | (184,671)                                          | (44,909)             | (229,580)            |
| Total non-operating revenues (expenses)            | <u>\$ (76,480)</u>                                 | <u>\$ 77,713</u>     | <u>\$ 1,233</u>      |
| Income (loss) before contributions and transfers   | <u>\$ (157,592)</u>                                | <u>\$ 119,591</u>    | <u>\$ (38,001)</u>   |
| Capital contributions from governmental activities | 611,550                                            | 236,888              | 848,438              |
| Transfers in                                       | 26,292                                             | 25,302               | 51,594               |
| Change in net position                             | <u>\$ 480,250</u>                                  | <u>\$ 381,781</u>    | <u>\$ 862,031</u>    |
| Net Position - Beginning of the year               | <u>\$ 15,323,783</u>                               | <u>\$ 2,193,283</u>  | <u>\$ 17,517,066</u> |
| Net Position - End of the year                     | <u>\$ 15,804,033</u>                               | <u>\$ 2,575,064</u>  | <u>\$ 18,379,097</u> |

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, 2024**

|                                                                                                       | <b>Business - Type Activities</b> |                          |                            |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------|----------------------------|
|                                                                                                       | <b>Water</b>                      | <b>Sewer</b>             | <b>Totals</b>              |
| <b>Cash flows from operating activities:</b>                                                          |                                   |                          |                            |
| Cash received from providing services                                                                 | \$ 1,557,593                      | \$ 799,124               | \$ 2,356,717               |
| Cash received from miscellaneous sources                                                              | 8,291                             | 1,110                    | 9,401                      |
| Cash payments to suppliers                                                                            | (223,102)                         | (117,477)                | (340,579)                  |
| Cash payments for professional services                                                               | (208,358)                         | (203,390)                | (411,748)                  |
| Cash payments to employees                                                                            | (606,506)                         | (295,919)                | (902,425)                  |
| Net cash provided (used) by operating activities                                                      | <u>\$ 527,918</u>                 | <u>\$ 183,448</u>        | <u>\$ 711,366</u>          |
| <b>Cash flows from capital and related financing activities:</b>                                      |                                   |                          |                            |
| Acquisition and construction of capital assets                                                        | \$ (661,778)                      | \$ (186,516)             | \$ (848,294)               |
| Cash received from grants                                                                             | -                                 | 159,577                  | 159,577                    |
| Principal paid on debt                                                                                | (256,601)                         | (50,611)                 | (307,212)                  |
| Interest paid on debt                                                                                 | (184,671)                         | (44,909)                 | (229,580)                  |
| Net cash provided (used) by capital and related financing activities                                  | <u>\$ (1,103,050)</u>             | <u>\$ (122,459)</u>      | <u>\$ (1,225,509)</u>      |
| <b>Cash flows from non-capital financing activities:</b>                                              |                                   |                          |                            |
| Transfer in from governmental funds                                                                   | \$ 26,292                         | \$ 25,302                | \$ 51,594                  |
| Net cash provided (used) from non-capital financing activities                                        | <u>\$ 26,292</u>                  | <u>\$ 25,302</u>         | <u>\$ 51,594</u>           |
| <b>Cash flows from investing activities:</b>                                                          |                                   |                          |                            |
| Interest on investments                                                                               | \$ 95,684                         | \$ 26,374                | \$ 122,058                 |
| Net cash provided (used) by investing activities                                                      | <u>\$ 95,684</u>                  | <u>\$ 26,374</u>         | <u>\$ 122,058</u>          |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                           | <u>\$ (453,156)</u>               | <u>\$ 112,665</u>        | <u>\$ (340,491)</u>        |
| <b>Cash and cash equivalents at beginning</b>                                                         | <u>2,944,351</u>                  | <u>629,601</u>           | <u>3,573,952</u>           |
| <b>Cash and cash equivalents at end</b>                                                               | <u><u>\$ 2,491,195</u></u>        | <u><u>\$ 742,266</u></u> | <u><u>\$ 3,233,461</u></u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                                   |                          |                            |
| Operating income (loss)                                                                               | \$ (81,112)                       | \$ 41,878                | \$ (39,234)                |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities:        |                                   |                          |                            |
| Depreciation expense                                                                                  | 614,348                           | 148,068                  | 762,416                    |
| Other post-employment benefits expense                                                                | (4,601)                           | (2,051)                  | (6,652)                    |
| Pension expense                                                                                       | 42,187                            | 10,374                   | 52,561                     |
| Changes in assets and liabilities:                                                                    |                                   |                          |                            |
| Accounts receivable                                                                                   | (21,544)                          | (10,592)                 | (32,136)                   |
| Revenues collected in advance                                                                         | (1,576)                           | (552)                    | (2,128)                    |
| Accounts payable                                                                                      | (2,070)                           | -                        | (2,070)                    |
| Accrued payroll                                                                                       | (18,916)                          | (7,916)                  | (26,832)                   |
| Compensated absence liabilities                                                                       | 1,202                             | 4,239                    | 5,441                      |
| Net cash provided (used) by operating activities                                                      | <u>\$ 527,918</u>                 | <u>\$ 183,448</u>        | <u>\$ 711,366</u>          |
| <b>Noncash investing and financing activities:</b>                                                    |                                   |                          |                            |
| On behalf public employees retirement system payments                                                 | <u>\$ 12,507</u>                  | <u>\$ 6,120</u>          | <u>\$ 18,627</u>           |

See accompanying notes to the financial statements

**City of Libby, Lincoln County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2024**

|                                 |    | <u><b>Custodial Funds</b></u>     |
|---------------------------------|----|-----------------------------------|
|                                 |    | <u><b>Custodial<br/>Funds</b></u> |
| <b>ASSETS</b>                   |    |                                   |
| Cash and short-term investments | \$ | <u>3,548</u>                      |
| Total receivables               |    | <u>4,298</u>                      |
| <b>TOTAL ASSETS</b>             | \$ | <u><u>7,846</u></u>               |
| <br><b>LIABILITIES</b>          |    |                                   |
| Due to others                   | \$ | <u>7,846</u>                      |
| Total liabilities               | \$ | <u>7,846</u>                      |
| <br><b>NET POSITION</b>         |    |                                   |
| Restricted for:                 |    |                                   |
| <b>TOTAL LIABILITIES</b>        | \$ | <u><u>7,846</u></u>               |

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, 2024**

|                                                                          | <u><b>Custodial Funds</b></u>     |
|--------------------------------------------------------------------------|-----------------------------------|
|                                                                          | <u><b>Custodial<br/>Funds</b></u> |
| <b>ADDITIONS</b>                                                         |                                   |
| Taxes, licenses, and fees collected for other governments                | \$ 55,181                         |
| Intergovernmental grants and entitlements collected for school districts | 10,189                            |
| Total additions                                                          | <u>\$ 65,370</u>                  |
| <b>DEDUCTIONS</b>                                                        |                                   |
| Taxes, licenses, and fees distributed to other governments               | \$ 65,370                         |
| Total deductions                                                         | <u>\$ 65,370</u>                  |
| Change in net position                                                   | <u>\$ -</u>                       |
| Net Position - Beginning of the year                                     | <u>\$ -</u>                       |

See accompanying Notes to the Financial Statements

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**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. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. 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 units 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.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**Basis of Presentation, Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements:**

*Basis of Presentation*

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the City at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City 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.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**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.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

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.

