

CITY OF HARDIN

BIG HORN COUNTY, MONTANA

Fiscal Years Ended June 30, 2022 and June 30, 2023

AUDIT REPORT

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

CITY OF HARDIN

BIG HORN COUNTY, MONTANA

Fiscal Years Ended June 30, 2022 and June 30, 2023

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CITY OF HARDIN

BIG HORN COUNTY, MONTANA

Fiscal Years Ended June 30, 2022 and June 30, 2023

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CITY OF HARDIN
BIG HORN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

Joe Purcell

Mayor

CITY COUNCIL

Karen Molina
Clayton Greer
Harry Kautzman
Antonio Espinoza
Jeremy Krebs
Chris Sharpe

Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

CITY OFFICIALS

Andrew Lehr
Jordan Knudsen
Donald Babbin Jr.
Angela Zimmer
Michael Hurff Jr.
James E. Seykora
Richard Bowler
Kristi Wedel

Finance Officer/City Clerk
Attorney
Chief of Police
Deputy City Clerk
Public Works Director
City Judge
City Judge
Utility Billing Clerk

Fiscal Year Ended June 30, 2023

Joe Purcell

Mayor

CITY COUNCIL

Jeremy Krebs
Clayton Greer
Chris Sharpe
AJ Espinoza
Rock J. Massine
Steven Hopes

Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

CITY OFFICIALS

Andrew Lehr
Jordan Knudsen
Donald Babbin Jr.
Michael Hurff Jr.
James Seykora
Richard Bowler
Angela Zimmer
Kristi Wedel

Finance Officer/City Clerk
Attorney
Chief of Police
Public Works Director
City Judge
City Judge
Deputy Clerk
Utility Billing Clerk

City of Hardin
Management's Discussion and Analysis
June 30, 2022

As management of the City of Hardin, Montana (the City), 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, 2022. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements contained in the main body of the report, to enhance their understanding of the City's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Other Supplementary Information is found at the end of the report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,508,450 (*net position*). Of this amount, (\$2,936,071) is the Net Investment in Capital Assets, \$7,333,071 is Restricted, and \$5,111,450 represents unrestricted net position, which would be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased \$44,882 over the prior fiscal year. This was caused by the contribution or addition of more capital asset than there were expenses for debt.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,528,383, an increase of \$252,974 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,099,324, or approximately 55% of the General Fund's total fund balance of \$1,994,656.
- At the end of the current fiscal year, the total of the *committed*, *assigned*, and *unassigned* components of *fund balance* for the General Fund was \$1,179,325 or 82% of total General Fund expenditures.
- The City's total debt decreased by \$533,870 during the current fiscal year. Key factors in the change include:
 - The Tax Increment Revenue Bond's principal balance remained the same and interest payable increased \$653,750.
 - Payments of principal on revenue bonds for water, wastewater, and landfill were \$292,000. Revenues bonds in the amount of \$172,120 were added in relation to Phase One and Phase Two of the Wastewater Upgrade project.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis Report is intended to serve as an introduction to the City'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) the Notes to the Financial Statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

City of Hardin
Management's Discussion and Analysis
June 30, 2022

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole except for the fiduciary funds. The Fire Department Relief Association (FDRA) is reported in the agency fund financial statements.

The *Statement of Net Position* includes all assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equaling *Net Position*. The *Statement of Activities* presents revenue and expense information showing how the city's net position changed during the year. Over time, increases or decreases to the City's net position serve as a useful indicator of whether the City's financial position is improving or deteriorating.

All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The *Statement of Net Position* and the *Statement of Activities* distinguishes between the following activities:

- Governmental Activities - much of the City's basic services are reported here, including general administration, public safety, public works, public health, culture and recreation, and community development. Property taxes, state entitlement distributions, property assessments, and state and federal grants finance most of the costs of these activities.
- Business-type Activities - the City charges a fee to customers to recover the cost of certain services provided. The City's water, wastewater, solid waste, and landfill activities are reported here.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Separate columns are used to present governmental and business-type activities and the component unit. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

City of Hardin
Management's Discussion and Analysis
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The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include (1) charges for services such as snow removal, weed spraying or removal, water, sewer, garbage and landfill fees and (2) operating grants that are restricted to a particular functional program. Property taxes, special assessments and other revenue sources not properly included with program revenue are reported as general revenues.

Discretely Presented Component Unit –Two Rivers Authority

The criteria for including organizations as component units within the City's reporting entity is set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the City's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the City. Based on those criteria the City has determined that the Two Rivers Authority is a component unit of the City. Therefore, the financial statements of the reporting entity include those of the City (the primary government) along with the Two Rivers Trade Port Authority herein referred to as Two Rivers Authority (a discretely presented component unit) which is discretely presented. Questions regarding Two Rivers Authority should be directed to Jeff McDowell, Two Rivers Authority, PO Box 324, Hardin, MT 59034-0324.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should general meet both of the following criteria:

- 1) total assets, liabilities, revenues or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc) for that fund type (governmental or enterprise), and
- 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Since the resources in the custodial funds cannot be used for City operations, they are not included in the City-wide statements.

City of Hardin
Management's Discussion and Analysis
June 30, 2022

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The City considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific City expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Payments of long-term debt principal are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures and depreciation is not recognized.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the General Fund be reported as a major fund. GASB Statement No. 54 requires that funds with similar revenue restrictions to the General fund be combined in the General fund. The funds are combined into one General fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Maintenance – This fund accounts for the revenues and expenditures of the City's Street Maintenance District. Fees collected from taxpayers are used for the maintenance of the City's streets and rights-of-ways within this district.

American Rescue Plan Act – This fund accounts for the COVID relief funds provided through the ARPA and the expenditures that are incurred for continuing government services, revenue loss, and water or sewer projects.

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TIFD –The Tax Increment Financing District (TIFD) fund accounts for revenues and costs to make payments on the revenue bond, which was used to improve the Industrial Park.

SID 120 Fund – The Special Improvement District 120 fund accounts for the costs and revenues associated with the construction of streets, curbs and gutters for the area of the City identified in the Wagner Subdivision.

Proprietary Funds

Enterprise funds – These business-type 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 connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water; Sewer; Solid Waste-Collection and Landfill funds are charges to customers for sales and services. Proprietary funds are reported using the full-accrual basis of accounting. The City reports the following major enterprise funds:

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

Sewer Fund –An enterprise fund that accounts for the activities of the City's sewer (wastewater) collection and treatment operations.

Solid Waste Funds – Enterprise funds that account for the activities of the City's solid waste system composed of garbage collection services and landfill operations. The City maintains two separate funds he activities of these funds. Detailed information regarding each of these funds is included in the Supplementary Information section of this report.

Custodial Funds – Custodial Funds generally are used to account for assets that the City holds in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the bank. The City's clearing funds are not reported on the fiduciary fund statements. In addition to clearing funds, the City maintains a custodial fund for the City Court which is used to account for the collection, holding and reimbursement of court bonds. The Fire Department Relief Association (FDRA) is used to account for assets held by the City in a trustee capacity.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statement and the accompanying notes, this report also presents certain *Required Supplementary Information (RSI)* concerning the City's obligation to provide Other Post Employment Benefits (OPEB) benefits to its employees as well as its proportionate share of Net Pension Liability in the State of Montana's Public Employee's Retirement System, schedules relating to pensions, and Budget and Actual Schedules.

City of Hardin
Management's Discussion and Analysis
June 30, 2022

THE CITY OF HARDIN AS A WHOLE - GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position over time may serve as a useful indicator of a government's financial position. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the year by \$9,463,568 (net position). The total net position increased by \$44,882 or .47% from last year. Total Liabilities and Deferred Inflows of Resources increased by \$571,490. This was the result of additional accrued interest payable through the TIFD bonds and revenue bonds issued in the Sewer fund for Phase One and Phase Two of the Wastewater Upgrade Project. Total assets of the City increased .75%. Net investment in capital assets decreased \$1,206,212. Of this, depreciation was \$1,243,466 and asset additions were \$556,799, additions to accrued interest were \$653,750, issued revenue bonds were \$172,120 and revenue bond payments were \$292,000.

A portion of the City's Net Position, \$(2,936,071), constitutes its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that y this debt would need to be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 8,858,930	\$ 8,300,579	\$ 558,351	\$ 8,496,775	\$ 7,917,837	\$ 578,938
Capital assets	14,775,945	14,885,638	(109,693)	9,193,478	9,791,550	(598,072)
Total assets	<u>\$ 23,634,875</u>	<u>\$ 23,186,217</u>	<u>\$ 448,658</u>	<u>\$ 17,690,253</u>	<u>\$ 17,709,387</u>	<u>\$ (19,134)</u>
Long-term debt outstanding	\$ 21,760,025	\$ 778,683	\$ 20,981,342	\$ 1,982,305	\$ 1,087,593	\$ 894,712
Other liabilities	6,390,225	26,049,821	(19,659,596)	2,049,293	3,528,587	(1,479,294)
Total liabilities	<u>\$ 28,150,250</u>	<u>\$ 26,828,504</u>	<u>\$ 1,321,746</u>	<u>\$ 4,031,598</u>	<u>\$ 4,616,180</u>	<u>\$ (584,582)</u>
Net investment in capital assets	\$ (10,703,432)	\$ (9,956,862)	\$ (746,570)	\$ 7,784,023	\$ 8,262,215	\$ (478,192)
Restricted	4,746,398	6,232,412	(1,486,014)	2,416,528	2,689,043	(272,515)
Unrestricted (deficit)	1,441,659	82,163	1,359,496	3,458,104	2,141,949	1,316,155
Total net position	<u>\$ (4,515,375)</u>	<u>\$ (3,642,287)</u>	<u>\$ (873,088)</u>	<u>\$ 13,658,655</u>	<u>\$ 13,093,207</u>	<u>\$ 565,448</u>

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,508,450 (*net position*). \$7,333,071 or 77% is the Restricted portion of the City's net position. The balance of unrestricted net position \$5,111,450 represents the net position which would be used to meet the government's ongoing obligations to citizens and creditors.

City of Hardin
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June 30, 2022

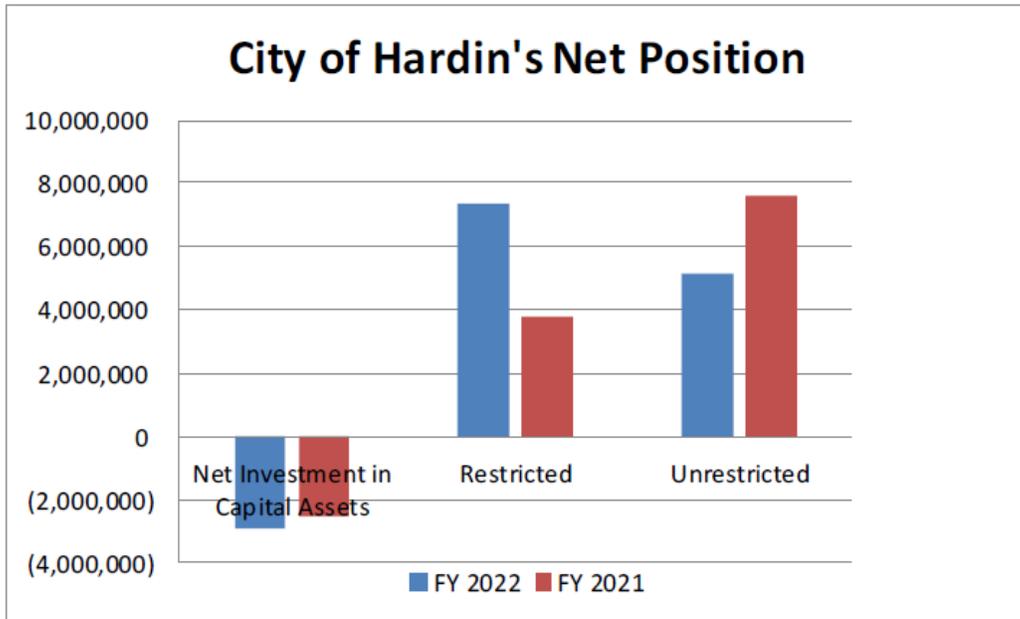
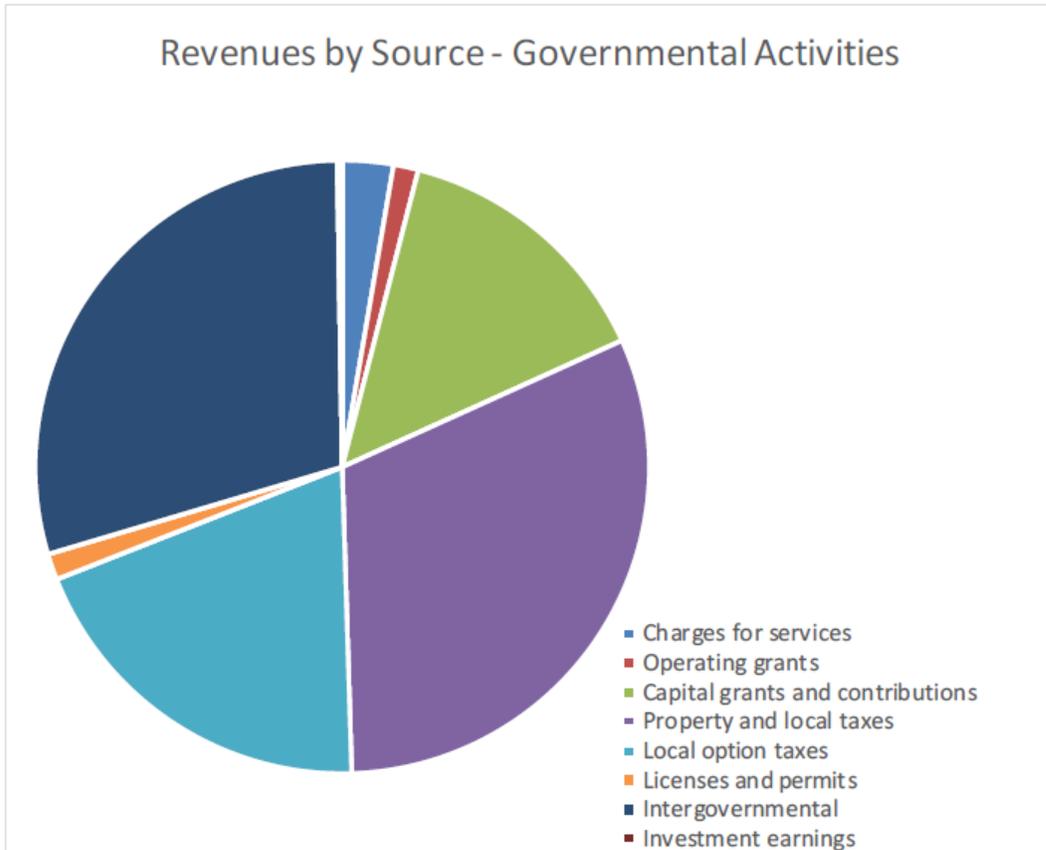


Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 81,812	\$ 86,708	\$ (4,896)	\$ 2,891,989	\$ 2,695,495	\$ 196,494
Operating grants and contributions	40,288	78,388	(38,100)	-	-	-
Capital grants and contributions	435,771	12,375	423,396	2,965	-	2,965
<i>General revenues (by major source):</i>						
Property taxes for general purposes	956,542	975,206	(18,664)	-	-	-
Licenses and permits	42,322	36,823	5,499	-	-	-
Miscellaneous	13,744	8,410	5,334	16,841	5,185	11,656
Interest/investment earnings	7,918	13,565	(5,647)	(25,402)	28,834	(54,236)
Local option taxes	597,149	614,251	(17,102)	7,618	5,778	1,840
Unrestricted federal/state shared revenues	928,069	885,771	42,298	67,634	122,357	(54,723)
Total revenues	<u>\$ 3,103,615</u>	<u>\$ 2,711,497</u>	<u>\$ 392,118</u>	<u>\$ 2,961,645</u>	<u>\$ 2,857,649</u>	<u>\$ 103,996</u>
Program expenses						
General government	\$ 576,060	\$ 606,706	\$ (30,646)	\$ -	\$ -	\$ -
Public safety	853,143	780,371	72,772	-	-	-
Public works	856,442	948,813	(92,371)	-	-	-
Public health	66,335	54,603	11,732	-	-	-
Culture and recreation	142,572	163,699	(21,127)	-	-	-
Housing and community development	149,925	112,550	37,375	-	-	-
Debt service - interest	1,318,002	1,317,924	78	-	-	-
Miscellaneous	26,877	-	26,877	-	-	-
Water	-	-	-	763,793	807,649	(43,856)
Sewer	-	-	-	566,864	636,840	(69,976)
Solid Waste	-	-	-	273,419	1,037,927	(764,508)
Landfill	-	-	-	792,121	-	792,121
Total expenses	<u>\$ 3,989,356</u>	<u>\$ 3,984,666</u>	<u>\$ 4,690</u>	<u>\$ 2,396,197</u>	<u>\$ 2,482,416</u>	<u>\$ (86,219)</u>
Increase (decrease) in net position	<u>\$ (885,741)</u>	<u>\$ (1,273,169)</u>	<u>\$ 387,428</u>	<u>\$ 565,448</u>	<u>\$ 375,233</u>	<u>\$ 190,215</u>

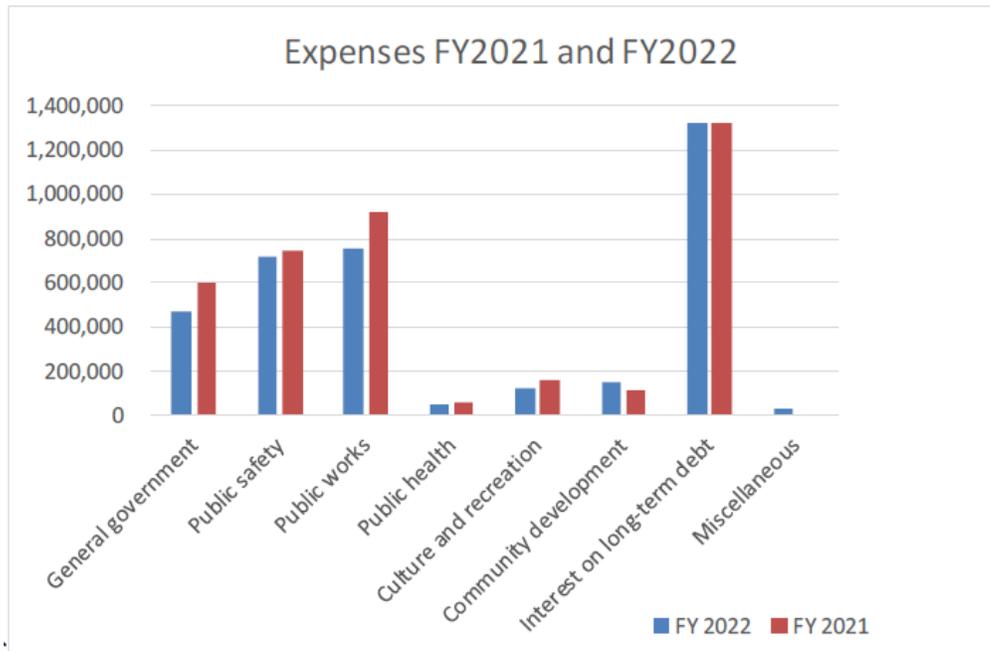
**City of Hardin
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Governmental Activities: During the current fiscal year, total Net Position for governmental activities decreased \$534,978 from the prior fiscal year for an ending balance of (\$4,164,612). Expenditures exceeded revenues by \$534,978.