*Gas Tax Fund* – A special revenue fund authorized under MCA 15-70-101 and 15-70-130 to account for the resources received and expenditures incurred for the construction, reconstruction, maintenance, and repair of rural roads or City streets and alleys or for the share that the City might otherwise expend for proportionate matching of federal funds allocated for the construction of roads or streets that are part of the primary or secondary highway system or urban extensions to those systems.

*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 expenditures 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.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

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 consists of reporting resources held by the City as an agent for individuals, private organizations, other local governmental entities.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2024, are as follows:

|                                   | <u>Primary<br/>Government</u> |
|-----------------------------------|-------------------------------|
| <u>Cash on hand and deposits:</u> |                               |
| Cash on hand                      |                               |
| Petty Cash                        | \$ 418                        |
| Cash in banks:                    |                               |
| Demand deposits                   | 7,281,403                     |
| Savings deposits                  | 223,997                       |
| Credit Union deposits             | 108,252                       |
| Total                             | <u>\$ 7,614,070</u>           |

**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 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):

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- (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, 2024, the government's bank balance was exposed to custodial credit risk as follows:

|                                                                                        | June 30, 2024              |
|----------------------------------------------------------------------------------------|----------------------------|
|                                                                                        | <u>Balance</u>             |
| <u>Depository Account</u>                                                              |                            |
| Insured                                                                                | \$ 582,805                 |
| - Collateral held by the pledging bank's trust department but not in the County's name | 3,710,156                  |
| - Uninsured and Uncollateralized deposits                                              | <u>3,402,251</u>           |
| Total deposits and investments                                                         | \$ <u><u>7,695,212</u></u> |

Deposit Security

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

- a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for City deposits at June 30, 2024, equaled or exceeded the amount required by State statutes.



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**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the City as of June 30, 2024. These amounts are reported within the cash/investment account on the Statement of Net Position.

| <u>Fund</u> | <u>Description</u>                                  | <u>Amount</u>      |
|-------------|-----------------------------------------------------|--------------------|
| Water       | Cash - Customer Water Deposits                      | \$ 33,600          |
| Water       | DNRC Rural Development Series 2013- Current         | 26,741             |
| Water       | DNRC Rural Development Series 2013 - Future Reserve | 53,484             |
| Water       | USDA Rural Development Series 2015 Future Reserve   | 12,436             |
| Water       | USDA Rural Development Series 2015 Future Reserve   | 149,232            |
| Water       | USDA Rural Development Series 2014 Current          | 7,485              |
| Water       | USDA Rural Development Series 2014 Future Reserve   | 89,820             |
| Water       | DNRC Series2013 A&B Bonds - Current                 | 72,975             |
| Water       | DNRC Series2013 A&B Bonds - Coal Severance          | 8,463              |
| Water       | DNRC Series2013 A&B Bonds - General Reserve         | 130,425            |
| Water       | DNRC Series2013 A&B Bonds - Future Reserve          | 122,438            |
| Water       | Short Lived Asset Reserves                          | 675,248            |
| Sewer       | USDA Rural Development Series 2010 - Future Reserve | 66,384             |
| Sewer       | USDA Rural Development Series 2011 - Future Reserve | 29,136             |
| Sewer       | Short Lived Asset Reserves                          | 256,438            |
|             |                                                     | <u>\$1,734,305</u> |

**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.

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

**NOTE 5. INVENTORIES AND PREPAIDS**

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      |

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

Governmental activities:

|                                               | Balance<br>July 1, 2023 | Additions  | Deletions   | Transfers to<br>Business Funds | Balance<br>June 30, 2024 |
|-----------------------------------------------|-------------------------|------------|-------------|--------------------------------|--------------------------|
| Capital assets not being depreciated:         |                         |            |             |                                |                          |
| Land                                          | \$ 765,789              | \$ -       | \$ -        | \$ -                           | \$ 765,789               |
| Construction in progress                      | -                       | 848,438    | -           | (848,438)                      | -                        |
| Total capital assets not being depreciated    | \$ 765,789              | \$ 848,438 | \$ -        | \$ (848,438)                   | \$ 765,789               |
| Other capital assets:                         |                         |            |             |                                |                          |
| Buildings                                     | \$ 3,014,270            | \$ 8,069   | \$ -        | \$ -                           | \$ 3,022,339             |
| Improvements other than buildings             | 664,542                 | 69,400     | -           | -                              | 733,942                  |
| Machinery and equipment                       | 2,787,201               | 46,279     | (46,537)    | -                              | 2,786,943                |
| Infrastructure                                | 2,926,073               | -          | -           | -                              | 2,926,073                |
| Total other capital assets at historical cost | \$ 9,392,086            | \$ 123,748 | \$ (46,537) | \$ -                           | \$ 9,469,297             |
| Less: accumulated depreciation                | (5,562,233)             | (305,974)  | 46,537      | -                              | (5,821,670)              |
| Total                                         | \$ 4,595,642            | \$ 666,212 | \$ -        | \$ (848,438)                   | \$ 4,413,416             |

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Governmental activities depreciation expense was charged to functions as follows:

|                                                    |                  |
|----------------------------------------------------|------------------|
| Governmental Activities:                           |                  |
| General government                                 | \$ 55,554        |
| Public safety                                      | 27,405           |
| Public works                                       | 189,175          |
| Culture and recreation                             | 8,216            |
| Housing and community development                  | 17,732           |
| Conservation of natural resources                  | <u>7,892</u>     |
| Total governmental activities depreciation expense | <u>\$305,974</u> |

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

Business-type activities:

|                                               | Balance<br>July 1, 2023     | Additions                 | Transfers from<br>Governmental | Balance<br>June 30, 2024    |
|-----------------------------------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| Capital assets not being depreciated:         |                             |                           |                                |                             |
| Land                                          | \$ 59,929                   | \$ -                      | \$ -                           | \$ 59,929                   |
| Construction in progress                      | 818,212                     | 619,013                   | 848,438                        | 2,285,663                   |
| Total capital assets not being depreciated    | <u>\$ 878,141</u>           | <u>\$ 619,013</u>         | <u>\$ 848,438</u>              | <u>\$ 2,345,592</u>         |
| Other capital assets:                         |                             |                           |                                |                             |
| Buildings                                     | \$ 75,342                   | \$ -                      | \$ -                           | \$ 75,342                   |
| Improvements other than buildings             | 56,018                      | 79,850                    | -                              | 135,868                     |
| Machinery and equipment                       | 870,120                     | 28,214                    | -                              | 898,334                     |
| 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 | <u>\$ 37,945,452</u>        | <u>\$ 108,064</u>         | <u>\$ -</u>                    | <u>\$ 38,053,516</u>        |
| Less: accumulated depreciation                | <u>(15,014,329)</u>         | <u>(762,416)</u>          | <u>-</u>                       | <u>(15,776,745)</u>         |
| Total                                         | <u><u>\$ 23,809,264</u></u> | <u><u>\$ (35,339)</u></u> | <u><u>\$ 848,438</u></u>       | <u><u>\$ 24,622,363</u></u> |

## NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

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Changes in Long-Term Debt Liabilities - During the year ended June 30, 2024, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

|                      | Balance<br>July 1, 2023 | Additions        | Balance<br>June 30, 2024 | Due Within<br>One Year |
|----------------------|-------------------------|------------------|--------------------------|------------------------|
| Compensated absences | \$ 51,730               | \$ 29,740        | \$ 81,470                | \$ 69,016              |
| Total                | <u>\$ 51,730</u>        | <u>\$ 29,740</u> | <u>\$ 81,470</u>         | <u>\$ 69,016</u>       |

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

Business-type Activities:

|                       | Balance<br>July 1, 2023 | Additions       | Deletions           | Balance<br>June 30, 2024 | Due Within<br>One Year |
|-----------------------|-------------------------|-----------------|---------------------|--------------------------|------------------------|
| Revenue bonds         | \$ 9,026,582            | \$ -            | \$ (305,501)        | \$ 8,721,081             | \$ 313,109             |
| Loans/Contracted debt | 87,310                  | -               | (1,711)             | 85,599                   | -                      |
| Compensated absences  | 98,418                  | 4,441           | -                   | 102,859                  | 79,566                 |
| Total                 | <u>\$ 9,212,310</u>     | <u>\$ 4,441</u> | <u>\$ (307,212)</u> | <u>\$ 8,909,539</u>      | <u>\$ 392,675</u>      |

*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:

| <u>Purpose</u>                                                                               | <u>Interest<br/>Rate</u> | <u>Bond<br/>Term</u> | <u>Maturity<br/>Date</u> | <u>Bonds<br/>Amount</u> | <u>Annual<br/>Payment</u> | <u>Balance<br/>June 30, 2024</u> |
|----------------------------------------------------------------------------------------------|--------------------------|----------------------|--------------------------|-------------------------|---------------------------|----------------------------------|
| USDA - DAM                                                                                   | 2.63%                    | 40yrs                | 11/2055                  | \$ 3,200,000            | \$129,408                 | \$ 2,759,459                     |
| USDA - DAM                                                                                   | 2.63%                    | 40yrs                | 11/2055                  | 490,000                 | 19,824                    | 422,460                          |
| DNRC - Coal Severance Tax Loan<br>Program Series 2013C Revenue Bonds                         | 3.00%                    | 20yrs                | 11/2033                  | 800,000                 | 53,484                    | 439,265                          |
| USDA Rural Development Series 2014<br>Revenue Bonds                                          | 2.50%                    | 40yrs                | 07/2054                  | 2,268,000               | 89,820                    | 1,889,664                        |
| DNRC - Coal Severance Tax Loan<br>Program Series 2013A Revenue Bonds                         | 3.00%                    | 20yrs                | 05/2033                  | 253,177                 | 16,926                    | 132,636                          |
| DNRC Drinking Water State<br>Revolving Loan Program, Series<br>2013B Revenue Refunding Bonds | 2.50%                    | 22yrs                | 07/2035                  | 2,189,579               | 130,000                   | 1,292,000                        |
| USDA Rural Development Series 2011<br>Revenue Bonds                                          | 3.00%                    | 40yrs                | 09/2051                  | 678,000                 | 29,136                    | 541,590                          |
| USDA Rural Development Series 2010<br>Revenue Bonds                                          | 2.25%                    | 40yrs                | 10/2048                  | <u>1,745,000</u>        | <u>66,384</u>             | <u>1,244,007</u>                 |
|                                                                                              |                          |                      |                          | <u>\$11,623,756</u>     | <u>\$297,044</u>          | <u>\$ 8,721,081</u>              |

Reported in business-type activities

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

- 1) 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 other loan reserves the City is required deposit monthly amounts of \$12,224 for ten years, the reserve as of June 30, 2024 was \$122,438; maintain general reserves \$130,425; and coal service reserve for \$8,463, 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, 2024.
- 2) The compliance requirements of the Series 2013C DNRC Water Bond include current loan reserves equal to the next bond payment equal to \$26,741, 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, 2024.
- 3) The compliance requirements of the Series 2015 USDA Water Bonds include current reserves equal to the amount of the monthly installments of principal and interest of \$12,436. For the future loan reserves the City is required to deposit a minimum of 10% of the monthly payment each month over the life of the loan until one annual installment is accumulated. As of June 30, 2024 the City had accumulated \$149,232. 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, 2024.
- 4) 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 \$89,820 in 2024.
- 5) The City is required to create an asset replacement reserve and deposit \$6,897 a month over the life of the Bonds. The asset replacement requirements equaled \$675,248 in 2024. 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, 2024.
- 6) 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 other loan reserves the City is required deposit monthly amounts of \$12,224 for ten years, the reserve as of June 30, 2024 was \$122,438; maintain general reserves \$130,425; and coal service reserve for \$8,463, 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, 2024.

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- 7) The compliance requirements of the 2010 USDA Sewer Bond include future loan reserves equal to the 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. These accounts are reported as restricted cash in the Sewer Fund by the City as detailed at Note 3. This requirement was met in the fiscal year ending June 30, 2024.
- 8) The compliance requirements of the 2011 USDA Sewer Bond includes 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. this requirement was met in fiscal year 2024. This account is reported as restricted cash in the Sewer Fund by the City as detailed at Note 3. This requirement was met in the fiscal year ending June 30, 2024.
- 9) The City is required to create an asset replacement reserve and deposit at minimum \$1,629 a month. The asset replacement requirements equaled \$256,438; this requirement was met in fiscal year 2024. This account is reported as restricted cash in the Sewer Fund by the City as detailed at Note 3. This requirement was met in the fiscal year ending June 30, 2024.
- 10) 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 \$483,875 in the Water Fund, and \$48,027 in the Sewer Fund. The City exceeded the requirement for the Water Fund and Sewer Fund and is in compliance as of June 30, 2024.

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Annual requirement to amortize debt:

| For Fiscal<br>Year Ended | Principal           | Interest            |
|--------------------------|---------------------|---------------------|
| 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                    | \$ <u>8,721,081</u> | \$ <u>3,196,168</u> |

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2024, were as follows:

| Purpose                               | Origination<br>Date | Interest<br>Rate | Term  | Maturity<br>Date | Principal<br>Amount | Balance<br>June 30, 2024 |
|---------------------------------------|---------------------|------------------|-------|------------------|---------------------|--------------------------|
| Flathead Electric - loan PRV          |                     |                  |       |                  |                     |                          |
| Hydro Turbine***                      | 6/1/17              | 3.50%            | 20yrs | 6/1/37           | \$ <u>122,125</u>   | \$ <u>85,599</u>         |
| Reported in business-type activities. |                     |                  |       |                  |                     |                          |

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\*\*\*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 8. POSTEMPLOYMENT HEALTHCARE PLAN**

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

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



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

|                                                                |           |
|----------------------------------------------------------------|-----------|
| Inactive employees or beneficiaries receiving benefit payments | -         |
| Active employees                                               | 22        |
| Total employees                                                | <u>22</u> |

Total OPEB Liability

The City's total OPEB liability of \$24,906 at June 30, 2024, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2024.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2024, 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)                           | 3.80%  |
| Average salary increase (Consumer Price Index)                     | 3.00%  |
| Participation Rate                                                 | 10.00% |
| <u>Health care cost rate trend (Federal Office of the Actuary)</u> |        |

| <u>Year</u>         | <u>% Increase</u> |
|---------------------|-------------------|
| 2024                | 5.2%              |
| 2025                | 4.9%              |
| 2026                | 5.0%              |
| 2027                | 5.9%              |
| 2028                | 5.5%              |
| 2029                | 5.8%              |
| 2030                | 5.4%              |
| 2031                | 5.4%              |
| 2032                | 5.4%              |
| 2033                | 5.4%              |
| 2034 and thereafter | 5.4%              |

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

Life expectancy of employees was based on the Montana Life Tables, 2021 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 73, No. 3, August 21, 2024.