- Total Revenues increased \$500,219
- Charges for services decreased \$11,580
- Operating Grants and Contributions increased \$3,487
- Capital Grants and Contributions increased \$355,823
- Property taxes increased \$92,290
- Local option taxes (TIFD) decreased \$17,175
- Licenses or permits increased \$5,499
- Federal or State shared revenues increased \$65,810
- Investment earnings/Fair value decreased \$5,548
- Other general revenue increased \$11,713

**City of Hardin
Management’s Discussion and Analysis
June 30, 2022**



Expenses FY 2022 and FY 2021

Expenses:

- Total Governmental expenses decreased \$306,263
- General government expenses decreased \$130,453
- Public Safety expenses decreased by \$32,198
- Public Works expenses decreased \$164,137
- Public Health expenses decreased \$6,195
- Culture and recreation (parks) decreased \$37,016
- Housing and Community Development increased \$36,783
- Interest on Long-Term Debt increased \$76
- Miscellaneous increased \$26,877

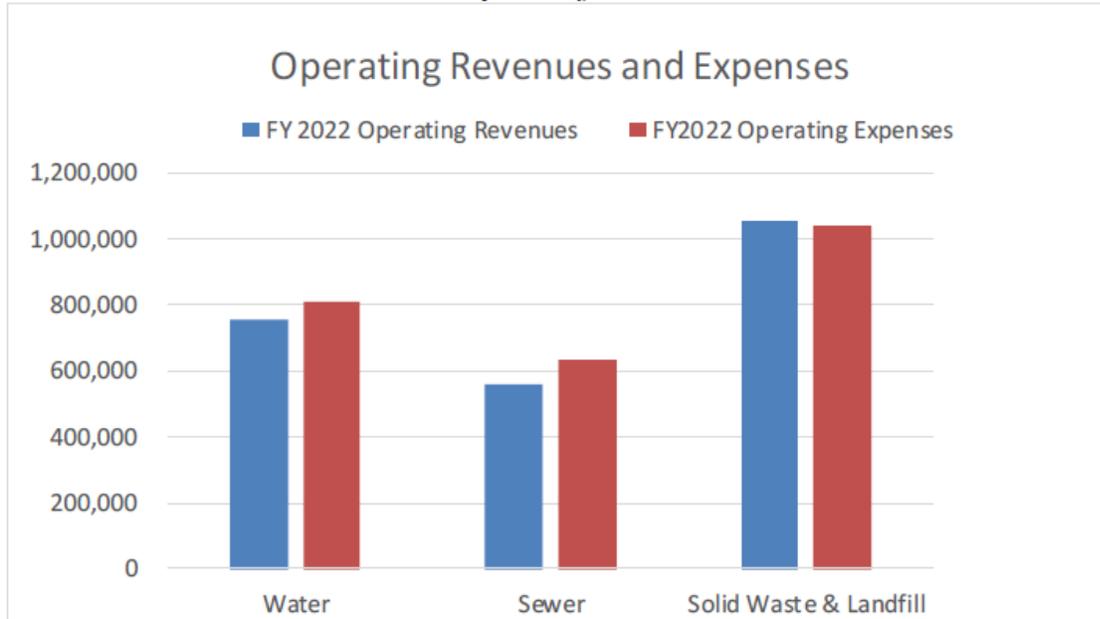
Business-type Activities: The City’s water, sewer, and solid waste activities resulted in an increase in net position of \$579,860. The Water fund’s net position increased \$80,183, and Sewer increased \$307,201, and Solid Waste Activities increased \$192,476.

Revenues:

The Water fund had an increase in operating revenues of \$22,576 compared to fiscal year 2021. The Sewer fund increased slightly \$559, with no increase to the base rate for fiscal year 2022. Solid Waste – Collection Services had a 2% rate increase, and Landfill rates were raised 3%. Solid Waste activities increased \$186,863 in aggregate; Garbage \$24,841 and Landfill \$162,022.

**City of Hardin
Management's Discussion and Analysis
June 30, 2022**

Proprietary Funds



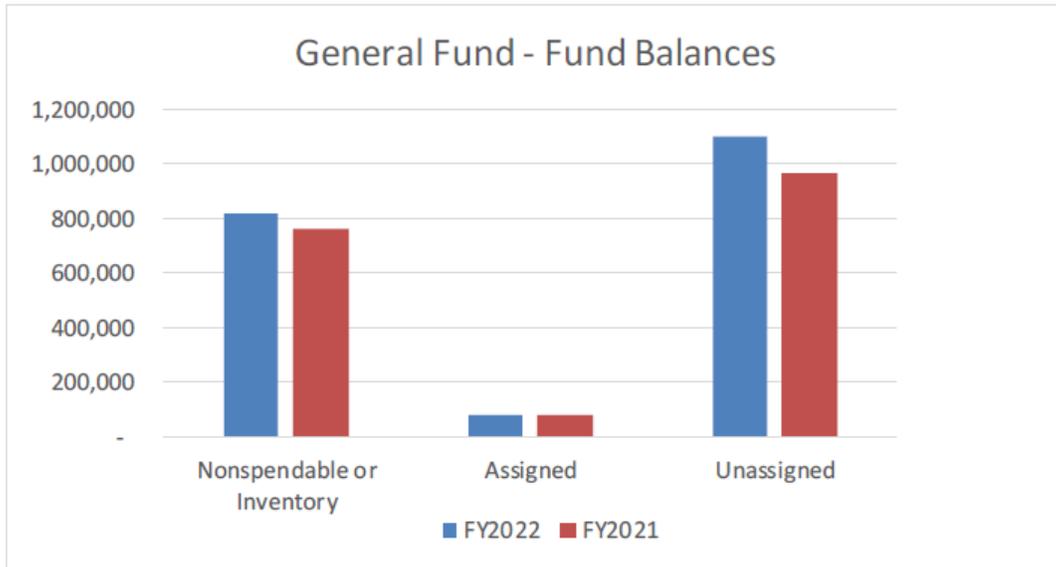
Expenses in the proprietary funds decreased \$118,498 overall. The most significant decrease was due to wages and depreciation. Wages decreased in part due to the new time tracking software that was used to account for hours and allocations. Depreciation decreased due to the declining carrying value of proprietary fund fixed assets. Supplies and purchased services increased approximately \$129,013.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use of particular purposes by the City Council.

As of June 30, the City's governmental funds reported a combined fund balance of \$3,528,383 an increase of \$252,974 compared to last year. Non-spendable amounts of \$1,350,515 are for interfund loans, inventory, and prepaid expense. The restricted fund balance of \$2,157,154 is stipulated by constitutional provisions or enabling legislation. \$80,000 is assigned for items such as Housing and Community Development. As the SIDs (interfund loans) are paid back, the Unassigned fund balances are increasing.

**City of Hardin
Management's Discussion and Analysis
June 30, 2022**



General Fund Budgetary Highlights:

The City's General Fund is the chief operating fund for governmental activities. At June 30, 2022 the total fund balance was \$1,994,656 which is a \$185,748 increase from the prior year. \$815,332 or 41% is non-spendable (interfund loans receivable or inventory). At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$1,099,325, or 72% of total General Fund expenditures and net transfers (\$1,536,436).

Actual revenues of \$1,722,184 were \$157,845 less than anticipated. Actual expenditures (other than transfers or loans) in the General Fund were \$1,536,436. Overall expenditures and transfers were \$541,784 less than anticipated. General government expenditures were \$92,578 less than budgeted, public safety was \$223,002 less than budgeted, culture and recreation was \$47,895 less and Community Development was \$106,442 less than budgeted. \$130,000 has been aside for loans and lighting district development in the Industrial Park. There was no transfer to Street Maintenance as there were enough other contributions to the fund that there was no need for the transfer.

Other Governmental Funds Components of Fund Balance June 30, 2022 and 2021

The **Street Maintenance Fund** had a fund balance of \$582,977. Of this, 19% or \$113,290 represents inventory. The fund balance increased \$49,730 from last year.

The **Tax Increment Finance District** is for debt service of a revenue bond. The fund balance decreased \$126,176. Anticipated revenues will not be enough to meet the debt service obligations. Current reserves and taxes are being used to help make the interest payments. More information is available on <http://www.emma.msrb.org> (Electronic Municipal Market Access) for Hardin's Tax Increment Bonds.

**City of Hardin
Management's Discussion and Analysis
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SID 120's fund balance increased \$50,890 to (\$779,352), and **SID 121's** increased \$18,429 to (\$299,208). These represent the balance of interfund loans for the Special Improvement Districts (SIDs) in the Wagner and Westlich-Heimat Subdivisions. Fund balances will continue to increase as taxpayers pay their assessments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2022 total \$23,969,423 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, water and sewer plants, equipment, and infrastructure (e.g., water lines, sewer lines, streets, alleys, curbs, gutters, and sidewalks).

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Non-depreciable assets						
Land	553,285	553,285	463,193	463,193	1,016,478	1,016,478
Easements (no land/depreciation)	40,622	40,622	-	-	40,622	40,622
Intangibles	12,000	-	-	-	12,000	-
Construction-in-progress	-	-	16,237	-	16,237	-
	<u>605,907</u>	<u>593,907</u>	<u>479,430</u>	<u>463,193</u>	<u>1,085,337</u>	<u>1,057,100</u>
Depreciable assets						
Buildings/improvements/systems	836,316	854,124	69,284	72,764	905,600	926,888
Improvements other than buildings	134,708	143,801	136,663	272,287	271,371	416,088
Machinery and equipment	729,440	617,183	612,482	713,336	1,341,922	1,330,519
Infrastructure (general plant)	12,469,574	12,676,622	32,084	38,740	12,501,658	12,715,362
Treatment plant	-	-	2,379,055	2,542,523	2,379,055	2,542,523
Transmission and distribution	-	-	5,484,480	5,688,705	5,484,480	5,688,705
	<u>14,170,038</u>	<u>14,291,730</u>	<u>8,714,048</u>	<u>9,328,355</u>	<u>22,884,086</u>	<u>23,620,085</u>
Total Capital Assets	<u>14,775,945</u>	<u>14,885,637</u>	<u>9,193,478</u>	<u>9,791,548</u>	<u>23,969,423</u>	<u>24,677,185</u>

Investments in capital assets for Fiscal Year 2021 include the following: Governmental:

Proprietary:

Phase II of Waste Water Project (In-Progress) 16,237 Water Treatment Plant radio communication equipment 56,215.

**City of Hardin
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June 30, 2022**

Outstanding debt:

Kokomo Road Contribution from Yerger	\$ 216,063
7 Police Vehicles	\$ 217,779
Fire Dept. Extractor Washing Machine	\$ 5,237
HVAC System at Council Chambers	\$ 12,146
Text-to-911 program	\$ 12,000
9 Tasers	\$ 21,091

At the end of the current fiscal year, the City had total debt of \$26,905,705. This is \$533,870 more than the previous year. There is an additional \$653,750 interest payable on the TIFD Bonds. As of the date of this report, no principal payments have been made on the TIFD revenue bond. Revenue bonds in the proprietary funds are current. They decreased \$292,000 and revenue bonds of \$172,120 were issued in the Sewer Fund for Phase One and Two of the current upgrade project.

	Governmental Activities		Business-Type Activities		Total	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Tax increment revenue bonds	20,920,000	20,920,000	-	-	20,920,000	20,920,000
Tax increment interest payable	4,576,250	3,922,500	-	-	4,576,250	3,922,500
Revenue bonds	-	-	1,409,455	1,529,335	1,409,455	1,529,335
Total	25,496,250	24,842,500	1,409,455	1,529,335	26,905,705	26,371,835

Additional information on long-term debt can be found in the notes of the basic financial statements.

Interfund Loans:

The City created and financed SID 120 and 121 to provide improved infrastructure in the Wagner and Westlich- Heimat subdivisions. These charts represent receivables and payables within the funds as listed on the Balance Sheet for Governmental Funds:

INTERFUND ACTIVITIES			INTERFUND ACTIVITIES		
Receivables:	FY 2022	FY 2021	Payables:	FY 2022	FY 2021
General Fund	809,735	755,786	CDBG Economic Development Fund	-	600
Curb & Gutter	58,164	61,892	Montana Main Street	10,250	
Gas Apportionment	115,222	122,615	Rural Comm Development	25,389	-
Capital Improvements	208,056	221,402	Growth Policy	0	12,347
	<u>1,191,177</u>	<u>1,161,695</u>	SID 120	780,329	831,110
			SID 121	299,209	317,638
			Parks - Capital	76,000	-
				<u>1,191,177</u>	<u>1,161,695</u>

City of Hardin
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THE CITY OF HARDIN'S FUTURE

The City strives to offer an environment that is healthy for its citizens and future development. Two Rivers Trade Port Authority potentially has found a tenant for the detention facility. Due to the valuation of a major industry in the Tax Increment Finance District, the anticipated revenue for the TIFD revenue bond will not meet original projections, but has increased for the first time in the last three years.

The City of Hardin is committed to providing a hometown atmosphere that is inviting to businesses. The development of the Industrial Park is a key goal along with attracting businesses to occupy it. The City is working on projects to invite more tourism and development to its downtown corridor.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the City of Hardin's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Hardin, Finance Office, 406 North Cheyenne, Hardin, MT 59034.

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

As management of the City of Hardin, Montana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements contained in the main body of the report, to enhance their understanding of the City's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

Other Supplementary Information is found at the end of the report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,735,906 (*net position*). Of this amount, \$2,518,510 is the Net Investment in Capital Assets, \$5,768,948 is Restricted, and \$448,448 represents unrestricted net position, which would be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$772,543 from the prior fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,096,829, an increase of \$568,446 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,942,246, or approximately 99.8% of the General Fund's total fund balance of \$1,945,953. Unassigned fund balance accounted for 115% of the fiscal year 2023 expenditures in the General Fund.
- The City's total debt increased by \$446,715 during the current fiscal year. Key factors in the change include:
 - The Tax Increment Revenue Bond's principal balance remained the same and interest payable increased \$678,398.
 - Payments of principal on revenue bonds for water, wastewater, and landfill were \$292,000. Revenues bonds in the amount of \$60,317 were added in relation to Phase Two of the Wastewater Upgrade project.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis Report is intended to serve as an introduction to the City'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) the Notes to the Financial Statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Hardin
Management's Discussion and Analysis
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The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole except for the fiduciary funds. The Fire Department Relief Association (FDRA) is reported in the agency fund financial statements.

The *Statement of Net Position* includes all assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equaling *Net Position*. The *Statement of Activities* presents revenue and expense information showing how the city's net position changed during the year. Over time, increases or decreases to the City's net position serve as a useful indicator of whether the City's financial position is improving or deteriorating.

All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The *Statement of Net Position* and the *Statement of Activities* distinguishes between the following activities:

- Governmental Activities - much of the City's basic services are reported here, including general administration, public safety, public works, public health, culture and recreation, and community development. Property taxes, state entitlement distributions, property assessments, and state and federal grants finance most of the costs of these activities.
- Business-type Activities - the City charges a fee to customers to recover the cost of certain services provided. The City's water, wastewater, solid waste, and landfill activities are reported here.

The government-wide financial statements and fiduciary fund statements report using the economic resources measurement focus and the accrual basis of accounting generally including the elimination of internal service activity between or within funds. Separate columns are used to present governmental and business-type activities and the component unit. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net Position is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include (1) charges for services such as snow removal, weed spraying or removal, water, sewer, garbage and landfill fees and (2) operating grants that are restricted to a particular functional program. Property taxes, special assessments and other revenue sources not properly included with program revenue are reported as general revenues.

City of Hardin
Management's Discussion and Analysis
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Discretely Presented Component Unit –Two Rivers Authority

The criteria for including organizations as component units within the City's reporting entity is set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the City's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the City. Based on those criteria the City has determined that the Two Rivers Authority is a component unit of the City. Therefore, the financial statements of the reporting entity include those of the City (the primary government) along with the Two Rivers Trade Port Authority herein referred to as Two Rivers Authority (a discretely presented component unit) which is discretely presented. Questions regarding Two Rivers Authority should be directed to Jeff McDowell, Two Rivers Authority, PO Box 324, Hardin, MT 59034-0324.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should general meet both of the following criteria: 1) total assets, liabilities, revenues or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc) for that fund type (governmental or enterprise), and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Since the resources in the custodial funds cannot be used for City operations, they are not included in the City-wide statements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The City considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific City expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures are recognized when the liability is incurred, except for claims, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Payments of long-term debt principal are reported as expenditures when paid. Capital asset purchases are recorded as functional expenditures and depreciation is not recognized.