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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 6/30/2023  | \$ <u>35,162</u>   |
| Changes for the year: |                    |
| Service Cost          | \$ 3,183           |
| Change in assumptions | <u>(13,439)</u>    |
| Net Changes           | \$ <u>(10,256)</u> |
| Balance at 6/30/2024  | \$ <u>24,906</u>   |

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

|                         | 1% Decrease<br>(2.80%) | Discount<br>Rate (3.80%) | 1% Increase<br>(4.80%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability \$ | 27,729                 | \$ 24,906                | \$ 22,495              |

*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<br>Cost Trends* | 1% Increase |
|-------------------------|-------------|----------------------------|-------------|
| Total OPEB Liability \$ | 21,901      | \$ 24,906                  | \$ 28,462   |

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

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

For the year ended June 30, 2024, the City recognized an OPEB expense of \$(10,256). 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.

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**NOTE 9. NET PENSION LIABILITY**

As of June 30, 2024, 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           | \$ 933,076 | \$ | 232,554 | \$ | 1,165,630      |
| Deferred outflows of resources* | \$ 118,215 | \$ | 43,095  | \$ | 161,310        |
| Deferred inflows of resources   | \$ 33,281  | \$ | 64,372  | \$ | 97,653         |
| Pension expense                 | \$ 105,106 | \$ | 100,621 | \$ | 205,727        |

\*Deferred outflows for PERS, and MPORS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$75,736 and \$29,809, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2024.

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

**Public Employee's Retirement System – Defined Benefit Retirement Plan**

**Summary of Significant Accounting Policies**

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

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**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 a 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).

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- 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

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- 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 Year | Member         |                | Local Government |        |
|-------------|----------------|----------------|------------------|--------|
|             | Hired<07/01/11 | Hired>07/01/11 | Employer         | State  |
| 2024        | 7.900%         | 7.900%         | 9.070%           | 0.100% |
| 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.

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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 \$34,979,900.

**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 Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023, are displayed 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 \$933,076 and the City's proportionate share was 0.38235 percent.

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|                                                                  | Net Pension<br>Liability as of<br>6/30/2024 | Net Pension<br>Liability as of<br>6/30/2023 | Percent of<br>Collective NPL<br>as of 6/30/2024 | Percent of<br>Collective NPL<br>as of 6/30/2023 | Change in<br>Percent of<br>Collective NPL |
|------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------|
| Employer Proportionate Share                                     | \$ 933,076                                  | \$ 967,245                                  | 0.038235%                                       | 0.040677%                                       | -0.002442%                                |
| State of Montana Proportionate Share<br>associated with Employer | 258,382                                     | 289,238                                     | 0.010588%                                       | 0.012164%                                       | -0.001576%                                |
| Total                                                            | <u>\$ 1,191,458</u>                         | <u>\$ 1,256,483</u>                         | <u>0.048823%</u>                                | <u>0.052841%</u>                                | <u>-0.004018%</u>                         |

*Changes in actuarial assumptions and methods:*

There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

*Changes in benefit terms:*

There 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, 2024, the City recognized a Pension Expense of \$80,866 for its proportionate share of the pension expense. The City also recognized grant revenue of \$24,240 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<br>as of 6/30/24 | Pension Expense<br>as of 6/30/23 |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| Employer Proportionate Share                                         | \$ 80,866                        | \$ 124,468                       |
| State of Montana Proportionate<br>Share associated with the Employer | 24,240                           | 29,980                           |
| Total                                                                | <u>\$ 105,106</u>                | <u>\$ 154,448</u>                |

*Recognition of Beginning Deferred Outflow*

At June 30, 2024, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2023 contributions of \$65,483.



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*Recognition of Deferred Inflows and Outflows:*

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

|                                                                                                                     | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual economic experience                                                         | \$ 37,163                                     | \$ -                                         |
| Actual vs. Expected Investment Earnings                                                                             | 2,367                                         | -                                            |
| Changes in Assumptions                                                                                              | -                                             | 33,281                                       |
| Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions | 2,949                                         | -                                            |
| Employer contributions subsequent to the measurement date - FY24*                                                   | 75,736                                        | -                                            |
| Total                                                                                                               | \$ <u>118,215</u>                             | \$ <u>33,281</u>                             |

\*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, 2024.

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

| For the Measurement<br>Year ended June 30: | Recognition of Deferred<br>Outflows and Deferred Inflows<br>in Future years as an increase<br>or (decrease) to Pension<br>Expense |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 2024                                       | \$ (3,215)                                                                                                                        |
| 2025                                       | \$ (37,097)                                                                                                                       |
| 2026                                       | \$ 55,174                                                                                                                         |
| 2027                                       | \$ (5,663)                                                                                                                        |
| Thereafter                                 | \$ -                                                                                                                              |

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**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2023 actuarial valuation, and was determined using the following actuarial assumptions.

- |                                            |             |
|--------------------------------------------|-------------|
| • Investment Return (net of admin expense) | 7.30%       |
| • Admin Expense as % of Payroll            | 0.28%       |
| • General Wage Growth*                     | 3.50%       |
| *includes Inflation at                     | 2.75%       |
| • Merit Increases                          | 0% to 4.80% |

**Postretirement Benefit Increases - 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**

- 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.

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**Target Allocations**

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

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

**Discount Rate**

The discount rate used to measure the TPL was 7.30%. 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 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

| <u>1.0% Decrease</u> | <u>Current</u>       | <u>1.0% Increase</u> |
|----------------------|----------------------|----------------------|
| <u>(6.30%)</u>       | <u>Discount Rate</u> | <u>(8.30%)</u>       |
| \$ 1,347,825         | \$ 933,076           | \$ 585,139           |

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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, 2023, 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 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

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 <https://mpera.mt.gov/about/annualreports1/annualreports>.

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**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.

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**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.

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Vesting

5 years of membership service

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.

| Fiscal<br>Year | Member           |                   |                   |                           | Employer | State   |
|----------------|------------------|-------------------|-------------------|---------------------------|----------|---------|
|                | Hired<br><7/1/75 | Hired<br>>6/30/75 | Hired<br>>6/30/79 | Hired<br>>6/30/97<br>GABA |          |         |
| 2000-2024      | 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 Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2023.

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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, 2024, and 2023 (reporting periods), 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 \$232,554 and the City's proportionate share was 0.1003 percent.

|                                                                  | Net Pension<br>Liability as of<br>6/30/2024 | Net Pension<br>Liability as of<br>6/30/2023 | Percent of<br>Collective NPL<br>as of 6/30/2024 | Percent of<br>Collective NPL<br>as of 6/30/2023 | Change in<br>Percent of<br>Collective NPL |
|------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------|
| Employer Proportionate Share                                     | \$ 232,554                                  | \$ 323,802                                  | 0.1003%                                         | 0.1371%                                         | -0.0368%                                  |
| State of Montana Proportionate Share<br>associated with Employer | 469,346                                     | 658,114                                     | 0.2024%                                         | 0.2786%                                         | -0.0762%                                  |
| Total                                                            | <u>\$ 701,900</u>                           | <u>\$ 981,916</u>                           | <u>0.3027%</u>                                  | <u>0.4157%</u>                                  | <u>-0.1130%</u>                           |

*Changes in actuarial assumptions and methods:*

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

*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, 2024, the City recognized a Pension Expense of \$19,702 for its proportionate share of the pension expense. The City also recognized grant revenue of \$80,919 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.



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|                                                                      | Pension Expense<br>as of 6/30/24 | Pension Expense<br>as of 6/30/23 |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| Employer Proportionate Share                                         | \$ 19,702                        | \$ 52,774                        |
| State of Montana Proportionate<br>Share associated with the Employer | 80,919                           | 112,833                          |
| Total                                                                | \$ <u>100,621</u>                | \$ <u>165,607</u>                |

*Recognition of Beginning Deferred Outflow*

At June 30, 2024, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2023 contributions of \$38,234.

*Recognition of Deferred Inflows and Outflows:*

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

|                                                                                                                              | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and<br>actual economic experience                                                               | \$ 3,041                             | \$ 492                              |
| Actual vs. Expected Investment<br>Earnings                                                                                   | 3,265                                | -                                   |
| Changes in Assumptions                                                                                                       | 6,980                                | 3,032                               |
| Changes in Proportion Share and<br>Differences between Employer<br>Contributions and Proportionate<br>Share of Contributions | -                                    | 60,848                              |
| Employer contributions subsequent<br>to the measurement date - FY24*                                                         | 29,809                               | -                                   |
| Total                                                                                                                        | \$ <u>43,095</u>                     | \$ <u>64,372</u>                    |

\*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, 2024.

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

| For the Measurement<br>Year ended June 30: | Recognition of Deferred<br>Outflows and Deferred Inflows<br>in Future years as an increase<br>or (decrease) to Pension<br>Expense |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 2024                                       | \$ (16,723)                                                                                                                       |
| 2025                                       | \$ (26,501)                                                                                                                       |
| 2026                                       | \$ (6,850)                                                                                                                        |
| 2027                                       | \$ (1,012)                                                                                                                        |
| Thereafter                                 | \$ -                                                                                                                              |

**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2023 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 1.0% to 6.40%

**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**

- Mortality assumptions among contributing members were based on PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Mortality assumptions among Healthy retiree members were based on 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.

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- Mortality assumptions among contingent survivors were based on PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Mortality assumptions among Disabled Retirees were based on PUB-2010 Safety Amount Weighted Disabled Retiree mortality table projected to 2021, set forward 1 year for males.

**Target Allocations**

The long-term rate of return as of June 30, 2024, long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023 is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table.

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

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**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<br>(6.30%) | Current<br>Discount Rate | 1.0% Increase<br>(8.30%) |
|--------------------------|--------------------------|--------------------------|
| \$ 358,876               | \$ 232,554               | \$ 132,255               |

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 <https://mpera.mt.gov/about/annualreports1/annualreports>.

**NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2024, was as follows:

**Due to/from other funds**

| <u>Purpose</u>                           | <u>Receivable Fund</u>       | <u>Payable Fund</u>       | <u>Amount</u>   |
|------------------------------------------|------------------------------|---------------------------|-----------------|
| Short term loan for deficit cash balance | General – Major Governmental | ARPA – Major Governmental | \$ <u>8,676</u> |

**Advances to/from other funds**

| <u>Purpose</u>      | <u>Receivable Fund</u>                     | <u>Payable Fund</u>                     | <u>Amount</u>   |
|---------------------|--------------------------------------------|-----------------------------------------|-----------------|
| Mineral Ave Project | Community Development – Major Governmental | Mineral Ave SID – Nonmajor Governmental | \$ <u>9,090</u> |

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**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2024:

| <u>Purpose</u>        | <u>Receivable Fund</u>                      | <u>Payable Fund</u>                   | <u>Amount</u>    |
|-----------------------|---------------------------------------------|---------------------------------------|------------------|
| Future Capital Assets | City Building CIP – Nonmajor Governmental   | General – Major Governmental          | \$160,000        |
| Future Capital Assets | Police Building CIP – Nonmajor Governmental | General – Major Governmental          | 25,000           |
| Future Capital Assets | Fire Building CIP – Nonmajor Governmental   | General – Major Governmental          | 65,000           |
| Future Capital Assets | Streets CIP Fund – Nonmajor Governmental    | General – Major Governmental          | 10,000           |
| Future Capital Assets | Water – Major Proprietary                   | IP Settlement – Nonmajor Governmental | 26,292           |
| Future Capital Assets | Sewer – Major Proprietary                   | IP Settlement – Nonmajor Governmental | 25,302           |
| Operating transfers   | General – Major Governmental                | Building Code – Nonmajor Governmental | 3,000            |
|                       |                                             |                                       | <u>\$314,594</u> |

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

Committed – includes constraint for specific purposes which are internally imposed by the formal action of the 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.

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

**Restricted Fund Balance**

| <u>Major Fund</u>     | <u>Amount</u>       | <u>Purpose of Restriction</u>                  |
|-----------------------|---------------------|------------------------------------------------|
| Gas Tax               | \$ 688,312          | Road Repair, maintenance and supplies          |
| Community Development | 1,581,164           | Housing and Community Development              |
| All Other Aggregate   | 18,193              | General Government administration and services |
|                       | 117,884             | Road Repair, maintenance and supplies          |
|                       | <u>103,408</u>      | Lighting maintenance and operations            |
|                       | <u>\$ 2,508,961</u> |                                                |

**Committed Fund Balance**

| <u>Major Fund</u>   | <u>Amount</u>     | <u>Purpose of Commitment</u>                                                                 |
|---------------------|-------------------|----------------------------------------------------------------------------------------------|
| All Other Aggregate | \$ 420,980        | Constructions and/or capital asset purchases                                                 |
|                     |                   | Water distribution projects, summer water and sewer usage, and/or other projects approved by |
|                     | <u>535,147</u>    | Town Council                                                                                 |
|                     | <u>\$ 956,127</u> |                                                                                              |

**NOTE 12. DEFICIT FUND BALANCES/NET POSITION**

| <u>Fund Name</u>        | <u>Amount</u>     | <u>Reason for Deficit</u> |
|-------------------------|-------------------|---------------------------|
| Mineral Ave SID Project | \$ <u>(2,496)</u> | Advances payable          |

**NOTE 13. RESTATEMENTS**

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

| <u>Fund</u>              | <u>Amount</u>    | <u>Reason for Adjustment</u>                                                                                                                                                |
|--------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ARPA                     | \$ 675           | Overstated prior year due from other governments                                                                                                                            |
|                          |                  | GASB Statement No. 100 - Change in major funds from FY23. Gas Tax was included with Other Governmental Funds in the prior year but is now a major fund in the current year. |
| Gas Tax                  | 202,947          |                                                                                                                                                                             |
|                          |                  | GASB Statement No. 100 - Change in major funds from FY23. Gas Tax was included with Other Governmental Funds in the prior year but is now a major fund in the current year. |
| Other Governmental Funds | <u>(202,947)</u> |                                                                                                                                                                             |
|                          | <u>\$ 675</u>    |                                                                                                                                                                             |

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 14. 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 15. 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.