City of Hardin
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Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants and donations are recognized when all eligibility requirements imposed by the provider have been satisfied. Eligibility requirements include timing requirements, which specify whether resources are required to be used for the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the General Fund be reported as a major fund. GASB Statement No. 54 requires that funds with similar revenue restrictions to the General fund be combined in the General fund. The funds are combined into one General fund. All other governmental funds that exceed 10% of total governmental fund assets, liabilities, revenues, or expenditures are reported as major funds.

The City reports the following **major governmental** funds:

General Fund – The General Fund is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Maintenance – This fund accounts for the revenues and expenditures of the City's Street Maintenance District. Fees collected from taxpayers are used for the maintenance of the City's streets and rights-of-ways within this district.

American Rescue Plan Act – This fund accounts for the COVID relief funds provided through the ARPA and the expenditures that are incurred for continuing government services, revenue loss, and water or sewer projects.

TIFD – The Tax Increment Financing District (TIFD) fund accounts for revenues and costs to make payments on the revenue bond, which was used to improve the Industrial Park.

SID 120 Fund – The Special Improvement District 120 fund accounts for the costs and revenues associated with the construction of streets, curbs and gutters for the area of the City identified in the Wagner Subdivision.

Proprietary Funds

Enterprise funds – These business-type 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 connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water; Sewer; Solid Waste-Collection and Landfill funds are charges to customers for sales and services. Proprietary funds are reported using the full-accrual basis of accounting. The City reports the following **major enterprise** funds:

City of Hardin
Management’s Discussion and Analysis
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Water Fund –An enterprise fund that accounts for the activities of the City’s water treatment and distribution operations.

Sewer Fund –An enterprise fund that accounts for the activities of the City’s sewer (wastewater) collection and treatment operations.

Solid Waste Funds – Enterprise funds that account for the activities of the City’s solid waste system composed of garbage collection services and landfill operations. The City maintains two separate funds (Collection and Landfill) to account for the activities of these funds. Detailed information regarding each of these funds is included in the Supplementary Information section of this report.

Custodial Funds – Custodial Funds generally are used to account for assets that the City holds in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the bank. The City’s clearing funds are not reported on the fiduciary fund statements. In addition to clearing funds, the City maintains a custodial fund for the City Court which is used to account for the collection, holding and reimbursement of court bonds. The Fire Department Relief Association (FDRA) is used to account for assets held by the City in a trustee capacity.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statement and the accompanying notes, this report also presents certain *Required Supplementary Information (RSI)* concerning the City’s obligation to provide Other Post Employment Benefits (OPEB) benefits to its employees as well as its proportionate share of Net Pension Liability in the State of Montana’s Public Employee’s Retirement System, schedules relating to pensions, and Budget and Actual Schedules.

THE CITY of HARDIN AS A WHOLE - GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position over time may serve as a useful indicator of a government’s financial position. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the year by \$8,735,906 (net position). The total net position decreased by \$772,543 or 8.12% from last year. Total Liabilities and Deferred Inflows of Resources increased by \$1,658,120. This was the result of additional accrued interest payable through the TIFD bonds and revenue bonds issued in the Sewer fund for Phase One and Phase Two of the Wastewater Upgrade Project. The net pension liability and OPEB liability both increased as well. Total assets of the City increased 2.14%. Net investment in capital assets increased \$5,437,919.

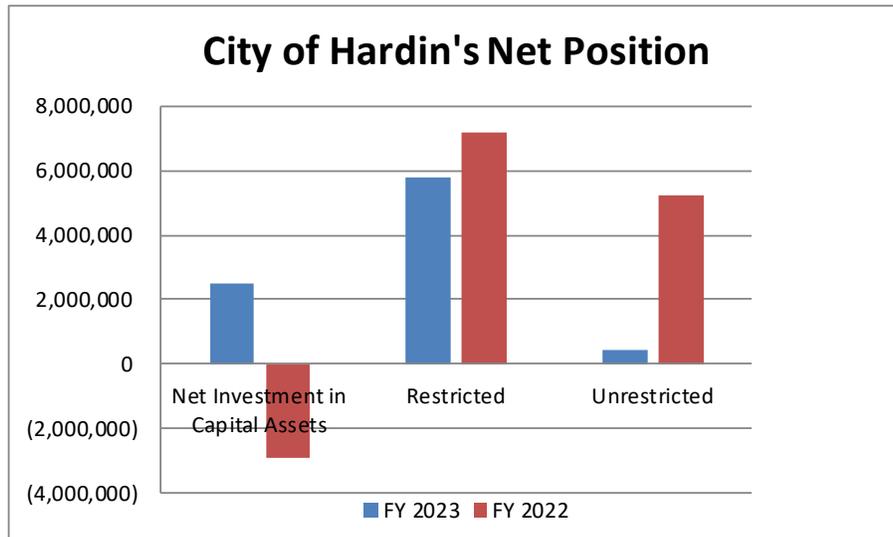
A portion of the City’s Net Position, \$2,518,510, constitutes its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt would need to be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

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

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 9,615,864	\$ 8,858,930	\$ 756,934	\$ 9,142,367	\$ 8,496,775	\$ 645,592
Capital assets	14,476,915	14,775,945	(299,030)	8,961,595	9,193,478	(231,883)
Total assets	\$ 24,092,779	\$ 23,634,875	\$ 457,904	\$ 18,103,962	\$ 17,690,253	\$ 413,709
Long-term debt outstanding	\$ 22,229,927	\$ 21,760,025	\$ 469,902	\$ 2,010,535	\$ 1,982,305	\$ 28,230
Other liabilities	7,183,657	6,390,225	793,432	2,036,717	2,049,293	(12,576)
Total liabilities	\$ 29,413,584	\$ 28,150,250	\$ 1,263,334	\$ 4,047,252	\$ 4,031,598	\$ 15,654
Net investment in capital assets	\$ (6,443,085)	\$ (10,703,432)	\$ 4,260,347	\$ 7,789,823	\$ 7,784,023	\$ 5,800
Restricted	5,695,463	4,746,398	949,065	1,538,033	2,416,528	(878,495)
Unrestricted (deficit)	(4,573,183)	1,441,659	(6,014,842)	4,728,854	3,458,104	1,270,750
Total net position	\$ (5,320,805)	\$ (4,515,375)	\$ (805,430)	\$ 14,056,710	\$ 13,658,655	\$ 398,055

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,735,906 (*net position*). \$5,768,948 or 66% is the Restricted portion of the City's net position. The balance of unrestricted net position \$448,448 represents the net position which would be used to meet the government's ongoing obligations to citizens and creditors.



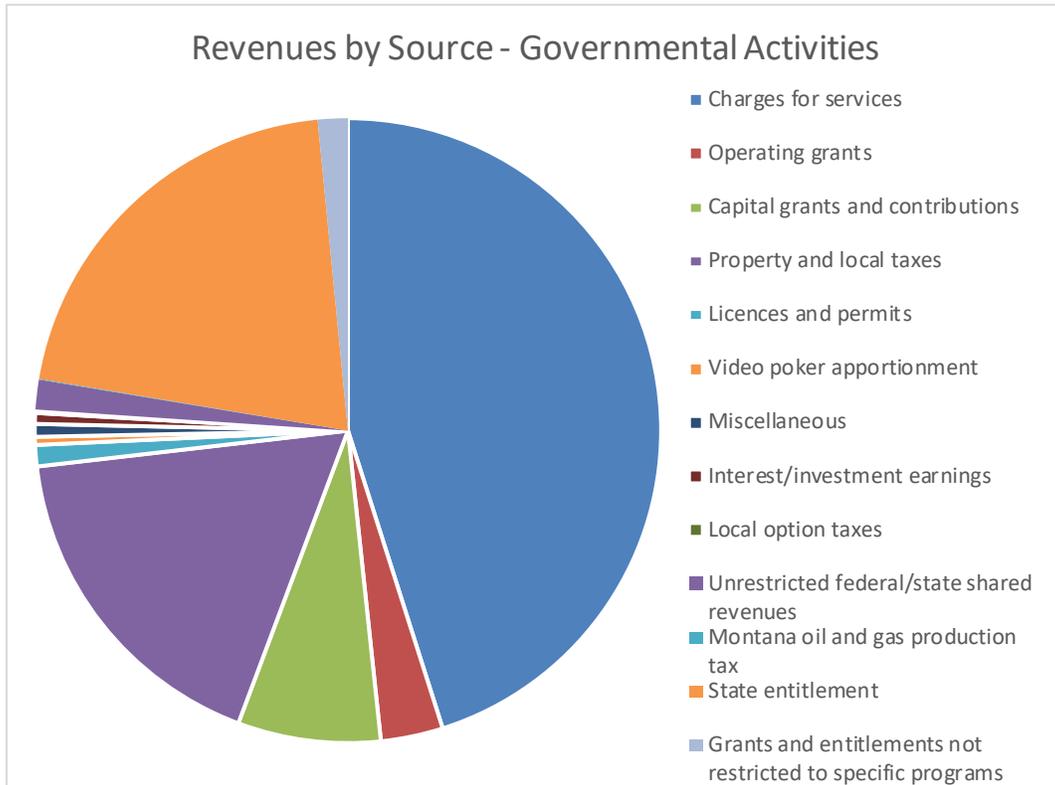
City of Hardin
Management's Discussion and Analysis
June 30, 2023

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 302,399	\$ 81,812	\$ 220,587	\$ 2,935,637	\$ 2,891,989	\$ 43,648
Operating grants and contributions	119,050	40,288	78,762	-	-	-
Capital grants and contributions	273,223	435,771	(162,548)	186,400	2,965	183,435
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,017,050	956,542	1,060,508	-	-	-
Licenses and permits	40,848	42,322	(1,474)	-	-	-
Video poker apportionment	15,425	-	15,425	-	-	-
Miscellaneous	24,469	13,744	10,725	6,050	16,841	(10,791)
Interest/investment earnings	20,695	7,918	12,777	26,262	(25,402)	51,664
Local option taxes	6,552	597,149	(590,597)	-	7,618	(7,618)
Unrestricted federal/state shared revenues	828,159	928,069	(99,910)	-	67,634	(67,634)
Montana oil and gas production tax	1,079	-	1,079	-	-	-
Grants and entitlements not restricted to specific programs	57,276	-	57,276	-	-	-
State contributions to retirement	37,058	-	37,058	21,859	-	21,859
Total revenues	<u>\$ 3,743,283</u>	<u>\$ 3,103,615</u>	<u>\$ 639,668</u>	<u>\$ 3,176,208</u>	<u>\$ 2,961,645</u>	<u>\$ 214,563</u>
Program expenses						
General government	\$ 701,383	\$ 576,060	\$ 125,323	\$ -	\$ -	\$ -
Public safety	1,180,171	853,143	327,028	-	-	-
Public works	911,082	856,442	54,640	-	-	-
Public health	24,813	66,335	(41,522)	-	-	-
Culture and recreation	157,992	142,572	15,420	-	-	-
Housing and community development	113,621	149,925	(36,304)	-	-	-
Debt service - interest	1,566,697	1,318,002	248,695	-	-	-
Miscellaneous	3,761	26,877	(23,116)	-	-	-
Water	-	-	-	1,039,604	763,793	275,811
Sewer	-	-	-	750,839	566,864	183,975
Solid Waste - Collection	-	-	-	403,336	273,419	129,917
Landfill	-	-	-	584,375	792,121	(207,746)
Total expenses	<u>\$ 4,659,520</u>	<u>\$ 3,989,356</u>	<u>\$ 670,164</u>	<u>\$ 2,778,154</u>	<u>\$ 2,396,197</u>	<u>\$ 381,957</u>
Increase (decrease) in net position	<u>\$ (916,237)</u>	<u>\$ (885,741)</u>	<u>\$ (30,496)</u>	<u>\$ 398,054</u>	<u>\$ 565,448</u>	<u>\$ (167,394)</u>

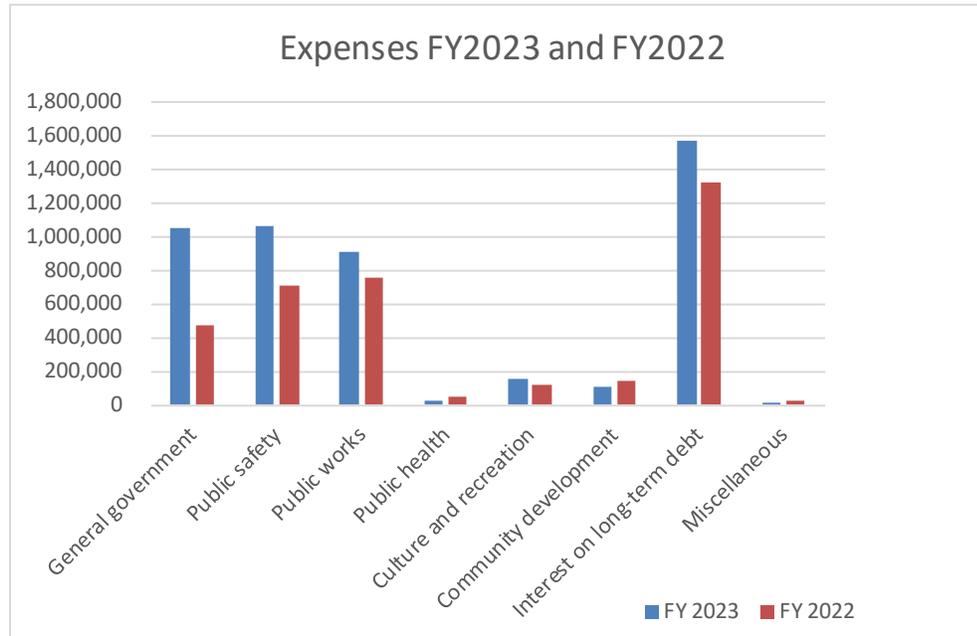
Governmental Activities: During the current fiscal year, total Net Position for governmental activities decreased \$1,156,190 from the prior fiscal year for an ending balance of (\$4,164,612). Expenditures exceeded revenues by \$1,156,190.

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



- Total Revenues increased \$670,400
- Charges for services increased \$1,589,983
- Operating Grants and Contributions increased \$78,762
- Capital Grants and Contributions decreased \$162,548
- Property taxes decreased \$308,888
- Licenses and permits decreased \$1,474
- Video poker apportionment increased \$15,425
- Miscellaneous revenues decreased \$10,726
- Investment earnings/interest earnings increased \$12,777
- Local option taxes decreased \$590,597
- Unrestricted federal/state shared revenue decreased \$840,619
- Montana oil and gas production tax increased \$1,637
- State entitlement increased \$770,882
- Grants and entitlements not restricted to specific programs increased \$57,276
- State contributions to retirement increased \$37,058

**City of Hardin
Management’s Discussion and Analysis
June 30, 2023**



Expenses FY 2022 and FY 2023

Expenses:

- Total Governmental expenses increased \$1,291,612
- General government expenses increased \$580,639
- Public Safety expenses increased by \$353,938
- Public Works expenses increased \$157,186
- Public Health expenses decreased \$25,148
- Culture and recreation (parks) increased \$35,109
- Housing and Community Development decreased \$35,691
- Interest on Long-Term Debt increased \$248,695
- Miscellaneous decreased \$23,116

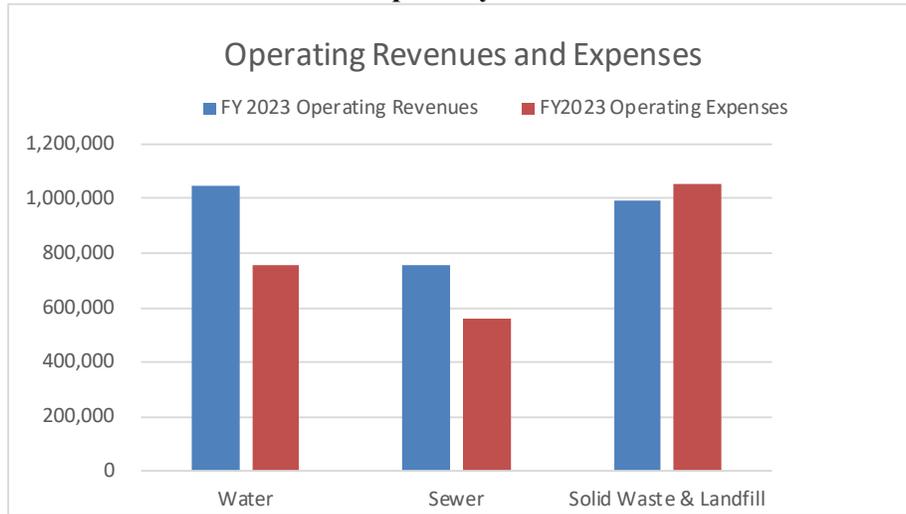
Business-type Activities: The City’s water, sewer, and solid waste activities resulted in an increase in net position of \$383,647. The Water fund’s net position decreased \$226,165, and Sewer increased \$277,390, and Solid Waste Activities increased \$332,422.

Revenues:

The Water fund had operating revenues of \$804,014 in fiscal year 2023. The Sewer fund had operating revenues of \$873,144. Solid Waste – Collection Services had a 3% rate increase, and Landfill rates were raised 3%. Garbage collection had operating revenues of \$500,800 and Landfill had operating revenues of \$803,140.

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

Proprietary Funds



Expenses in the proprietary funds increased \$424,157 overall. The most significant decrease was due to wages, supplies, net pension liability, compensated absences and repairs. Depreciation decreased due to the declining carrying value of proprietary fund fixed assets.

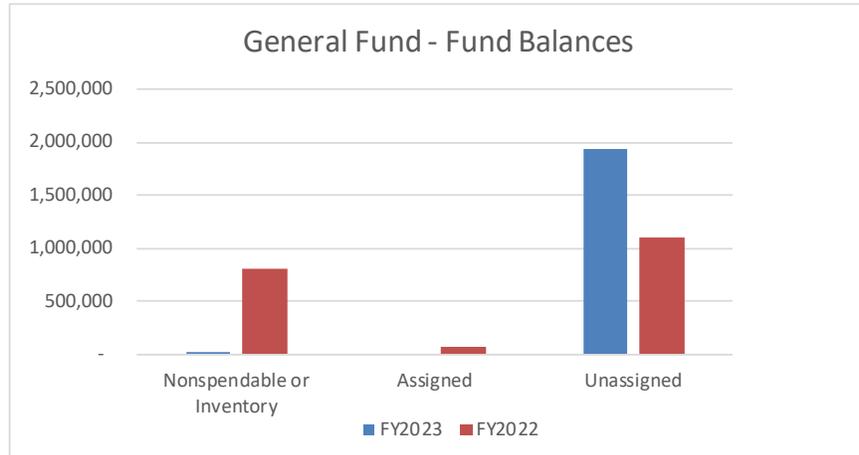
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use of particular purposes by the City Council.

As of June 30, the City's governmental funds reported a combined fund balance of \$4,096,829 an increase of \$568,446 compared to last year. Non-spendable amounts of \$121,216 were related to inventory. The restricted fund balance of \$ is stipulated by constitutional provisions or enabling legislation.

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

**General Fund
Components of Fund Balance
June 30, 2023 and 2022**



General Fund Budgetary Highlights:

The City's **General Fund** is the chief operating fund for governmental activities. At June 30, 2023 the total fund balance was \$1,945,953 which is a \$48,703 decrease from the prior year. \$3,707 or .2% is non-spendable (interfund loans receivable or inventory). At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$1,942,246, or 115% of total General Fund expenditures and net transfers (\$1,684,588).

Actual revenues of \$1,795,885 were \$162,999 less than anticipated. Actual expenditures (other than transfers or loans) in the General Fund were \$1,684,588. Overall expenditures and transfers were \$475,503 less than anticipated. General government expenditures were \$63,730 less than budgeted, public safety was \$259,480 less than budgeted, culture and recreation was \$70,753 less and Community Development was \$136,761 less than budgeted. \$130,000 has been aside for loans and lighting district development in the Industrial Park. There was no transfer to Street Maintenance as there were enough other contributions to the fund that there was no need for the transfer.

**Other Governmental Funds
Components of Fund Balance
June 30, 2023 and 2022**

The **Street Maintenance Fund** had a fund balance of \$609,393. Of this, 19% or \$117,509 represents inventory. The fund balance increased \$26,416 from last year.

City of Hardin
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The **Tax Increment Finance District** is for debt service of a revenue bond. The fund balance increased \$283,077. Anticipated revenues will not be enough to meet the debt service obligations. Current reserves and taxes are being used to help make the interest payments. More information is available on <http://www.emma.msrb.org> (Electronic Municipal Market Access) for Hardin's Tax Increment Bonds.

SID 120's fund balance increased \$94,280 to (\$685,072), and **SID 121's** increased \$28,589 to (\$270,620). These represent the balance of interfund loans for the Special Improvement Districts (SIDs) in the Wagner and Westlich-Heimat Subdivisions. Fund balances will continue to increase as taxpayers pay their assessments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental and business-type activities as of June 30, 2023 total \$23,437,441 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, water and sewer plants, equipment, and infrastructure (e.g., water lines, sewer lines, streets, alleys, curbs, gutters, and sidewalks).

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Non-depreciable assets						
Land	544,115	553,285	463,193	463,193	1,007,308	1,016,478
Easements (no land/depreciation)	40,622	40,622	-	-	40,622	40,622
Intangibles	12,000	12,000	-	-	12,000	12,000
Construction-in-progress	21,801	-	326,934	16,237	348,735	16,237
	<u>618,538</u>	<u>605,907</u>	<u>790,127</u>	<u>479,430</u>	<u>1,408,665</u>	<u>1,085,337</u>
Depreciable assets						
Buildings/improvements/systems	810,645	836,316	65,804	69,284	876,449	905,600
Improvements other than buildings	327,717	134,708	23,110	136,663	350,827	271,371
Machinery and equipment	673,593	729,440	621,136	612,482	1,294,729	1,341,922
Infrastructure (general plant)	12,045,352	12,469,574	25,428	32,084	12,070,780	12,501,658
Treatment plant	-	-	2,155,732	2,379,055	2,155,732	2,379,055
Transmission and distribution	-	-	5,280,259	5,484,480	5,280,259	5,484,480
	<u>13,857,307</u>	<u>14,170,038</u>	<u>8,171,469</u>	<u>8,714,048</u>	<u>22,028,776</u>	<u>22,884,086</u>
Total Capital Assets	<u>14,475,845</u>	<u>14,775,945</u>	<u>8,961,596</u>	<u>9,193,478</u>	<u>23,437,441</u>	<u>23,969,423</u>

Investments in capital assets for Fiscal Year 2023 include the following:

Governmental:

Skate Park – Wilson park	\$208,351
Playground equipment – Wilson Park	57,999
Equipment Shed – Wilson Park	5,043
1 st St West Street Project (In Progress)	21,801

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Proprietary:

Phase II of Waste Water Project (In-Progress) FY22	16,237
Phase II of Waste Water Project (In-Progress) FY23	281,406
Water Treatment Plant radio communication equipment	56,215
Landfill Transfer Site Engineering	5,000
Landfill Load John Deere 624G and quick connect	77,250
1 st St W and Watson water/ sewer line extension project	24,291

Outstanding debt:

At the end of the current fiscal year, the City had total debt of \$27,352,420. This is \$446,715 more than the previous year. There is an additional \$678,398 interest payable on the TIFD Bonds. As of the date of this report, no principal payments have been made on the TIFD revenue bond. Revenue bonds in the proprietary funds are current. They decreased \$292,000 and revenue bonds of \$60,317 were issued in the Sewer Fund for Phase One and Two of the current upgrade project.

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Tax increment revenue bonds	20,920,000	20,920,000	-	-	20,920,000	20,920,000
Tax increment interest payable	5,254,648	4,576,250	-	-	5,254,648	4,576,250
Revenue bonds	-	-	1,177,772	1,409,455	1,177,772	1,409,455
Total	26,174,648	25,496,250	1,177,772	1,409,455	27,352,420	26,905,705

Additional information on long-term debt can be found in the notes of the basic financial statements.

Interfund Loans:

The City created and financed SID 120 and 121 to provide improved infrastructure in the Wagner and Westlich-Heimat subdivisions. These charts represent receivables and payables within the funds as listed on the Balance Sheet for Governmental Funds:

INTERFUND ACTIVITIES			INTERFUND ACTIVITIES		
Receivables:	FY 2023	FY 2022	Payables:	FY 2023	FY 2022
General Fund	626,529	809,735	CDBG Economic Development Fund	600	600
Curb & Gutter	51,619	58,164	Montana Main Street	-	10,250
Gas Apportionment	102,403	115,222	Rural Comm Development	6,630	25,389
Capital Improvements	184,821	208,056	SID 120	685,068	780,329
	<u>965,372</u>	<u>1,191,177</u>	SID 121	273,074	299,209
			Parks - Capital	-	76,000
				<u>965,372</u>	<u>1,191,777</u>

THE CITY OF HARDIN'S FUTURE

The City strives to offer an environment that is healthy for its citizens and future development. Due to the valuation of a major industry in the Tax Increment Finance District, the anticipated revenue for the TIFD revenue bond will not meet original projections, but has increased for the first time in 4 years.

City of Hardin
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The City of Hardin is committed to providing a hometown atmosphere that is inviting to businesses. The development of the Industrial Park is a key goal along with attracting businesses to occupy it. The City is working on projects to invite more tourism and development to its downtown corridor.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the City of Hardin's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Hardin, Finance Office, 406 North Cheyenne Avenue, Hardin, MT 59034.

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

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

INDEPENDENT AUDITOR’S REPORT

Mayor and City Council
City of Hardin
Big Horn County
Hardin, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hardin, Big Horn County, Montana as of and for the years ended June 30, 2022 and June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hardin, Big Horn County, Montana basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Street Maintenance #1	Unmodified
American Rescue Plan Act (ARPA)	Unmodified
TIFD- Debt Service	Unmodified
SID #120	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Solid Waste Fund	Unmodified
Landfill	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of Two Rivers Authority (TRA) have not been audited, although we were engaged to audit TRA’s financial statements as part of our audit of the City’s basic financial statements. TRA’s financial activities are not included in the City’s basic financial statements as a discretely presented component unit as required by generally accepted accounting principles (GAAP). Neither the Board nor Management of TRA has first-hand knowledge of transactions that appear on their bank statements prior to the receipt of the bank statements. Support for all transactions could not be provided.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component unit of the City of Hardin. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

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 City of Hardin, Big Horn County, Montana, as of and for the years ended June 30, 2022 and June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Two Rivers Authority

The Two Rivers Authority (TRA) has not made interest payments on its revenue bonds since November 2008. TRA has never made a principal payment on their revenue bonds. Our disclaimer of opinion on the aggregate discretely presented component unit was not affected by this item.

Emphasis of Matter – Fire Department Relief Association

The City did not have an actuarial valuation performed for its Net Pension Liability (NPL) for the Fire Department Relief Association (FRDA) as required by Governmental Accounting Standards Board (GASB) Statement #73 (Accounting and Financial Reporting for Pensions...). The FRDA is reported in the custodial funds of the City. Our opinion was not affected by this item.

Emphasis of Matter -Tax Increment Financing District

The City of Hardin has not made its Tax Increment Financing District (TIFD) revenue bond principal and interest payment due in fiscal years 2022 and 2023. Interest accrues at \$653,750 semi-annually. The City does not expect to meet current or future TIFD principal and interest payments as they become due as the primary taxpayer in the TIFD is delinquent on their tax payments and market values within the TIFD have been assessed lower than originally planned resulting in lower than expected tax collections. Our opinion was not affected by this item.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hardin, Big Horn 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 Hardin, Big Horn 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 Hardin, Big Horn County, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report May 31, 2024, on our consideration of the City of Hardin, Big Horn 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 Hardin, Big Horn 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 Hardin, Big Horn County, Montana's internal control over financial reporting and compliance.

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

May 31, 2024

City of Hardin, Big Horn County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,266,172	\$ 5,026,714	\$ 9,292,886
Taxes and assessments receivable, net	3,751,067	295,112	4,046,179
Internal balances	600		600
Accounts receivable - net	4,785	254,543	259,328
Due from other governments	76,058	6,326	82,384
Prepaid expenses	40,058	354	40,412
Inventories	117,117	69,623	186,740
Total current assets	<u>\$ 8,255,857</u>	<u>\$ 5,652,672</u>	<u>\$ 13,908,529</u>
Noncurrent assets			
Restricted cash	\$ 321,528	\$ 2,679,181	\$ 3,000,709
Capital assets - land and intangible assets	541,286	463,193	1,004,479
Capital assets - construction in progress	52,621	16,237	68,858
Capital assets - depreciable, net	14,182,038	8,714,048	22,896,086
Leased- right to use capital assets (net of amortization)	16,873	-	16,873
Total noncurrent assets	<u>\$ 15,114,346</u>	<u>\$ 11,872,659</u>	<u>\$ 26,987,005</u>
Total assets	<u>\$ 23,370,203</u>	<u>\$ 17,525,331</u>	<u>\$ 40,895,534</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 264,672	\$ 164,922	\$ 429,594
Total deferred outflows of resources	<u>\$ 264,672</u>	<u>\$ 164,922</u>	<u>\$ 429,594</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,634,875</u>	<u>\$ 17,690,253</u>	<u>\$ 41,325,128</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 80,227	\$ 84,697	\$ 164,924
Accrued interest payable	4,576,250	-	4,576,250
Accrued payroll	41,214	30,949	72,163
Due to other governments	3,702	-	3,702
Revenues collected in advance	1,170,531	40,622	1,211,153
Current portion of long-term capital liabilities	6,590,000	349,514	6,939,514
Current portion of compensated absences payable	36,613	29,256	65,869
Total current liabilities	<u>\$ 12,498,537</u>	<u>\$ 535,038</u>	<u>\$ 13,033,575</u>
Noncurrent liabilities			
Deposits payable	\$ 6,273	\$ 164,265	\$ 170,538
Landfill closure postclosure liability	-	1,299,415	1,299,415
Noncurrent portion of OPEB	210,385	241,386	451,771
Noncurrent portion of long-term capital liabilities	14,330,000	1,059,941	15,389,941
Noncurrent portion of compensated absences	71,889	87,767	159,656
Net pension liability	731,523	455,827	1,187,350
Total noncurrent liabilities	<u>\$ 15,350,070</u>	<u>\$ 3,308,601</u>	<u>\$ 18,658,671</u>
Total liabilities	<u>\$ 27,848,607</u>	<u>\$ 3,843,639</u>	<u>\$ 31,692,246</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 301,643	\$ 187,959	\$ 489,602
Total deferred inflows of resources	<u>\$ 301,643</u>	<u>\$ 187,959</u>	<u>\$ 489,602</u>
NET POSITION			
Net investment in capital assets	\$ (10,703,432)	\$ 7,784,023	\$ (2,919,409)
Restricted for debt service	3,616,956	284,764	3,901,720
Restricted for other purposes (cap outlay, replace/deprec)	128,082	1,915,202	2,043,284
Nonspendable	117,117	69,623	186,740
Restricted for general government	5,404	-	5,404
Restricted for public safety	4,696	-	4,696
Restricted for public works	768,674	-	768,674
Restricted for economic development	105,469	-	105,469
Restricted for impact fees	-	146,939	146,939
Unrestricted	1,441,659	3,458,104	4,899,763
Total net position	<u>\$ (4,515,375)</u>	<u>\$ 13,658,655</u>	<u>\$ 9,143,280</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 23,634,875</u>	<u>\$ 17,690,253</u>	<u>\$ 41,325,128</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Net Position
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,630,349	\$ 5,526,647	\$ 10,156,996
Taxes and assessments receivable, net	2,568,552	-	2,568,552
Special assessments receivable	1,194,086	301,294	1,495,380
Penalty and interest receivable	10,636	-	10,636
Accounts receivable - net	-	151,595	151,595
Contracts receivable	-	1,898	1,898
Interest receivable	4,890	27,134	32,024
Due from other governments	48,583	107,827	156,410
Prepaid expenses	43,485	534	44,019
Inventories	121,216	73,485	194,701
Total current assets	<u>\$ 8,621,797</u>	<u>\$ 6,190,414</u>	<u>\$ 14,812,211</u>
Noncurrent assets			
Restricted cash and investments	\$ 625,935	\$ 2,734,815	\$ 3,360,750
Capital assets - land and intangible assets	605,907	463,193	1,069,100
Capital assets - construction in progress	21,801	5,000	26,801
Capital assets - depreciable, net	13,849,207	8,493,402	22,342,609
Total noncurrent assets	<u>\$ 15,102,850</u>	<u>\$ 11,696,410</u>	<u>\$ 26,799,260</u>
Total assets	<u>\$ 23,724,647</u>	<u>\$ 17,886,824</u>	<u>\$ 41,611,471</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 368,132	\$ 217,138	\$ 585,270
Total deferred outflows of resources	<u>\$ 368,132</u>	<u>\$ 217,138</u>	<u>\$ 585,270</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,092,779</u>	<u>\$ 18,103,962</u>	<u>\$ 42,196,741</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 53,117	\$ -	\$ 53,117
Accounts payable	63,159	194,187	257,346
Accrued interest payable	5,494,650	-	5,494,650
Accrued payroll	50,939	44,376	95,315
Due to other governments	7,889	-	7,889
Revenues collected in advance	1,205,388	40,622	1,246,010
Current portion of long-term capital liabilities	7,660,000	220,514	7,880,514
Current portion of compensated absences payable	89,842	32,652	122,494
Total current liabilities	<u>\$ 14,624,984</u>	<u>\$ 532,351</u>	<u>\$ 15,157,335</u>
Noncurrent liabilities			
Deposits payable	\$ 7,773	\$ 167,229	\$ 175,002
Landfill closure postclosure liability	-	1,264,245	1,264,245
Noncurrent portion of OPEB	197,427	254,344	451,771
Noncurrent portion of long-term capital liabilities	13,260,000	951,258	14,211,258
Noncurrent portion of compensated absences	19,488	97,955	117,443
Net pension liability	1,200,597	708,156	1,908,753
Total noncurrent liabilities	<u>\$ 14,685,285</u>	<u>\$ 3,443,187</u>	<u>\$ 18,128,472</u>
Total liabilities	<u>\$ 29,310,269</u>	<u>\$ 3,975,538</u>	<u>\$ 33,285,807</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 87,887	\$ 51,838	\$ 139,725
Deferred inflows of resources - OPEB	15,428	19,876	35,304
Total deferred inflows of resources	<u>\$ 103,315</u>	<u>\$ 71,714</u>	<u>\$ 175,029</u>
NET POSITION			
Net investment in capital assets	\$ (6,443,085)	\$ 7,789,823	\$ 1,346,738
Restricted by donors for specific purposes	-	1,212,541	1,212,541
Restricted for capital projects	825,930	-	825,930
Restricted for debt service	2,828,386	252,007	3,080,393
Restricted for special projects	2,041,147	-	2,041,147
Nonspendable	-	73,485	73,485
Unrestricted	(4,573,183)	4,728,854	155,671
Total net position	<u>\$ (5,320,805)</u>	<u>\$ 14,056,710</u>	<u>\$ 8,735,905</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 24,092,779</u>	<u>\$ 18,103,962</u>	<u>\$ 42,196,741</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- type Activities	
Primary government:							
Governmental activities:							
General government	\$ 576,060	\$ 68,327	\$ 3,348	\$ -	\$ (504,385)	\$ -	\$ (504,385)
Public safety	853,143	162	13,390	148,389	(691,202)	-	(691,202)
Public works	856,442	3,123	1,175	287,382	(564,762)	-	(564,762)
Public health	66,335	-	-	-	(66,335)	-	(66,335)
Culture and recreation	142,572	-	-	-	(142,572)	-	(142,572)
Housing and community development	149,925	10,200	22,375	-	(117,350)	-	(117,350)
Debt service - interest	1,318,002	-	-	-	(1,318,002)	-	(1,318,002)
Miscellaneous	26,877	-	-	-	(26,877)	-	(26,877)
Total governmental activities	\$ 3,989,356	\$ 81,812	\$ 40,288	\$ 435,771	\$ (3,431,485)	\$ -	\$ (3,431,485)
Business-type activities:							
Water	\$ 763,793	\$ 801,940	\$ -	\$ 2,965	\$ -	\$ 41,112	\$ 41,112
Sewer	566,864	844,137	-	-	-	277,273	277,273
Solid Waste	273,419	467,453	-	-	-	194,034	194,034
Landfill	792,121	778,459	-	-	-	(13,662)	(13,662)
Total business-type activities	\$ 2,396,197	\$ 2,891,989	\$ -	\$ 2,965	\$ -	\$ 498,757	\$ 498,757
Total primary government	\$ 6,385,553	\$ 2,973,801	\$ 40,288	\$ 438,736	\$ (3,431,485)	\$ 498,757	\$ (2,932,728)
General Revenues:							
Property taxes for general purposes					\$ 956,542	\$ -	\$ 956,542
Licenses and permits					42,322	-	42,322
Miscellaneous					13,744	16,841	30,585
Interest/investment earnings					7,918	(25,402)	(17,484)
Local option taxes					597,149	7,618	604,767
Unrestricted federal/state shared revenues					928,069	67,634	995,703
Total general revenues, special items and transfers					\$ 2,545,744	\$ 66,691	\$ 2,612,435
Change in net position					\$ (885,741)	\$ 565,448	\$ (320,293)
Net position - beginning					\$ (3,642,287)	\$ 13,093,207	\$ 9,450,920
Restatements					12,653	-	12,653
Net position - beginning - restated					\$ (3,629,634)	\$ 13,093,207	\$ 9,463,573
Net position - end					\$ (4,515,375)	\$ 13,658,655	\$ 9,143,280