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 16. 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.

| <u>Case</u>                                       | <u>Damages<br/>Requested</u> | <u>Potential<br/>of Loss</u> |
|---------------------------------------------------|------------------------------|------------------------------|
| <i>Angela Boniecki v. City of Libby*</i>          | \$5,000                      | Unknown                      |
| <i>Cabinet Mountain Brewing v. City of Libby*</i> | \$5,000                      | Unknown                      |
| * Property liability claim                        |                              |                              |

In addition to the above two property liability claims, a former City employee has pending for permanent partial and permanent total disability in a worker's compensation claim that is covered by workers compensation insurance. The claims against the insurance could total \$1,042,975 of which workers compensation has already paid out \$1,014,934.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Libby, Lincoln County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2024**

|                                              | <b>General</b>          |                     |                                                                |                                           |
|----------------------------------------------|-------------------------|---------------------|----------------------------------------------------------------|-------------------------------------------|
|                                              | <b>BUDGETED AMOUNTS</b> |                     | <b>ACTUAL<br/>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>VARIANCE<br/>WITH FINAL<br/>BUDGET</b> |
|                                              | <b>ORIGINAL</b>         | <b>FINAL</b>        |                                                                |                                           |
| <b>RESOURCES (INFLOWS):</b>                  |                         |                     |                                                                |                                           |
| Taxes and assessments                        | \$ 67,453               | \$ 509,605          | \$ 536,985                                                     | \$ 27,380                                 |
| Licenses and permits                         | 39,269                  | 39,269              | 40,420                                                         | 1,151                                     |
| Intergovernmental                            | 659,113                 | 659,113             | 759,436                                                        | 100,323                                   |
| Charges for services                         | 41,950                  | 41,950              | 48,453                                                         | 6,503                                     |
| Fines and forfeitures                        | 42,000                  | 42,000              | 38,158                                                         | (3,842)                                   |
| Miscellaneous                                | 136,624                 | 136,624             | 126,570                                                        | (10,054)                                  |
| Investment earnings                          | 25,000                  | 25,000              | 35,018                                                         | 10,018                                    |
| Amounts available for appropriation          | <u>\$ 1,011,409</u>     | <u>\$ 1,453,561</u> | <u>\$ 1,585,040</u>                                            | <u>\$ 131,479</u>                         |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                         |                     |                                                                |                                           |
| General government                           | \$ 400,096              | \$ 400,096          | \$ 341,213                                                     | \$ 58,883                                 |
| Public safety                                | 653,472                 | 653,472             | 684,232                                                        | (30,760)                                  |
| Public works                                 | 266,288                 | 266,288             | 181,133                                                        | 85,155                                    |
| Public health                                | 12,000                  | 12,000              | 12,000                                                         | -                                         |
| Culture and recreation                       | 65,705                  | 65,705              | 52,369                                                         | 13,336                                    |
| Miscellaneous                                | 56,000                  | 56,000              | 48,395                                                         | 7,605                                     |
| Capital outlay                               | -                       | -                   | 9,995                                                          | (9,995)                                   |
| Total charges to appropriations              | <u>\$ 1,453,561</u>     | <u>\$ 1,453,561</u> | <u>\$ 1,329,337</u>                                            | <u>\$ 124,224</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                         |                     |                                                                |                                           |
| Transfers in                                 | \$ -                    | \$ -                | \$ 3,000                                                       | \$ 3,000                                  |
| Transfers out                                | -                       | -                   | (260,000)                                                      | (260,000)                                 |
| Total other financing sources (uses)         | <u>\$ -</u>             | <u>\$ -</u>         | <u>\$ (257,000)</u>                                            | <u>\$ (257,000)</u>                       |
| Net change in fund balance                   |                         |                     | <u>\$ (1,297)</u>                                              |                                           |
| Fund balance - beginning of the year         |                         |                     | <u>\$ 688,828</u>                                              |                                           |
| Fund balance - end of the year               |                         |                     | <u>\$ 687,531</u>                                              |                                           |

**City of Libby, Lincoln County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2024**

|                                              | <b>Gas Tax</b>          |                     |                                                                |                                           |
|----------------------------------------------|-------------------------|---------------------|----------------------------------------------------------------|-------------------------------------------|
|                                              | <b>BUDGETED AMOUNTS</b> |                     | <b>ACTUAL<br/>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>VARIANCE<br/>WITH FINAL<br/>BUDGET</b> |
|                                              | <b><u>ORIGINAL</u></b>  | <b><u>FINAL</u></b> |                                                                |                                           |
| <b>RESOURCES (INFLOWS):</b>                  |                         |                     |                                                                |                                           |
| Intergovernmental                            | \$ 608,367              | \$ 608,367          | \$ 599,712                                                     | \$ (8,655)                                |
| Investment earnings                          | 3,700                   | 3,700               | 6,132                                                          | 2,432                                     |
| Amounts available for appropriation          | <u>\$ 612,067</u>       | <u>\$ 612,067</u>   | <u>\$ 605,844</u>                                              | <u>\$ (6,223)</u>                         |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                         |                     |                                                                |                                           |
| Public works                                 | \$ 63,544               | \$ 63,544           | \$ 91,129                                                      | \$ (27,585)                               |
| Capital outlay                               | 544,823                 | 544,823             | 29,350                                                         | 515,473                                   |
| Total charges to appropriations              | <u>\$ 608,367</u>       | <u>\$ 608,367</u>   | <u>\$ 120,479</u>                                              | <u>\$ 487,888</u>                         |
| Net change in fund balance                   |                         |                     | <u>\$ 485,365</u>                                              |                                           |
| Fund balance - beginning of the year         |                         |                     | <u>\$ 202,947</u>                                              |                                           |
| Fund balance - end of the year               |                         |                     | <u>\$ 688,312</u>                                              |                                           |

**City of Libby, Lincoln County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2024**

|                                              | <b>Community Development</b> |                     |                                                                |                                           |
|----------------------------------------------|------------------------------|---------------------|----------------------------------------------------------------|-------------------------------------------|
|                                              | <b>BUDGETED AMOUNTS</b>      |                     | <b>ACTUAL<br/>AMOUNTS<br/>(BUDGETARY<br/>BASIS) See Note A</b> | <b>VARIANCE<br/>WITH FINAL<br/>BUDGET</b> |
|                                              | <b><u>ORIGINAL</u></b>       | <b><u>FINAL</u></b> |                                                                |                                           |
| <b>RESOURCES (INFLOWS):</b>                  |                              |                     |                                                                |                                           |
| Miscellaneous                                | \$ 52,376                    | \$ 52,376           | \$ -                                                           | \$ (52,376)                               |
| Investment earnings                          | -                            | -                   | 77,323                                                         | 77,323                                    |
| Amounts available for appropriation          | <u>\$ 52,376</u>             | <u>\$ 52,376</u>    | <u>\$ 77,323</u>                                               | <u>\$ 24,947</u>                          |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b> |                              |                     |                                                                |                                           |
| Housing and community development            | \$ 200,000                   | \$ 200,000          | \$ 1,235                                                       | \$ 198,765                                |
| Total charges to appropriations              | <u>\$ 200,000</u>            | <u>\$ 200,000</u>   | <u>\$ 1,235</u>                                                | <u>\$ 198,765</u>                         |
| Net change in fund balance                   |                              |                     | <u>\$ 76,088</u>                                               |                                           |
| Fund balance - beginning of the year         |                              |                     | <u>\$ 1,505,076</u>                                            |                                           |
| Fund balance - end of the year               |                              |                     | <u><u>\$ 1,581,164</u></u>                                     |                                           |