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 701,383	\$ 93,824	\$ -	\$ -	\$ (607,559)	\$ -	\$ (607,559)
Public safety	1,180,171	27,840	-	9,832	(1,142,499)	-	(1,142,499)
Public works	911,082	180,735	119,050	-	(611,297)	-	(611,297)
Public health	24,813	-	-	-	(24,813)	-	(24,813)
Culture and recreation	157,992	-	-	263,391	105,399	-	105,399
Housing and community development	113,621	-	-	-	(113,621)	-	(113,621)
Debt service - interest	1,566,697	-	-	-	(1,566,697)	-	(1,566,697)
Miscellaneous	3,761	-	-	-	(3,761)	-	(3,761)
Total governmental activities	\$ 4,659,520	\$ 302,399	\$ 119,050	\$ 273,223	\$ (3,964,848)	\$ -	\$ (3,964,848)
Business-type activities:							
Water	\$ 1,039,604	\$ 792,468	\$ -	\$ 10,783	\$ -	\$ (236,353)	\$ (236,353)
Sewer	750,839	841,578	-	175,617	-	266,356	266,356
Solid Waste - Collection	403,336	500,408	-	-	-	97,072	97,072
Landfill	584,375	801,183	-	-	-	216,808	216,808
Total business-type activities	\$ 2,778,154	\$ 2,935,637	\$ -	\$ 186,400	\$ -	\$ 343,883	\$ 343,883
Total primary government	\$ 7,437,674	\$ 3,238,036	\$ 119,050	\$ 459,623	\$ (3,964,848)	\$ 343,883	\$ (3,620,965)
General Revenues:							
Property taxes for general purposes					\$ 2,017,050	\$ -	\$ 2,017,050
Licenses and permits					40,848	-	40,848
Video poker apportionment					15,425	-	15,425
Miscellaneous					24,469	6,050	30,519
Interest/investment earnings					20,695	26,262	46,957
Local option taxes					6,552	-	6,552
Unrestricted federal/state shared revenues					828,159	-	828,159
Montana oil and gas production tax					1,079	-	1,079
Grants and entitlements not restricted to specific programs					57,276	-	57,276
State contributions to retirement					37,058	21,859	58,917
Total general revenues, special items and transfers					\$ 3,048,611	\$ 54,171	\$ 3,102,782
Change in net position					\$ (916,237)	\$ 398,054	\$ (518,183)
Net position - beginning					\$ (4,515,375)	\$ 13,658,655	\$ 9,143,280
Restatements					110,808	-	110,808
Net position - beginning - restated					\$ (4,404,567)	\$ 13,658,655	\$ 9,254,088
Net position - end					\$ (5,320,804)	\$ 14,056,709	\$ 8,735,905

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Street Maintenance #1	American Rescue Plan Act	TIFD - Debt Service	SID #120	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 1,244,772	\$ 477,208	\$ 959,973	\$ -	\$ -	\$ 1,584,219	\$ 4,266,172
Taxes and assessments receivable, net	210,262	75,048	-	2,212,869	801,435	451,453	3,751,067
Accounts receivable - net	2,509	656	-	15	-	1,605	4,785
Due from other funds	178,871	-	-	-	-	36,673	215,544
Due from other governments	10,629	3,305	-	13,050	977	48,097	76,058
Prepaid expenses	1,169	-	-	-	-	38,889	40,058
Inventories	3,827	113,290	-	-	-	-	117,117
Total current assets	<u>\$ 1,652,039</u>	<u>\$ 669,507</u>	<u>\$ 959,973</u>	<u>\$ 2,225,934</u>	<u>\$ 802,412</u>	<u>\$ 2,160,936</u>	<u>\$ 8,470,801</u>
Noncurrent assets:							
Restricted cash	\$ 6,266	\$ -	\$ -	\$ 187,180	\$ -	\$ 128,082	\$ 321,528
Advances to other funds	631,465	-	-	-	-	344,768	976,233
Total noncurrent assets	<u>\$ 637,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,180</u>	<u>\$ -</u>	<u>\$ 472,850</u>	<u>\$ 1,297,761</u>
TOTAL ASSETS	<u>\$ 2,289,770</u>	<u>\$ 669,507</u>	<u>\$ 959,973</u>	<u>\$ 2,413,114</u>	<u>\$ 802,412</u>	<u>\$ 2,633,786</u>	<u>\$ 9,768,562</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 43,353	\$ 4,899	\$ -	\$ 10,502	\$ -	\$ 17,468	\$ 76,222
Accrued payables	31,530	6,583	-	-	-	3,100	41,213
Due to other funds	-	-	-	-	72,833	142,112	214,945
Due to other governments	3,702	-	-	-	-	-	3,702
Revenues collected in advance	-	-	959,973	-	-	210,558	1,170,531
Total current liabilities	<u>\$ 78,585</u>	<u>\$ 11,482</u>	<u>\$ 959,973</u>	<u>\$ 10,502</u>	<u>\$ 72,833</u>	<u>\$ 373,238</u>	<u>\$ 1,506,613</u>
Noncurrent liabilities:							
Deposits payable	\$ 6,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,266
Advances payable	-	-	-	-	707,496	268,736	976,232
Total noncurrent liabilities	<u>\$ 6,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 707,496</u>	<u>\$ 268,736</u>	<u>\$ 982,498</u>
Total liabilities	<u>\$ 84,851</u>	<u>\$ 11,482</u>	<u>\$ 959,973</u>	<u>\$ 10,502</u>	<u>\$ 780,329</u>	<u>\$ 641,974</u>	<u>\$ 2,489,111</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes and assessments	\$ 210,262	\$ 75,048	\$ -	\$ 2,212,869	\$ 801,435	\$ 451,453	\$ 3,751,067
Total deferred inflows of resources	<u>\$ 210,262</u>	<u>\$ 75,048</u>	<u>\$ -</u>	<u>\$ 2,212,869</u>	<u>\$ 801,435</u>	<u>\$ 451,453</u>	<u>\$ 3,751,067</u>
FUND BALANCES							
Nonspendable	\$ 811,504	\$ -	\$ -	\$ -	\$ -	\$ 421,893	\$ 1,233,397
Restricted for general government	-	-	-	-	-	5,404	5,404
Restricted for public safety	-	-	-	-	-	4,696	4,696
Inventory	3,827	113,290	-	-	-	-	117,117
Restricted for public works	-	469,687	-	-	-	298,986	768,673
Restricted for other (cap outlay, econ dev)	-	-	-	189,743	-	153,551	343,294
Committed for general government	-	-	-	-	-	78,822	78,822
Committed for public works	-	-	-	-	-	78,822	78,822
Assigned for public works	-	-	-	-	-	338,912	338,912
Assigned for community development and housing	80,000	-	-	-	-	-	80,000
Assigned for capital outlay	-	-	-	-	-	458,531	458,531
Unassigned fund balance	1,099,326	-	-	-	(779,352)	(299,258)	20,716
Total fund balance	<u>\$ 1,994,657</u>	<u>\$ 582,977</u>	<u>\$ -</u>	<u>\$ 189,743</u>	<u>\$ (779,352)</u>	<u>\$ 1,540,359</u>	<u>\$ 3,528,384</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,289,770</u>	<u>\$ 669,507</u>	<u>\$ 959,973</u>	<u>\$ 2,413,114</u>	<u>\$ 802,412</u>	<u>\$ 2,633,786</u>	<u>\$ 9,768,562</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	General	Street Maintenance #1	TIFD Debt Service	SID #120	American Rescue Plan Act (ARPA)	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 1,382,964	\$ 484,154	\$ -	\$ -	\$ 907,525	\$ 1,855,706	\$ 4,630,349
Taxes and assessments receivable, net	218,051	-	2,291,796	-	-	58,705	2,568,552
Special assessments receivable	-	91,418	-	745,175	-	357,493	1,194,086
Penalty and interest receivable	7,477	-	722	-	-	2,437	10,636
Interest receivable	-	2,523	-	-	-	2,367	4,890
Due from other funds	69,565	-	-	-	-	34,559	104,124
Due from other governments	11,782	13,543	9,410	-	-	13,848	48,583
Prepaid expenses	43,485	-	-	-	-	-	43,485
Inventories	3,707	117,509	-	-	-	-	121,216
Total current assets	<u>\$ 1,737,031</u>	<u>\$ 709,147</u>	<u>\$ 2,301,928</u>	<u>\$ 745,175</u>	<u>\$ 907,525</u>	<u>\$ 2,325,115</u>	<u>\$ 8,725,921</u>
Noncurrent assets:							
Restricted cash and investments	\$ 6,272	\$ -	\$ 473,852	\$ -	\$ -	\$ 145,811	\$ 625,935
Advances to other funds	556,365	-	-	-	-	304,288	860,653
Total noncurrent assets	<u>\$ 562,637</u>	<u>\$ -</u>	<u>\$ 473,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,099</u>	<u>\$ 1,486,588</u>
TOTAL ASSETS	<u>\$ 2,299,668</u>	<u>\$ 709,147</u>	<u>\$ 2,775,780</u>	<u>\$ 745,175</u>	<u>\$ 907,525</u>	<u>\$ 2,775,214</u>	<u>\$ 10,212,509</u>
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 53,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,117
Accounts payable	32,880	2,639	11,165	-	1,382	15,093	63,159
Accrued payroll	34,005	5,697	-	-	2,889	8,348	50,939
Due to other funds	-	-	-	69,739	-	34,385	104,124
Due to other governments	7,889	-	-	-	-	-	7,889
Revenues collected in advance	-	-	-	-	903,254	302,134	1,205,388
Total current liabilities	<u>\$ 127,891</u>	<u>\$ 8,336</u>	<u>\$ 11,165</u>	<u>\$ 69,739</u>	<u>\$ 907,525</u>	<u>\$ 359,960</u>	<u>\$ 1,484,616</u>
Noncurrent liabilities:							
Deposits payable	\$ 7,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,773
Advances payable	-	-	-	615,333	-	245,320	860,653
Total noncurrent liabilities	<u>\$ 7,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,333</u>	<u>\$ -</u>	<u>\$ 245,320</u>	<u>\$ 868,426</u>
Total liabilities	<u>\$ 135,664</u>	<u>\$ 8,336</u>	<u>\$ 11,165</u>	<u>\$ 685,072</u>	<u>\$ 907,525</u>	<u>\$ 605,280</u>	<u>\$ 2,353,042</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes and assessments	\$ 218,051	\$ 91,418	\$ 2,291,796	\$ 745,175	\$ -	\$ 416,198	\$ 3,762,638
Total deferred inflows of resources	<u>\$ 218,051</u>	<u>\$ 91,418</u>	<u>\$ 2,291,796</u>	<u>\$ 745,175</u>	<u>\$ -</u>	<u>\$ 416,198</u>	<u>\$ 3,762,638</u>
FUND BALANCES							
Nonspendable	\$ 3,707	\$ 117,509	\$ -	\$ -	\$ -	\$ -	\$ 121,216
Restricted	-	491,884	472,819	-	-	1,205,106	2,169,809
Committed	-	-	-	-	-	825,930	825,930
Unassigned fund balance	1,942,246	-	-	(685,072)	-	(277,300)	979,874
Total fund balance	<u>\$ 1,945,953</u>	<u>\$ 609,393</u>	<u>\$ 472,819</u>	<u>\$ (685,072)</u>	<u>\$ -</u>	<u>\$ 1,753,736</u>	<u>\$ 4,096,829</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,299,668</u>	<u>\$ 709,147</u>	<u>\$ 2,775,780</u>	<u>\$ 745,175</u>	<u>\$ 907,525</u>	<u>\$ 2,775,214</u>	<u>\$ 10,212,509</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$	3,528,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,775,945
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(26,698,662)
Leased right-to-use assets used in governmental activities are not financial		16,873
Total net position - governmental activities	\$	<u>(4,515,375)</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$	4,096,829
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,476,915
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.		3,762,638
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(21,029,330)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,200,597)
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.		368,132
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.		(87,887)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment beneits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(15,428)
Accrued interest payable is not reported in the fund financials but is shown as a liability on the Statement of net postion		(5,494,650)
Other Post Employment Liability is not shown on the Balance Sheet		(197,427)
Total net position - governmental activities	\$	<u><u>(5,320,805)</u></u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	<u>General</u>	<u>Street Maintenance #1</u>	<u>American Rescue Plan Act</u>	<u>TIFD - Debt Service</u>	<u>SID #120</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 490,175	\$ 330,134	\$ -	\$ 532,842	\$ 50,890	\$ 322,614	\$ 1,726,655
Licenses and permits	41,772	550	-	-	-	-	42,322
Intergovernmental	765,475	-	10,541	5,201	-	270,537	1,051,754
Charges for services	655	-	-	-	-	2,810	3,465
Fines and forfeitures	64,233	-	-	-	-	3,914	68,147
Miscellaneous	334,711	675	-	-	-	10,200	345,586
Investment earnings	4,072	1,117	-	32	-	2,697	7,918
Total revenues	<u>\$ 1,701,093</u>	<u>\$ 332,476</u>	<u>\$ 10,541</u>	<u>\$ 538,075</u>	<u>\$ 50,890</u>	<u>\$ 612,772</u>	<u>\$ 3,245,847</u>
EXPENDITURES							
General government	\$ 428,509	\$ -	\$ 3,348	\$ -	\$ -	\$ 65,315	\$ 497,172
Public safety	468,607	-	7,193	-	-	197,468	673,268
Public works	7,330	282,745	-	-	-	158,235	448,310
Public health	37,753	-	-	-	-	18,266	56,019
Culture and recreation	97,835	-	-	-	-	10,888	108,723
Housing and community development	25,985	-	-	-	-	24,581	50,566
Debt service - principal	4,429	-	-	-	-	-	4,429
Debt service - interest	-	-	-	664,252	-	-	664,252
Miscellaneous	-	-	-	-	-	26,878	26,878
Capital outlay	370,949	-	-	-	-	113,398	484,347
Total expenditures	<u>\$ 1,441,397</u>	<u>\$ 282,745</u>	<u>\$ 10,541</u>	<u>\$ 664,252</u>	<u>\$ -</u>	<u>\$ 615,029</u>	<u>\$ 3,013,964</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 259,696</u>	<u>\$ 49,731</u>	<u>\$ -</u>	<u>\$ (126,177)</u>	<u>\$ 50,890</u>	<u>\$ (2,257)</u>	<u>\$ 231,883</u>
OTHER FINANCING SOURCES (USES)							
Inception of Lease	\$ 21,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,091
Transfers in	-	-	-	-	-	95,040	95,040
Transfers out	<u>(95,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,040)</u>
Total other financing sources (uses)	<u>\$ (73,949)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,040</u>	<u>\$ 21,091</u>
Net Change in Fund Balance	<u>\$ 185,747</u>	<u>\$ 49,731</u>	<u>\$ -</u>	<u>\$ (126,177)</u>	<u>\$ 50,890</u>	<u>\$ 92,783</u>	<u>\$ 252,974</u>
Fund balances - beginning	\$ 1,808,908	\$ 533,247	\$ -	\$ 315,919	\$ (830,242)	\$ 1,447,578	\$ 3,275,410
Fund balance - ending	<u>\$ 1,994,657</u>	<u>\$ 582,977</u>	<u>\$ -</u>	<u>\$ 189,743</u>	<u>\$ (779,352)</u>	<u>\$ 1,540,359</u>	<u>\$ 3,528,384</u>

See accompanying Notes to the Financial Statements

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

	<u>General</u>	<u>Street Maintenance #1</u>	<u>TIFD Debt Service</u>	<u>SID #120</u>	<u>American Rescue Plan Act (ARPA)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 596,285	\$ 337,369	\$ 917,106	\$ 94,280	\$ -	\$ 376,577	\$ 2,321,617
Licenses and permits	40,848	625	-	-	-	-	41,473
Intergovernmental	773,873	-	5,240	-	56,718	232,923	1,068,754
Charges for services	473	-	-	-	-	1,833	2,306
Fines and forfeitures	65,985	-	-	-	-	5,783	71,768
Miscellaneous	311,554	170	-	-	-	84	311,808
Investment earnings	6,867	2,361	4,598	-	558	6,310	20,694
Total revenues	<u>\$ 1,795,885</u>	<u>\$ 340,525</u>	<u>\$ 926,944</u>	<u>\$ 94,280</u>	<u>\$ 57,276</u>	<u>\$ 623,510</u>	<u>\$ 3,838,420</u>
EXPENDITURES							
General government	\$ 466,870	\$ -	\$ -	\$ -	\$ 1,254	\$ 49,206	\$ 517,330
Public safety	771,590	-	-	-	49,462	257,843	1,078,895
Public works	14,793	354,109	-	-	-	199,054	567,956
Public health	19,630	-	-	-	3,472	1,711	24,813
Culture and recreation	111,862	-	-	-	3,088	14,530	129,480
Housing and community development	11,125	-	-	-	-	3,474	14,599
Debt service - interest	4,430	-	643,867	-	-	-	648,297
Miscellaneous	-	-	-	-	-	3,761	3,761
Capital outlay	284,288	-	-	-	-	555	284,843
Total expenditures	<u>\$ 1,684,588</u>	<u>\$ 354,109</u>	<u>\$ 643,867</u>	<u>\$ -</u>	<u>\$ 57,276</u>	<u>\$ 530,134</u>	<u>\$ 3,269,974</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 111,297</u>	<u>\$ (13,584)</u>	<u>\$ 283,077</u>	<u>\$ 94,280</u>	<u>\$ -</u>	<u>\$ 93,376</u>	<u>\$ 568,446</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ 120,000	\$ 160,000
Transfers out	(160,000)	-	-	-	-	-	(160,000)
Total other financing sources (uses)	<u>\$ (160,000)</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (48,703)</u>	<u>\$ 26,416</u>	<u>\$ 283,077</u>	<u>\$ 94,280</u>	<u>\$ -</u>	<u>\$ 213,376</u>	<u>\$ 568,446</u>
Fund balances - beginning	<u>\$ 1,994,656</u>	<u>\$ 582,977</u>	<u>\$ 189,742</u>	<u>\$ (779,352)</u>	<u>\$ -</u>	<u>\$ 1,540,360</u>	<u>\$ 3,528,383</u>
Fund balance - ending	<u>\$ 1,945,953</u>	<u>\$ 609,393</u>	<u>\$ 472,819</u>	<u>\$ (685,072)</u>	<u>\$ -</u>	<u>\$ 1,753,736</u>	<u>\$ 4,096,829</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn 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, 2022

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

Net change in fund balances - total governmental funds	\$	252,974
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		484,347
- Depreciation expense		(577,166)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(172,963)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Lease obligation principal payments		4,429
Accrued interest - TIFD bonds		(653,750)
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:		
- Lease right to use capital asset proceeds		(21,091)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Accrued compensated absences		(22,876)
Pension and OPEB expense		(179,645)
Change in net position - Statement of Activities	\$	<u>(885,741)</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds	\$	568,446
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		284,843
- Depreciation expense		(583,873)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(99,446)
The change in compensated absences is shown as an expense in the Statement of Activities		(13,478)
Change in Other Post Employment Benefits liability		(2,471)
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		(281,237)
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		4,309
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.		125,070
Accrued interest payable is not reported in the fund financials but is shown as a liability on the Statement of net position		(918,400)
Change in net position - Statement of Activities	\$	<u>(916,237)</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and investments	\$ 2,041,464	\$ 765,328	\$ 1,053,952	\$ 1,165,970	\$ 5,026,714
Taxes and assessments receivable, net	387	283	294,442	-	295,112
Accounts receivable - net	49,991	67,356	1,857	135,339	254,543
Due from other governments	-	-	6,326	-	6,326
Prepaid expenses	-	354	-	-	354
Inventories	37,731	29,776	1,951	165	69,623
Total current assets	<u>\$ 2,129,573</u>	<u>\$ 863,097</u>	<u>\$ 1,358,528</u>	<u>\$ 1,301,474</u>	<u>\$ 5,652,672</u>
Noncurrent assets:					
Restricted cash	\$ 114,700	\$ 821,479	\$ 300,000	\$ 1,443,002	\$ 2,679,181
Capital assets - land and intangible assets	121,191	21,286	-	320,716	463,193
Capital assets - construction in progress	-	16,237	-	-	16,237
Capital assets- buildings	-	-	20,927	118,709	139,636
Capital assets- improvements other than buildings	-	-	-	1,980,909	1,980,909
Capital assets- machinery and equipment	99,486	18,134	895,458	1,597,158	2,610,236
Capital assets- infrastructure (utility systems)	7,271,632	9,110,175	-	-	16,381,807
Less: accumulated depreciation	<u>(4,843,132)</u>	<u>(3,684,357)</u>	<u>(902,085)</u>	<u>(2,968,966)</u>	<u>(12,398,540)</u>
Total noncurrent assets	<u>\$ 2,763,877</u>	<u>\$ 6,302,954</u>	<u>\$ 314,300</u>	<u>\$ 2,491,528</u>	<u>\$ 11,872,659</u>
Total assets	<u>\$ 4,893,450</u>	<u>\$ 7,166,051</u>	<u>\$ 1,672,828</u>	<u>\$ 3,793,002</u>	<u>\$ 17,525,331</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pensions	\$ 53,927	\$ 40,307	\$ 25,710	\$ 44,978	\$ 164,922
Total deferred outflows of resources	<u>\$ 53,927</u>	<u>\$ 40,307</u>	<u>\$ 25,710</u>	<u>\$ 44,978</u>	<u>\$ 164,922</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,947,377</u>	<u>\$ 7,206,358</u>	<u>\$ 1,698,538</u>	<u>\$ 3,837,980</u>	<u>\$ 17,690,253</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 45,193	\$ 17,006	\$ 9,653	\$ 12,845	\$ 84,697
Accrued payroll	10,953	7,421	4,269	8,306	30,949
Revenues collected in advance	13,841	26,781	-	-	40,622
Current portion of long-term capital liabilities	-	258,514	-	91,000	349,514
Current portion of compensated absences payable	10,540	5,856	7,093	5,767	29,256
Total current liabilities	<u>\$ 80,527</u>	<u>\$ 315,578</u>	<u>\$ 21,015</u>	<u>\$ 117,918</u>	<u>\$ 535,038</u>
Noncurrent liabilities:					
Deposits payable	\$ 64,765	\$ -	\$ -	\$ 99,500	\$ 164,265
Landfill closure postclosure liability	-	-	-	1,299,415	1,299,415
Other Post Employment Benefits (OPEB)	77,458	54,935	49,140	59,853	241,386
Noncurrent portion of long-term capital liabilities	-	967,941	-	92,000	1,059,941
Noncurrent portion of compensated absences	31,620	17,567	21,279	17,301	87,767
Net pension liability	149,049	111,403	71,060	124,315	455,827
Total noncurrent liabilities	<u>\$ 322,892</u>	<u>\$ 1,151,846</u>	<u>\$ 141,479</u>	<u>\$ 1,692,384</u>	<u>\$ 3,308,601</u>
Total liabilities	<u>\$ 403,419</u>	<u>\$ 1,467,424</u>	<u>\$ 162,494</u>	<u>\$ 1,810,302</u>	<u>\$ 3,843,639</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pensions	\$ 61,460	\$ 45,937	\$ 29,301	\$ 51,261	\$ 187,959
Total deferred inflows of resources	<u>\$ 61,460</u>	<u>\$ 45,937</u>	<u>\$ 29,301</u>	<u>\$ 51,261</u>	<u>\$ 187,959</u>
NET POSITION					
Net investment in capital assets	\$ 2,649,177	\$ 4,255,020	\$ 14,300	\$ 865,526	\$ 7,784,023
Restricted for debt service	-	189,845	-	94,919	284,764
Restricted for other purposes (cap outlay, replace/deprec)	64,685	534,710	300,000	1,015,807	1,915,202
Nonspendable	37,731	29,776	1,951	165	69,623
Restricted for impact fees	50,015	96,924	-	-	146,939
Unrestricted	1,680,890	586,722	1,190,492	-	3,458,104
Total net position	<u>\$ 4,482,498</u>	<u>\$ 5,692,997</u>	<u>\$ 1,506,743</u>	<u>\$ 1,976,417</u>	<u>\$ 13,658,655</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste - Collection	Landfill	Totals
ASSETS					
Current assets:					
Cash and investments	\$ 2,061,432	\$ 809,159	\$ 1,174,206	\$ 1,481,850	\$ 5,526,647
Special assessments receivable	2,320	202	298,772	-	301,294
Accounts receivable - net	45,993	58,786	-	46,816	151,595
Contracts receivable	638	1,260	-	-	1,898
Interest receivable	6,543	6,671	6,283	7,637	27,134
Due from other governments	-	96,989	10,838	-	107,827
Prepaid expenses	191	172	76	95	534
Inventories	38,578	29,538	5,286	83	73,485
Total current assets	<u>\$ 2,155,695</u>	<u>\$ 1,002,777</u>	<u>\$ 1,495,461</u>	<u>\$ 1,536,481</u>	<u>\$ 6,190,414</u>
Noncurrent assets:					
Restricted cash and investments	\$ 128,308	\$ 817,721	\$ 300,000	\$ 1,488,786	\$ 2,734,815
Capital assets - land	121,191	21,286	-	320,716	463,193
Capital assets - construction in progress	-	-	-	5,000	5,000
Capital assets - depreciable, net	2,302,274	5,549,893	10,520	630,715	8,493,402
Total noncurrent assets	<u>\$ 2,551,773</u>	<u>\$ 6,388,900</u>	<u>\$ 310,520</u>	<u>\$ 2,445,217</u>	<u>\$ 11,696,410</u>
Total assets	<u>\$ 4,707,468</u>	<u>\$ 7,391,677</u>	<u>\$ 1,805,981</u>	<u>\$ 3,981,698</u>	<u>\$ 17,886,824</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pensions	\$ 73,526	\$ 53,469	\$ 55,987	\$ 34,156	\$ 217,138
Total deferred outflows of resources	<u>\$ 73,526</u>	<u>\$ 53,469</u>	<u>\$ 55,987</u>	<u>\$ 34,156</u>	<u>\$ 217,138</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 4,780,994</u>	<u>\$ 7,445,146</u>	<u>\$ 1,861,968</u>	<u>\$ 4,015,854</u>	<u>\$ 18,103,962</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 23,269	\$ 80,244	\$ 3,334	\$ 87,340	\$ 194,187
Accrued payroll	21,417	8,385	4,546	10,028	44,376
Revenues collected in advance	13,841	26,781	-	-	40,622
Current portion of long-term capital liabilities	-	128,514	-	92,000	220,514
Current portion of compensated absences payable	10,351	6,606	8,113	7,582	32,652
Total current liabilities	<u>\$ 68,878</u>	<u>\$ 250,530</u>	<u>\$ 15,993</u>	<u>\$ 196,950</u>	<u>\$ 532,351</u>
Noncurrent liabilities:					
Deposits payable	\$ 67,552	\$ 177	\$ -	\$ 99,500	\$ 167,229
Landfill closure postclosure liability	-	-	-	1,264,245	1,264,245
Noncurrent portion of OPEB	88,227	57,794	55,672	52,651	254,344
Noncurrent portion of long-term capital liabilities	-	951,258	-	-	951,258
Noncurrent portion of compensated absences	31,053	19,817	24,340	22,745	97,955
Net pension liability	239,791	174,381	182,591	111,393	708,156
Total noncurrent liabilities	<u>\$ 426,623</u>	<u>\$ 1,203,427</u>	<u>\$ 262,603</u>	<u>\$ 1,550,534</u>	<u>\$ 3,443,187</u>
Total liabilities	<u>\$ 495,501</u>	<u>\$ 1,453,957</u>	<u>\$ 278,596</u>	<u>\$ 1,747,484</u>	<u>\$ 3,975,538</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pensions	\$ 17,553	\$ 12,765	\$ 13,366	\$ 8,154	\$ 51,838
Deferred inflows of resources - OPEB	6,895	4,516	4,351	4,114	19,876
Total deferred inflows of resources	<u>\$ 24,448</u>	<u>\$ 17,281</u>	<u>\$ 17,717</u>	<u>\$ 12,268</u>	<u>\$ 71,714</u>
NET POSITION					
Net investment in capital assets	\$ 2,423,465	\$ 4,491,407	\$ 10,520	\$ 864,431	\$ 7,789,823
Restricted by donors for specific purposes	128,308	660,633	300,000	123,600	1,212,541
Restricted for debt service	-	157,088	-	94,919	252,007
Nonspendable	38,578	29,538	5,286	83	73,485
Unrestricted	1,670,694	635,242	1,249,849	1,173,069	4,728,854
Total net position	<u>\$ 4,261,045</u>	<u>\$ 5,973,908</u>	<u>\$ 1,565,655</u>	<u>\$ 2,256,102</u>	<u>\$ 14,056,710</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
	<u>\$ 4,780,994</u>	<u>\$ 7,445,146</u>	<u>\$ 1,861,968</u>	<u>\$ 4,015,854</u>	<u>\$ 18,103,962</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Totals</u>
OPERATING REVENUES					
Charges for services	\$ 801,940	\$ 844,137	\$ 467,453	\$ 778,459	\$ 2,891,989
Miscellaneous revenues	7,317	6,011	1,277	2,238	16,843
Special assessments	38	75	7,511	-	7,624
Total operating revenues	<u>\$ 809,295</u>	<u>\$ 850,223</u>	<u>\$ 476,241</u>	<u>\$ 780,697</u>	<u>\$ 2,916,456</u>
OPERATING EXPENSES					
Personal services	\$ 278,710	\$ 183,014	\$ 132,456	\$ 248,268	\$ 842,448
Supplies	107,276	39,695	74,889	123,686	345,546
Purchased services	114,202	109,434	27,152	72,427	323,215
Fixed charges	17,508	15,036	8,697	140,183	181,424
Depreciation	246,097	192,267	30,225	201,932	670,521
Total operating expenses	<u>\$ 763,793</u>	<u>\$ 539,446</u>	<u>\$ 273,419</u>	<u>\$ 786,496</u>	<u>\$ 2,363,154</u>
Operating income (loss)	<u>\$ 45,502</u>	<u>\$ 310,777</u>	<u>\$ 202,822</u>	<u>\$ (5,799)</u>	<u>\$ 553,302</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	\$ 24,777	\$ 16,477	\$ 10,507	\$ 18,837	\$ 70,598
Interest revenue	5,194	3,844	3,143	(37,584)	(25,403)
Debt service interest expense	-	(27,418)	-	(5,625)	(33,043)
Total non-operating revenues (expenses)	<u>\$ 29,971</u>	<u>\$ (7,097)</u>	<u>\$ 13,650</u>	<u>\$ (24,372)</u>	<u>\$ 12,152</u>
Income (loss) before contributions and transfers	<u>\$ 75,473</u>	<u>\$ 303,680</u>	<u>\$ 216,472</u>	<u>\$ (30,171)</u>	<u>\$ 565,454</u>
Transfers out	-	-	(35,000)	35,000	-
Change in net position	<u>\$ 75,473</u>	<u>\$ 303,680</u>	<u>\$ 181,472</u>	<u>\$ 4,829</u>	<u>\$ 565,454</u>
Net Position - Beginning of the year	<u>\$ 4,407,025</u>	<u>\$ 5,389,317</u>	<u>\$ 1,325,271</u>	<u>\$ 1,971,588</u>	<u>\$ 13,093,201</u>
Net Position - End of the year	<u>\$ 4,482,498</u>	<u>\$ 5,692,997</u>	<u>\$ 1,506,743</u>	<u>\$ 1,976,417</u>	<u>\$ 13,658,655</u>

See accompanying Notes to the Financial Statements

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

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste - Collection</u>	<u>Landfill</u>	<u>Totals</u>
OPERATING REVENUES					
Charges for services	\$ 792,439	\$ 841,143	\$ 493,878	\$ 801,183	\$ 2,928,643
Miscellaneous revenues	11,546	31,944	392	1,957	45,839
Special assessments	29	57	6,530	-	6,616
Total operating revenues	<u>\$ 804,014</u>	<u>\$ 873,144</u>	<u>\$ 500,800</u>	<u>\$ 803,140</u>	<u>\$ 2,981,098</u>
OPERATING EXPENSES					
Personal services	\$ 453,728	\$ 321,939	\$ 286,020	\$ 267,789	\$ 1,329,476
Supplies	151,466	66,823	85,234	96,940	400,463
Purchased services	165,112	124,311	18,023	55,809	363,255
Fixed charges	19,295	22,328	10,280	(14,120)	37,783
Depreciation	250,003	191,702	3,779	174,346	619,830
Total operating expenses	<u>\$ 1,039,604</u>	<u>\$ 727,103</u>	<u>\$ 403,336</u>	<u>\$ 580,764</u>	<u>\$ 2,750,807</u>
Operating income (loss)	<u>\$ (235,590)</u>	<u>\$ 146,041</u>	<u>\$ 97,464</u>	<u>\$ 222,376</u>	<u>\$ 230,291</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	\$ 7,402	\$ 152,372	\$ 5,636	\$ 3,438	\$ 168,848
Interest revenue	6,735	6,233	5,812	7,482	26,262
Debt service interest expense	-	(23,736)	-	(3,611)	(27,347)
Total non-operating revenues (expenses)	<u>\$ 14,137</u>	<u>\$ 134,869</u>	<u>\$ 11,448</u>	<u>\$ 7,309</u>	<u>\$ 167,763</u>
Income (loss) before contributions and transfers	<u>\$ (221,453)</u>	<u>\$ 280,910</u>	<u>\$ 108,912</u>	<u>\$ 229,685</u>	<u>\$ 398,054</u>
Transfers in	-	-	-	50,000	50,000
Transfers out	-	-	(50,000)	-	(50,000)
Change in net position	<u>\$ (221,453)</u>	<u>\$ 280,910</u>	<u>\$ 58,912</u>	<u>\$ 279,685</u>	<u>\$ 398,054</u>
Net Position - Beginning of the year	<u>\$ 4,482,498</u>	<u>\$ 5,692,998</u>	<u>\$ 1,506,743</u>	<u>\$ 1,976,417</u>	<u>\$ 13,658,656</u>
Net Position - End of the year	<u>\$ 4,261,045</u>	<u>\$ 5,973,908</u>	<u>\$ 1,565,655</u>	<u>\$ 2,256,102</u>	<u>\$ 14,056,710</u>