City of Libby, Lincoln County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2024

|                                                 | ARPA             |              |                                     |                          |
|-------------------------------------------------|------------------|--------------|-------------------------------------|--------------------------|
|                                                 | BUDGETED AMOUNTS |              | ACTUAL AMOUNTS                      | VARIANCE                 |
|                                                 | <u>ORIGINAL</u>  | <u>FINAL</u> | <u>(BUDGETARY BASIS) See Note A</u> | <u>WITH FINAL BUDGET</u> |
| <b>RESOURCES (INFLOWS):</b>                     |                  |              |                                     |                          |
| Intergovernmental                               | \$ 613,125       | \$ 613,125   | \$ 848,438                          | \$ 235,313               |
| Amounts available for appropriation             | \$ 613,125       | \$ 613,125   | \$ 848,438                          | \$ 235,313               |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>    |                  |              |                                     |                          |
| Capital outlay                                  | \$ 1,153,676     | \$ 1,153,676 | \$ 848,438                          | \$ 305,238               |
| Total charges to appropriations                 | \$ 1,153,676     | \$ 1,153,676 | \$ 848,438                          | \$ 305,238               |
| Net change in fund balance                      |                  |              | \$ -                                |                          |
| Fund balance - beginning of the year            |                  |              | \$ 675                              |                          |
| Restatements                                    |                  |              | (675)                               |                          |
| Fund balance - beginning of the year - restated |                  |              | \$ -                                |                          |
| Fund balance - end of the year                  |                  |              | \$ -                                |                          |

**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**

|                                                                                                                              | <u>General</u>      | <u>Gas Tax</u>    | <u>Community<br/>Development</u> | <u>ARPA</u>       |
|------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|----------------------------------|-------------------|
| <b>Sources/Inflows of resources</b>                                                                                          |                     |                   |                                  |                   |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule                        | \$ 1,585,040        | \$ 605,844        | \$ 77,323                        | \$ 848,438        |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.       | <u>\$ 1,585,040</u> | <u>\$ 605,844</u> | <u>\$ 77,323</u>                 | <u>\$ 848,438</u> |
| Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule                    | \$ 1,329,337        | \$ 120,479        | \$ 1,235                         | \$ 848,438        |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 1,329,337</u> | <u>\$ 120,479</u> | <u>\$ 1,235</u>                  | <u>\$ 848,438</u> |

**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, 2024**

|                                                                   | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017       |
|-------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Total OPEB liability</b>                                       |              |              |              |              |              |              |              |            |
| Service Cost                                                      | \$ 3,183     | \$ 3,672     | \$ 3,672     | \$ 3,663     | \$ 3,663     | \$ 3,133     | \$ 3,134     | \$ -       |
| Change in assumptions and inputs                                  | (13,439)     | -            | (17,550)     | -            | 9,935        | -            | -            | -          |
| Net change in total OPEB liability                                | (10,256)     | 3,672        | (13,878)     | 3,663        | 13,598       | 3,133        | 3,134        | -          |
| Total OPEB Liability - beginning                                  | 35,162       | 31,490       | 45,368       | 41,705       | 28,107       | 24,974       | 26,049       | 26,049     |
| Restatement                                                       | -            | -            | -            | -            | -            | -            | (4,209)      | -          |
| Total OPEB Liability - ending                                     | \$ 24,906    | \$ 35,162    | \$ 31,490    | \$ 45,368    | \$ 41,705    | \$ 28,107    | \$ 24,974    | \$ 26,049  |
| Covered-employee payroll                                          | \$ 1,161,324 | \$ 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 | 2%           | 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, 2024**

|                                                                                                    | <b>PERS<br/>2024</b>  | <b>PERS<br/>2023</b>  | <b>PERS<br/>2022</b>  | <b>PERS<br/>2021</b>  | <b>PERS<br/>2020</b>  | <b>PERS<br/>2019</b>  | <b>PERS<br/>2018</b>  | <b>PERS<br/>2017</b>  | <b>PERS<br/>2016</b>  | <b>PERS<br/>2015</b>  |
|----------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Employer's proportion of the net pension liability                                                 | 0.038235%             | 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           | \$ 933,076            | \$ 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   | \$ 258,382            | \$ 289,238            | \$ 188,607            | \$ 325,001            | \$ 254,438            | \$ 250,522            | \$ 14,207             | \$ 10,459             | \$ 8,924              | \$ 9,151              |
| Total                                                                                              | \$ 1,191,458          | \$ 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                                                                         | \$ 710,867            | \$ 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 | 131.26%               | 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                         | 73.93%                | 73.66%                | 79.91%                | 68.90%                | 73.85%                | 73.47%                | 73.75%                | 74.71%                | 78.40%                | 79.87%                |
|                                                                                                    | <b>MPORS<br/>2024</b> | <b>MPORS<br/>2023</b> | <b>MPORS<br/>2022</b> | <b>MPORS<br/>2021</b> | <b>MPORS<br/>2020</b> | <b>MPORS<br/>2019</b> | <b>MPORS<br/>2018</b> | <b>MPORS<br/>2017</b> | <b>MPORS<br/>2016</b> | <b>MPORS<br/>2015</b> |
| Employer's proportion of the net pension liability                                                 | 0.1003%               | 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           | \$ 232,554            | \$ 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   | \$ 469,346            | \$ 658,114            | \$ 511,846            | \$ 695,323            | \$ 563,241            | \$ 501,456            | \$ 537,911            | \$ 547,872            | \$ 525,438            | \$ 516,970            |
| Total                                                                                              | \$ 701,900            | \$ 981,916            | \$ 763,669            | \$ 1,040,070          | \$ 839,834            | \$ 746,764            | \$ 801,832            | \$ 823,872            | \$ 784,773            | \$ 772,881            |
| Employer's covered payroll                                                                         | \$ 202,257            | \$ 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 | 114.98%               | 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                         | 71.65%                | 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, 2024**

|                                                                       |    | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> | <b>PERS</b> |
|-----------------------------------------------------------------------|----|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                                                       |    | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| Contractually required contributions                                  | \$ | 75,736      | \$ 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 | \$ | 75,736      | \$ 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                                                | \$ | 835,017     | \$ 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                      |    | 9.07%       | 8.97%       | 8.89%       | 8.86%       | 8.76%       | 8.60%       | 8.42%       | 8.37%       | 8.84%       | 9.01%       |

|                                                                       |    | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> | <b>MPORS</b> |
|-----------------------------------------------------------------------|----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                                                       |    | <b>2024</b>  | <b>2023</b>  | <b>2022</b>  | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  |
| Contractually required contributions                                  | \$ | 29,809       | \$ 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 | \$ | 29,809       | \$ 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                                                | \$ | 206,863      | \$ 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%       | 14.41%       | 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*

**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, 2024**

**Public Employees' Retirement System of Montana (PERS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

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

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

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

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

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

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

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

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

**2015 Legislative Changes**

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

**Second Retirement Benefit - for PERS**

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

**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, 2024**

- 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.