See accompanying Notes to the Financial Statements

CITY OF HARDIN, BIG HORN COUNTY, MONTANA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FISCAL YEAR ENDING JUNE 30, 2022

Description	Business-type Activities				
	Water	Sewer	Solid Waste	Landfill	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 830,766	\$ 857,028	\$ 474,130	\$ 738,581	\$ 2,900,505
Cash paid to suppliers	(197,577)	(390,248)	(102,959)	(211,411)	(902,195)
Cash paid to employees	(380,325)	(284,559)	(192,412)	(318,599)	(1,175,895)
Net cash provided (used) by operating activities	<u>\$ 252,864</u>	<u>\$ 182,221</u>	<u>\$ 178,759</u>	<u>\$ 208,571</u>	<u>\$ 822,415</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	\$ -	\$ -	\$ (35,000)	\$ 35,000	\$ -
Subsidies from taxes and other governments	20,702	88,976	8,456	14,794	132,928
Net cash provided (used) by capital and related financing activities	<u>\$ 20,702</u>	<u>\$ 88,976</u>	<u>\$ (26,544)</u>	<u>\$ 49,794</u>	<u>\$ 132,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from debt & leases	\$ -	\$ 172,120	\$ -	\$ -	\$ 172,120
Purchases/acquisition/construction of capital assets	(56,215)	(16,237)	-	-	(72,452)
Principal on debt & leases	-	(203,000)	-	(89,000)	(292,000)
Interest paid on debt & leases	-	(27,418)	-	(5,625)	(33,043)
Net cash provided (used) by capital and related financing activities	<u>\$ (56,215)</u>	<u>\$ (74,535)</u>	<u>\$ -</u>	<u>\$ (94,625)</u>	<u>\$ (225,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	\$ 5,338	\$ 3,869	\$ 3,207	\$ (37,521)	\$ (25,107)
Net cash provided (used) by investing activities	<u>\$ 5,338</u>	<u>\$ 3,869</u>	<u>\$ 3,207</u>	<u>\$ (37,521)</u>	<u>\$ (25,107)</u>
Net increase (decrease) in cash and cash equivalents	\$ 222,689	\$ 200,531	\$ 155,422	\$ 126,219	\$ 704,861
Cash and cash equivalents - July 1, 2021	<u>1,933,469</u>	<u>1,386,277</u>	<u>1,198,529</u>	<u>2,482,751</u>	<u>7,001,026</u>
Cash and cash equivalents - June 30, 2022	<u>\$ 2,156,158</u>	<u>\$ 1,586,808</u>	<u>\$ 1,353,951</u>	<u>\$ 2,608,970</u>	<u>\$ 7,705,887</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 45,502	\$ 310,777	\$ 202,822	\$ (5,799)	\$ 553,302
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	246,096	192,268	30,225	201,931	670,520
(Increase) Decrease in accounts receivable	20,006	6,805	(2,109)	(42,113)	(17,411)
(Increase) decrease in inventories	3,325	46	1,319	45	4,735
(Increase) decrease in prepaid items	101	(252)	-	-	(151)
Increase (decrease) in customer deposits	1,469	-	-	-	1,469
Increase (decrease) in accounts payable	37,980	(225,878)	6,459	124,838	(56,601)
Increase (decrease) in compensated absences pay.	9,378	1,322	4,113	2,413	17,226
Increase (decrease) in GASB68 pension expense	<u>\$ (110,993)</u>	<u>\$ (102,867)</u>	<u>\$ (64,070)</u>	<u>\$ (72,744)</u>	<u>\$ (350,674)</u>
Total adjustments	<u>\$ 207,362</u>	<u>\$ (128,556)</u>	<u>\$ (24,063)</u>	<u>\$ 214,370</u>	<u>\$ 269,113</u>
Net cash provided (used) by operating activities	<u>\$ 252,864</u>	<u>\$ 182,221</u>	<u>\$ 178,759</u>	<u>\$ 208,571</u>	<u>\$ 822,415</u>

See accompanying notes to the financial statements.

City of Hardin, Big Horn County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2023

	Business - Type Activities				
	Water	Sewer	Solid Waste	Landfill	Totals
Cash flows from operating activities:					
Cash received from providing services	\$ 796,682	\$ 753,039	\$ 497,935	\$ 889,706	\$ 2,937,362
Cash received from miscellaneous sources	11,546	31,944	392	1,957	45,839
Cash payments to suppliers	(358,835)	(151,064)	(123,267)	(99,317)	(732,483)
Cash payments to employees	(399,120)	(293,956)	(205,459)	(307,103)	(1,205,638)
Net cash provided (used) by operating activities	<u>\$ 50,273</u>	<u>\$ 339,963</u>	<u>\$ 169,601</u>	<u>\$ 485,243</u>	<u>\$ 1,045,080</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	\$ (24,291)	\$ (281,406)	-	\$ (82,251)	\$ (387,948)
Principal paid on debt	-	(207,000)	-	(91,000)	(298,000)
Interest paid on debt	-	(23,736)	-	(3,611)	(27,347)
Proceeds from bonds, loans and advances	-	60,317	-	-	60,317
Net cash provided (used) by capital and related financing activities	<u>\$ (24,291)</u>	<u>\$ (451,825)</u>	<u>\$ -</u>	<u>\$ (176,862)</u>	<u>\$ (652,978)</u>
Cash flows from non-capital financing activities:					
Cash received from other sources	\$ 7,402	\$ 153,433	\$ 1,124	\$ 3,438	\$ 165,397
Net cash provided (used) from non-capital financing activities	<u>\$ 7,402</u>	<u>\$ 153,433</u>	<u>\$ 1,124</u>	<u>\$ 3,438</u>	<u>\$ 165,397</u>
Cash flows from investing activities:					
Interest on investments	\$ 192	\$ (1,498)	\$ (471)	\$ (155)	\$ (1,932)
Net cash provided (used) by investing activities	<u>\$ 192</u>	<u>\$ (1,498)</u>	<u>\$ (471)</u>	<u>\$ (155)</u>	<u>\$ (1,932)</u>
Net increase (decrease) in cash and cash equivalents	\$ 33,576	\$ 40,073	\$ 170,254	\$ 311,664	\$ 555,567
Cash and cash equivalents at beginning	<u>2,156,164</u>	<u>1,586,807</u>	<u>1,353,952</u>	<u>2,608,972</u>	<u>7,705,895</u>
Cash and cash equivalents at end	<u>\$ 2,189,740</u>	<u>\$ 1,626,880</u>	<u>\$ 1,524,206</u>	<u>\$ 2,920,636</u>	<u>\$ 8,261,462</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (235,590)	\$ 146,041	\$ 97,464	\$ 222,376	\$ 230,291
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	250,003	191,702	3,780	174,346	619,831
Changes in assets and liabilities:					
Accounts receivable	3,998	8,570	1,857	88,523	102,948
Taxes and assessments receivable, net	(1,933)	81	(4,330)	-	(6,182)
Deposits payable	2,787	177	-	-	2,964
Contracts receivable	(638)	(1,260)	-	-	(1,898)
Inventory	(847)	238	(3,335)	82	(3,862)
Prepaid expenses	(191)	182	(76)	(95)	(180)
Accounts payable	(21,924)	63,238	(6,319)	74,495	109,490
Landfill closure liability	-	-	-	(35,170)	(35,170)
Due from other governments	-	(96,989)	-	-	(96,989)
Compensated Absences	756	3,000	4,081	7,259	15,096
Pensions and OPEB	43,388	24,019	76,202	(48,295)	95,314
Accrued payroll	10,464	964	277	1,722	13,427
Net cash provided (used) by operating activities	<u>\$ 50,273</u>	<u>\$ 339,963</u>	<u>\$ 169,601</u>	<u>\$ 485,243</u>	<u>\$ 1,045,080</u>

See accompanying notes to the financial statements

City of Hardin, Big Horn County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	101,485
Interest and dividends receivable		139
Taxes receivable		2,387
Total receivables	\$	<u>2,526</u>
TOTAL ASSETS	\$	<u>104,011</u>
 LIABILITIES		
Net Pension Liability	\$	<u>119,500</u>
Total liabilities	\$	<u>119,500</u>
 NET POSITION		
Restricted for:		
Pensions	\$	<u>(15,489)</u>
Total net position	\$	<u>(15,489)</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>104,011</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	121,815
Interest and dividends receivable		204
Taxes receivable		2,386
Total receivables		<u>2,590</u>
TOTAL ASSETS	\$	<u>124,405</u>
LIABILITIES		
Warrants payable	\$	11,213
Accounts payable		(2,708)
Due to others		600
FLEX		160
Net Pension Liability		122,000
Total liabilities	\$	<u>131,265</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$	<u>(6,860)</u>
Total net position	\$	<u>(6,860)</u>
TOTAL LIABILITIES AND NET POSTION	\$	<u>124,405</u>

See accompanying Notes to the Financial Statements

City of Hardin, Big Horn County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Contributions:		
Intergovernmental	\$	6,197
Interest and change in fair value of investments		240
Total additions	\$	<u>6,437</u>
DEDUCTIONS		
Benefits	\$	<u>26,886</u>
Total deductions	\$	<u>26,886</u>
Change in net position	\$	<u>(20,449)</u>
 Net Position - Beginning of the year	 \$	 <u>4,960</u>
 Net Position - End of the year	 \$	 <u><u>(15,489)</u></u>

See accompanying Notes to the Financial Statements

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

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Contributions:		
Intergovernmental	\$	35,463
Interest and change in fair value of investments		265
Total additions	\$	<u>35,728</u>
DEDUCTIONS		
Benefits	\$	<u>27,100</u>
Total deductions	\$	<u>27,100</u>
Change in net position	\$	<u>8,628</u>
Net Position - Beginning of the year	\$	<u>(15,488)</u>
Net Position - End of the year	\$	<u>(6,860)</u>

See accompanying Notes to the Financial Statements

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

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

GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

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 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.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2022 and June 30, 2023. The City has the following discretely presented component unit:

Discretely Presented Component Unit – Two Rivers Authority

The criteria for including organizations as component units within the City’s reporting entity is set forth in Section 2100 of the GASB “Codification of Governmental Accounting and Financial Reporting Standards.” The basic criteria include appointing a voting majority of an organization’s governing body, as well as the City’s ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the City. Based on those criteria the City has determined that the Two Rivers Authority (TRA) is a component unit of the City. Therefore, the financial statements of the reporting entity the City of Hardin (primary government) include those of Two Rivers Authority (component unit) herein referred to as Two Rivers Authority (TRA). Questions regarding Two Rivers Authority should be directed to Jeff McDowell, Two Rivers Authority, PO Box 324 Hardin, MT 59034-0324.

“TRA was created in 2004 with the purpose of economic development. The tax increment financing district (TIF) was created to develop an Industrial Park. TRA was tasked with recruiting interested activities for both the industrial Park and the City of Hardin. TRA owns a detention facility located within the industrial park. TRA’s revenue bonds were used to build a detention facility and streets, curbs and gutters associated with the detention facility within the industrial park. The detention facility is the only asset with the potential of generating revenue to pay their revenue bonds principal and interest. TRA’s revenue bonds are in default. The bond agreements state that the City of Hardin is not responsible for covering the bond requirements in the event of default on the part of TRA.”

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

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 custodial 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 except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, 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 HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

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 HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

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 for the years ending June 30, 2022 and June 30, 2023:

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.

Street Maintenance Fund – A special revenue fund established to account for maintenance and repair of the City’s streets.

Debt Service Funds - A fund use to account for the payment of interest and principal on long-term bonded debt other than revenue bonds. Montana Statutes require a single debt service fund be established for each general obligation bond, special assessment bond, judgement levy, and special improvement district revolving debt. The TFID Debt Service Fund, SID 120 Debt Service Fund are major funds for the years ended June 30, 2022 and June 30, 2023.

American Rescue Plan Act (ARPA) – A special revenue fund to account for the monies received and spent under the American Rescue Plan Act.

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 HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

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 for fiscal years ending June 30, 2022 and June 30, 2023:

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.

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

Landfill Fund – An enterprise fund that accounts for the activities of the City's landfill.

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 for fiscal years ending June 30, 2022 and June 30, 2023 are:

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

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 560
Cash in banks:	
Demand deposits	33,440
Savings deposits	182,254
Time deposits	6,394,547
<u>Investments:</u>	
Repurchase agreements	4,559,796
Landfill Trusts	1,224,483
Total	<u>\$ 12,395,080</u>

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 560
Cash in banks:	
Demand deposits	139,639
Savings deposits	446,330
Time deposits	5,160,126
<u>Investments:</u>	
U.S. Government Securities	2,906,747
Repurchase agreements	3,715,892
Landfill Trusts	1,270,267
Total	<u>\$ 13,639,561</u>

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The City's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, U.S. Government Securities, repurchase agreements, and landfill 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.

Fair Value Measurements

Investments are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

- (a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.
- (b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.
- (c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Government Securities are valued using quoted market prices (Level 1 inputs).

Repurchase Agreements

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

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Credit Risk

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

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

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

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

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

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

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

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

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

The government has no investments that require credit risk disclosure.

CITY OF HARDIN
 BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022 and June 30, 2023

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, 2022, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2022 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 695,503
- Collateral held by the pledging bank's trust department but not in the County's name	4,384,567
Uninsured and uncollateralized	<u>1,509,980</u>
Total deposits and investments	<u>\$ 6,590,050</u>

As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2023 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 750,761
- Collateral held by the pledging bank's trust department but not in the County's name	3,198,593
Uninsured and uncollateralized	<u>1,657,863</u>
Total deposits and investments	<u>\$ 5,607,217</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, 2022 and June 30, 2023, did not meet the amount required by State statutes.

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Concentration of Credit Risk

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

	<u>% of credit risk</u> <u>June 30, 2022</u>	<u>% of credit risk</u> <u>June 30, 2023</u>
Repurchase agreements	100%	56%
U.S. Government Securities		44%

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2022 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
FISB - Repo Acct - 9777	0.01%	\$ 4,559,796
FISB - Landfill Trust - xxxx-POS	1.18%	161,841
FISB - Landfill Trust - xxx2-CL	1.43%	573,233
FISB - Landfill Coal Waste - xxxx-CLA	1.50%	446,672
FISB - Landfill Coal Waste - xxxx-POS	0.93%	42,737
Total		<u>\$ 5,784,279</u>

The following is a list of individual investments as of June 30, 2023 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
FISB - Wealth Mgmt - 8847	2.42%	\$ 2,906,747
FISB - Repo Acct - 9777	0.20%	3,715,892
FISB - Landfill Trust - xxxx-POS	1.52%	165,455
FISB - Landfill Trust - xxx2-CL	2.30%	593,670
FISB - Landfill Coal Waste - xxxx-CLA	2.94%	466,204
FISB - Landfill Coal Waste - xxxx-POB	1.30%	44,938
Total		<u>\$ 7,892,906</u>

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2022. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Customer deposits	\$ 6,266
Water Fund	Customer Deposits	64,685
Water Fund	Impact Fees	50,015
Landfill Fund	Future Reserves	94,919
Landfill Fund	Customer Deposits	99,500
Landfill Fund	Replacement and Depreciation	24,100
Landfill Fund	Closure and Post-closure Care	1,224,483
Sewer Fund	Future Reserves	155,679
Sewer Fund	Current Reserves	34,166
Sewer Fund	Impact Fees	96,925
Sewer Fund	Replacement and Depreciation	534,709
Gas Tax Fund	Capital Assets	128,082
TIF	Debt Service	187,180
Solid Waste Fund	Replacement and Depreciation Fund	<u>300,000</u>
Total		<u>\$ 3,000,709</u>

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Customer Deposits	\$ 6,272
Water Fund	Customer Deposits	67,510
Water Fund	Impact Fees	60,798
Landfill Fund	Future Reserves	94,919
Landfill Fund	Customer Deposits	99,500
Landfill Fund	Replacement and Depreciation	24,100
Landfill Fund	Closure and Post-closure	1,270,267
Sewer Fund	Future Reserves	121,618
Sewer Fund	Current Reserve	35,470
Sewer Fund	Impact Fees	125,554
Sewer Fund	Replacement and Depreciation	535,079
Gas Tax Fund	Capital Assets	145,811
TIF Fund	Debt Service	473,852
Solid Waste Fund	Replacement and Depreciation	<u>300,000</u>
Total		<u>\$ 3,360,750</u>

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
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NOTE 4. RECEIVABLES

Tax Receivables

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

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

Taxes that become delinquent are charged interest at the rate of $\frac{5}{6}$ 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

Inventories are recorded as an expenditure when incurred. Inventories are accounted for using the purchase method.