**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, 2024**

**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***

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

|                               |                                                                                                                                                                                                              |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Wage Growth*          | 3.50%                                                                                                                                                                                                        |
| Investment Rate of Return*    | 7.30%, net of pension plan investment and administrative expenses                                                                                                                                            |
| *Includes inflation at        | 2.75%                                                                                                                                                                                                        |
| Merit salary increase         | 0% to 4.80%                                                                                                                                                                                                  |
| 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                     |                                                                                                                                                                                                              |
| • Active Participation        | PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.                                                                         |
| • Disabled Retirees           | PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.                                                                       |
| • Contingent Survivors        | PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.                               |
| • Health Retirees             | PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021. |

**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, 2024**

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

**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.

**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, 2024**

**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.

**Lump-sum payouts**

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

**City of 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, 2024**

***Changes in Actuarial Assumptions and Methods***

***Method and assumptions used in calculations of actuarially determined contributions***

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

|                            |                                                                                                                                                                                                             |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Wage Growth*       | 3.50%                                                                                                                                                                                                       |
| Investment Rate of Return* | 7.30%, net of pension plan investments and administrative expenses                                                                                                                                          |
| *Includes inflation at     | 2.75%                                                                                                                                                                                                       |
| Merit salary increases     | 1% to 6.40%                                                                                                                                                                                                 |
| Asset valuation method     | Four-year smoothed market                                                                                                                                                                                   |
| Actuarial cost method      | Entry Age Normal                                                                                                                                                                                            |
| Amortization method        | Level percentage of pay, open                                                                                                                                                                               |
| Mortality                  |                                                                                                                                                                                                             |
| • Active Participants      | PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.                                                                         |
| • Healthy Retiree          | 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 Retiree         | PUB-2010 Safety Amount Weighted Disabled Retiree mortality table projected to 2021, set forward one 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.                                                    |

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

## **SINGLE AUDIT SECTION**



**City of Libby**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

| <i><b>Federal Grantor/Program or Cluster Title</b></i>     | <i><b>Federal CFDA<br/>Number</b></i> | <i><b>Federal<br/>Expenditures(\$)</b></i> |
|------------------------------------------------------------|---------------------------------------|--------------------------------------------|
| <b><i>Other Programs</i></b>                               |                                       |                                            |
| Department of the Treasury                                 |                                       |                                            |
| CORONAVIRUS STATE AND LOCAL FISCAL<br>RECOVERY FUNDS       |                                       |                                            |
| CORONAVIRUS STATE AND LOCAL FISCAL<br>RECOVERY FUNDS       | 21.027                                | \$ 848,438                                 |
| Total CORONAVIRUS STATE AND LOCAL FISCAL<br>RECOVERY FUNDS |                                       | 848,438                                    |
| <i>Total Department of the Treasury</i>                    |                                       | 848,438                                    |
| <b><i>Total Other Programs</i></b>                         |                                       | 848,438                                    |
| <b><i>Total Expenditures of Federal Awards</i></b>         |                                       | \$ 848,438                                 |

The accompanying notes are an integral part of this schedule

CITY OF LIBBY

LINCOLN COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2024

*Basis of Presentation and Significant Accounting Policies*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of City of Libby, Lincoln County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City of Libby, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Libby. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Libby has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

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

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

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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, 2024, 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 March 25, 2025.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item(s) 2024-001.

### **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*.

### **City of Libby's Response to Findings**

City of Libby's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. City of Libby's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

March 25, 2025

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

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

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

City of Libby  
Lincoln County  
Libby, Montana

**Report on Compliance for each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited City of Libby's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Libby's Major federal programs for the year ended June 30, 2024. City of Libby's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Libby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

### **Other Matters**

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

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Denning, Downey and Associates, CPAs, P.C.*

March 25, 2025

CITY OF LIBBY  
LINCOLN COUNTY, MONTANA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2024

**Section I – Summary of Auditor’s Results**

**Financial Statements**

|                                                                                  |                   |
|----------------------------------------------------------------------------------|-------------------|
| Type of auditor’s report issued                                                  | <i>Unmodified</i> |
| Internal control over financial reporting:                                       |                   |
| Material weakness(es) identified?                                                | Yes               |
| Significant deficiency(s) identified<br>not considered to be material weaknesses | None Reported     |
| Noncompliance material to financial statements<br>noted?                         | No                |

**Federal Awards**

|                                                                                                      |                   |
|------------------------------------------------------------------------------------------------------|-------------------|
| Internal control over major federal programs:                                                        |                   |
| Material weakness(es) identified?                                                                    | No                |
| Significant deficiency(s) identified                                                                 | None Reported     |
| Type of auditor’s report issued on compliance<br>for major programs:                                 | <i>Unmodified</i> |
| Any audit findings disclosed that are required<br>to be reported in accordance with 2 CFR 200.516(a) | No                |

**Identification of major programs:**

|                    |                                                   |
|--------------------|---------------------------------------------------|
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>         |
| 21.027             | Coronavirus State and Local Fiscal Recovery Funds |

|                                                                             |                   |
|-----------------------------------------------------------------------------|-------------------|
| Dollar threshold used to distinguish<br>between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee?                                      | No                |



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **Section II – Financial Statement Findings**

#### **2024-001      Uninsured Deposits**

**Condition:**

The City had a significant amount of their demand deposits that were uninsured and uncollateralized as of June 30, 2024 exposing the City to risk of loss.

**Context:**

As part of testing for the audit, we tested the City's deposits to determine how much was uninsured and uncollateralized.

**Criteria:**

A proper system of internal controls would ensure that the City's deposits be fully insurance or collateralized so that in the even of a bank failure, they would not be exposed to the risk of loss of their deposits.

**Effect:**

As of June 30, 2024, the City had \$3,402,251 or 41.21% of the total deposits that were not insured or collateralized.

**Cause:**

The City had a significant amount of demand deposits held by one bank that were not insured or collateralized.

**Recommendation:**

We recommend the City require the bank to collateralize the full amount of the deposits that are not insured.

### **Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.



# City of Libby Libby Montana

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Contact Person:

Leann Monigold, City Clerk/Treasurer

Expected Completion Date of Corrective Action Plan:

March 24, 2025

## **CORRECTIVE ACTION PLAN**

FINDING 2024-001: Uninsured Deposits

Response: I spoke with the bank manager on March 24, 2025 to let him know the City's auditor recommends 100% pledged securities on City funds. Shortly after I spoke with him, he sent an email stating Glacier Bank is updating the City of Libby pledging from 50% to 100% effective March 24, 2025.

## **STATUS OF PRIOR AUDIT FINDINGS**

There were no prior year audit findings.