CITY OF HARDIN
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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:

	<u>Governmental</u>	<u>Proprietary</u>
Buildings	10 – 50 years	40 – 50 years
Improvements Other than Buildings	20 – 40 years	10 – 37 years
Equipment and Machinery	3 – 20 years	5 – 20 years
Infrastructure	5 – 50 years	5 – 50 years

A summary of changes in governmental capital assets as of June 30, 2022 was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 553,285	\$ -	\$ 553,285
Construction in progress	40,621	12,000	52,621
Total capital assets not being depreciated	<u>\$ 593,906</u>	<u>\$ 12,000</u>	<u>\$ 605,906</u>
Other capital assets:			
Buildings	\$ 1,294,050	\$ 12,147	\$ 1,306,197
Improvements other than buildings	226,267	-	226,267
Machinery and equipment	1,807,408	223,016	2,030,424
Machinery and equipment - leased assets	-	21,092	21,092
Infrastructure	16,408,849	216,093	16,624,942
Total other capital assets at historical cost	\$ 19,736,574	\$ 472,348	\$ 20,208,922
Less: accumulated depreciation	<u>(5,444,844)</u>	<u>(577,166)</u>	<u>(6,022,010)</u>
Total	<u>\$ 14,885,636</u>	<u>\$ (92,818)</u>	<u>\$ 14,792,818</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 13,356
Public safety	91,898
Public works	349,831
Culture and recreation	23,059
Housing and community development	<u>99,022</u>
Total governmental activities depreciation expense	<u>\$577,166</u>

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BIG HORN COUNTY, MONTANA
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A summary of changes in business-type capital assets as of June 30, 2022 was as follows:

Business-type activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 463,193	\$ -	\$ 463,193
Construction in progress	-	16,237	16,237
Total capital assets not being depreciated	<u>\$ 463,193</u>	<u>\$ 16,237</u>	<u>\$ 479,430</u>
Other capital assets:			
Buildings	\$ 139,636	-	\$ 139,636
Improvements other than buildings	1,980,909	-	1,980,909
Machinery and equipment	2,610,233	-	2,610,233
Treatment plant	6,094,339	56,215	6,150,554
Transmission and distribution	9,783,416	-	9,783,416
General plant	447,842	-	447,842
Total other capital assets at historical cost	<u>\$ 21,056,375</u>	<u>\$ 56,215</u>	<u>\$ 21,112,590</u>
Less: accumulated depreciation	<u>(11,728,018)</u>	<u>(670,524)</u>	<u>(12,398,542)</u>
Total	<u>\$ 9,791,550</u>	<u>\$ (598,072)</u>	<u>\$ 9,193,478</u>

A summary of changes in governmental capital assets as of June 30, 2023 was as follows:

Governmental activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 553,285	-	-	\$ 553,285
Easements (no land & no depreciation)	40,622	-	-	40,622
Intangible Assets	12,000	-	-	12,000
Construction in progress	-	21,801	-	21,801
Total capital assets not being depreciated	<u>\$ 605,907</u>	<u>\$ 21,801</u>	<u>\$ -</u>	<u>\$ 627,708</u>
Other capital assets:				
Buildings	\$ 1,306,195	\$ 9,261	-	\$ 1,315,456
Improvements other than buildings	226,268	200,000	-	426,268
Machinery and equipment	2,030,422	57,999	-	2,088,421
Machinery and equipment - leased assets	21,092	-	(21,092)	-
Infrastructure	16,624,941	-	-	16,624,941
Total other capital assets at historical cost	<u>\$ 20,208,918</u>	<u>\$ 267,260</u>	<u>\$ (21,092)</u>	<u>\$ 20,455,086</u>
Less: accumulated depreciation	<u>(6,022,006)</u>	<u>(583,873)</u>	<u>-</u>	<u>(6,605,879)</u>
Total	<u>\$ 14,792,819</u>	<u>\$ (294,812)</u>	<u>\$ (21,092)</u>	<u>\$ 14,476,915</u>

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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 11,937
Public safety	101,276
Public works	343,126
Culture and recreation	28,512
Housing and community development	<u>99,022</u>
Total governmental activities depreciation expense	<u>\$583,873</u>

A summary of changes in business-type capital assets as of June 30, 2023 was as follows:

Business-type activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	Balance <u>June 30, 2023</u>
Capital assets not being depreciated:			
Land	\$ 463,193	\$ -	\$ 463,193
Construction in progress	16,237	310,692	326,929
Total capital assets not being depreciated	<u>\$ 479,430</u>	<u>\$ 310,692</u>	<u>\$ 790,122</u>
Other capital assets:			
Buildings	\$ 139,636	\$ -	\$ 139,636
Improvements other than buildings	1,980,909	-	1,980,909
Machinery and equipment	2,610,233	77,250	2,687,483
General plant infrastructure	447,842	-	447,842
Treatment plant	6,150,554	-	6,150,554
Transmission and distribution	9,783,416	-	9,783,416
Total other capital assets at historical cost	<u>\$ 21,112,590</u>	<u>\$ 77,250</u>	<u>\$ 21,189,840</u>
Less: accumulated depreciation	<u>(12,398,537)</u>	<u>(619,830)</u>	<u>(13,018,367)</u>
Total	<u>\$ 9,193,483</u>	<u>\$ (231,888)</u>	<u>\$ 8,961,595</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, and proprietary fund 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, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance		Balance		Due Within
	<u>July 1, 2021</u>	<u>Additions</u>	<u>June 30, 2022</u>		<u>One Year</u>
Revenue bonds	\$ 20,920,000	\$ -	\$ 20,920,000	\$	6,590,000
Compensated absences	72,977	35,525	108,502		36,613
Total	<u>\$ 20,992,977</u>	<u>\$ 35,525</u>	<u>\$ 21,028,502</u>	\$	<u>6,626,613</u>

Business-type Activities:

	Balance			Balance		Due Within
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>		<u>One Year</u>
Revenue bonds	\$ 1,529,335	\$ 172,120	\$ (292,000)	\$ 1,409,455	\$	349,514
Compensated absences	103,911	13,112	-	117,023		29,256
Total	<u>\$ 1,633,246</u>	<u>\$ 185,232</u>	<u>\$ (292,000)</u>	<u>\$ 1,526,478</u>	\$	<u>378,770</u>

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

Governmental Activities:

	Balance		Balance		Due Within
	<u>July 1, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>		<u>One Year</u>
Revenue bonds	\$ 20,920,000	\$ -	\$ 20,920,000	\$	7,660,000
Compensated absences	108,502	828	109,330		89,842
Total	<u>\$ 21,028,502</u>	<u>\$ 828</u>	<u>\$ 21,029,330</u>	\$	<u>7,749,842</u>

Business-type Activities:

	Balance			Balance		Due Within
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>		<u>One Year</u>
Revenue bonds	\$ 1,409,455	\$ 60,317	\$ (298,000)	\$ 1,171,772	\$	220,514
Compensated absences	117,023	13,584	-	130,607		32,652
Total	<u>\$ 1,526,478</u>	<u>\$ 73,901</u>	<u>\$ (298,000)</u>	<u>\$ 1,302,379</u>	\$	<u>253,166</u>

CITY OF HARDIN
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June 30, 2022 and June 30, 2023

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>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2023</u>
TIF series 2006 revenue bond	9/1/2006	6.25%	25 yrs	9/1/31	\$12,600,953	\$ 20,920,000	\$ 20,920,000
Sewer series 2003	6/27/2005	2.25%	20 yrs	7/1/2023	1,247,000	131,000	-
Sewer series 2010B	1/15/2010	0.75%	20 yrs	1/1/2030	359,300	140,000	122,000
Sewer series 2010C	5/11/2010	3.00%	20 yrs	1/1/2030	557,000	282,000	248,000
Sewer series 2021B	4/22/2021	2.50%	20 yrs	1/1/2041	584,000	550,000	586,317
Sewer series 2021A	4/22/2021	0.00%	20 yrs	1/1/2041	192,700	123,455	123,455
Landfill Series 2009 (Coal Ash)	6/19/2009	2.25%	15 yrs	7/1/2024	<u>1,127,000</u>	<u>183,000</u>	<u>92,000</u>
					<u>\$16,667,953</u>	<u>\$ 22,329,455</u>	<u>\$ 22,091,772</u>

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

Tax Increment Fund Bonds

In September 2006, the City issued \$12,600,953 of revenue bonds, with an interest accretion phase of \$8,319,047 for total bond principal of \$20,920,000, to finance all or a portion of the costs of construction and installation of certain industrial infrastructure projects in relation to Rocky Mountain Power Inc. that operates a 116MW coal-fired electric generation station and related facilities. The city was required to begin making scheduled principal and interest payments on March 1, 2015. The bonds are secured by a lien on the Tax Increment Financing District (TIF) until paid. The City has not received sufficient revenues to pay the full amount of interest as it comes due, nor any of the principal amounts. **The TIF revenue bonds are considered to be in default because the principal and full interest payments have not been paid as scheduled.** Interest expense continues to accrue on the unpaid balance. Accrued interest on revenue bonds totals \$4,576,250 for Fiscal years 2022 and \$5,494,650 for fiscal year 2023.

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Section 201 of the indenture agreement states “General Title and Limitations. The general title of the Bonds of all series shall be “Tax Increment Industrial Infrastructure Development Revenue Bonds.” The Bonds are special, limited obligations of the city. The Bonds are not general obligations of the city and the taxing power of the city is not pledged to the payment of the Bonds or the interest thereon.”

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Governmental Principal</u>	<u>Governmental Interest</u>	<u>Business-Type Principal</u>	<u>Business-Type Interest</u>
2024	\$ 7,660,000	\$ 895,625	\$ 220,514	\$ 17,623
2025	1,140,000	828,750	90,700	14,746
2026	1,210,000	757,500	93,087	13,380
2027	1,285,000	681,875	93,437	11,976
2028	1,365,000	601,562	96,787	10,547
2029	1,450,000	516,250	98,137	9,067
2030	1,540,000	425,625	68,450	7,527
2031	1,640,000	329,375	36,750	6,720
2032	3,630,000	226,875	38,037	6,130
2033	-	-	37,287	5,530
2034	-	-	36,537	4,930
2035	-	-	37,775	4,300
2036	-	-	36,975	3,660
2037	-	-	37,175	3,010
2038	-	-	37,337	2,330
2039	-	-	37,487	1,640
2040	-	-	37,600	920
2041	-	-	37,700	190
Total	<u>\$ 20,920,000</u>	<u>\$ 5,263,437</u>	<u>\$ 1,171,772</u>	<u>\$ 124,226</u>

Two Rivers Authority (TRA)

On April 24, 2006 TRA sold \$27,015,000 20-year revenue bonds with interest rates ranging from 6% to 7.375% for the construction of a Regional Detention Center, to establish reserves, and pay costs associated with the sale of the bonds. The senior lien project revenue bonds were issued by TRA, a local port authority created by the City of Hardin in denominations of \$5,000 each. Interest is payable semiannually on May 1 and November 1 or each year commencing November 1, 2006.

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The following bonds were issued on April 1, 2006:

Maturity Date	Principal Amount	Interest Rate	CUSIPS
2011	\$ 2,685,000	6.00%	90206X AA8
2016	4,425,000	6.75%	90206X AB6
2021	6,205,000	7.25%	90206X AC4
2027	<u>13,700,000</u>	7.375%	90206X AD2
Total	\$ <u>27,015,000</u>		

Remedy of Default

In the event of a default in payment of principal and of interest on the Series 2006 bonds, a remedy available to the Trustee or the holders of 66- 2/3% in principal amounts of the Bonds then outstanding is to foreclose on the mortgage and attempt to sell the project or lease the project.

Resolution No. 1805 of the City of Hardin specifies that the bonds issued for the detention center shall not constitute an obligation or debt of the City and shall not be payable from, nor shall constitute a charge, lien, or encumbrance on property of the City, nor shall the holder of bonds ever have the right to enforce payment against any property of the City.

Lease with Bureau of Indian Affairs (BIA)

TRA entered into a 15-year lease agreement with the BIA of the detention building beginning December 15, 2018. The TRA Detention Center shall be utilized as a BIA Correctional Facility. The BIA will pay annual rent based on operating costs.

Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill sites when it stops accepting waste and perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense each period based on landfill capacity used as of each period. The landfill closure and post-closure liability at June 30, 2023, of \$1,264,245 represents the cumulative amount reported to-date based on the remaining available use of 42% of the Class II area and 81% of the Coal Ash area. The liability for closure and post-closure care costs is based on landfill capacity used to date. The City will recognize the remaining estimated cost of closure and post-closure care costs as the remaining estimated capacity is filled.

The City expects to close the Class II area landfill in 23 years and the Coal Ash area in 37 years.

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The City is required by State and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City is in compliance with these requirements. As of June 30, 2023, restricted cash and investments of \$1,270,267 are held for these purposes and are reported in the statement of net position. Future inflation costs are expected to be paid from annual earnings and contributions.

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. City employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. City employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. The City reports compensated absences on the termination payment method. City employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Therefore, only 25% of the accumulated sick leave is included in the accrual. 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 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	0
Active employees	20
Total employees	20

Total OPEB Liability

The City’s total OPEB liability of \$451,771 at June 30, 2022, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2022.

The City’s total OPEB liability of \$487,075 at June 30, 2023, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2022 and using standard roll forward procedures to June 30, 2023.

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

Average age of retirement (based on historical data)	57.6
Discount rate (average anticipated rate)	4.02%
Average salary increase (Consumer Price Index)	3.50%
Participation rate	40.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>Medical and Prescription Drugs</u>
2022	9.0%
2023	7.0%
2024	6.5%
2025	6.0%
2026	5.9%
2027	5.7%
2028	5.6%
2029	5.5%
2030	5.3%
2031-2047	5.2%
2048	5.1%
2049-2050	5.0%

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2051-2053	4.9%
2054-2056	4.8%
2057-2062	4.7%
2063-2069	4.6%
2070	4.5%
2071	4.4%
2072	4.3%
2073-2074	4.2%
2075	4.1%
2076-2077	4.0%
2078	3.9%
2079	3.8%

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

Mortality Healthy

For the Public Employees' Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table projected to 2015 using Scale AA.

Mortality Disabled

For the Public Employees' Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table with no projections.

The turnover assumptions per GASB 75, paragraph 225e.

Changes in the Total OPEB Liability

Balance at 6/30/2021	\$ <u>474,676</u>
Changes for the year:	
Service Cost	\$ 32,817
Interest	11,520
Differences in experience	3,820
Change in assumptions	(56,397)
Benefit payments	<u>(14,665)</u>
Net Changes	\$ <u>(22,905)</u>
Balance at 6/30/2022	\$ <u><u>451,771</u></u>

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Changes in the Total OPEB Liability

Balance at 6/30/2022		\$ <u>451,771</u>
Changes for the year:		
Service Cost		\$ 64,103
Interest		20,738
Differences in experience		5,500
Change in assumptions		(35,304)
Benefit payments		<u>(19,733)</u>
Net Changes		\$ <u>35,304</u>
Balance at 6/30/2023		\$ <u>487,075</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported as of June 30, 2022, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1%	Discount		1% Increase
	Decrease	Rate		(5.02%)
	(3.02%)	(4.02%)		
Total OPEB Liability	\$ 495,547	\$ 451,771	\$	411,489

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported as of June 30, 2022, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1%	Healthcare		1% Increase
	Decrease	Cost		(1%)
	Trends*	Trends*		Trends*
Total OPEB Liability	\$ 397,214	\$ 451,771	\$	518,217

**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, 2022, the City recognized an OPEB expense of \$(22,905).

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
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For the year ended June 30, 2023, the City recognized an OPEB expense of \$35,304.

At June 30, 2023, the City reported deferred inflows of resources of 35,304.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as of June 30, 2023 is as follows:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Differences between expected and actual economic experience	\$ -	-
Changes in actuarial assumptions	-	(35,304)
Total	\$ -	\$ (35,304)

NOTE 9. NET PENSION LIABILITY

As of June 30, 2022, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

City's Proportionate Share Associated With:		PERS
Net Pension Liability	\$	1,187,350
Deferred outflows of resources*	\$	429,594
Deferred inflows of resources	\$	489,602
Pension expense	\$	123,735

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$180,155. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

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BIG HORN COUNTY, MONTANA
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Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

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BIG HORN COUNTY, MONTANA
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Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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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
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 rate.
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.

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- 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
- d. 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 \$34,290,660.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2021, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021, 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 \$1,187,350 and the City's proportionate share was 0.065483 percent.

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	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,187,350	\$ 1,689,389	0.065483%	0.064035%	0.001448%
State of Montana Proportionate Share associated with Employer	348,875	530,730	0.019241%	0.020117%	-0.000876%
Total	\$ 1,536,225	\$ 2,220,119	0.084724%	0.084152%	0.000572%

Changes in actuarial assumptions and methods:

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

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

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, 2022, the City recognized a Pension Expense of \$20,700 for its proportionate share of the pension expense. The City also recognized grant revenue of \$103,035 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
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	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share \$	20,700	\$ 208,369
State of Montana Proportionate Share associated with the Employer	103,035	86,797
Total	\$ 123,735	\$ 295,166

Recognition of Beginning Deferred Outflow

At June 30, 2022, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2021 contributions of \$102,504.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,671	\$ 8,595
Actual vs. Expected Investment Earnings	-	481,007
Changes in Assumptions	175,869	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	60,899	-
Employer contributions subsequent to the measurement date - FY22*	180,155	-
Total	\$ 429,594	\$ 489,602

*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, 2022.

CITY OF HARDIN
 BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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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 Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2022	\$ 55,573
2023	\$ (26,011)
2024	\$ (116,176)
2025	\$ (153,550)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2021 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

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Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, 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 7.06%. 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. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 1,884,732	\$ 1,187,350	\$ 602,407

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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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

PERS Disclosure for the defined contribution plan

The City of Hardin 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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

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

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June 30, 2022 and June 30, 2023

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

City's Proportionate Share Associated With:	PERS
Net Pension Liability	\$ 1,908,753
Deferred outflows of resources*	\$ 585,270
Deferred inflows of resources	\$ 139,725
Pension expense	\$ 418,722

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$198,842. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

CITY OF HARDIN
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June 30, 2022 and June 30, 2023

Plan Descriptions

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

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

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

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Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

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

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

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1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

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

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

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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 employer's and the state of Montana's NPL for June 30, 2023, and 2022, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$1,908,753 and the City's proportionate share was 0.080263 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,908,753	\$ 1,187,350	0.080263%	0.065483%	0.014780%
State of Montana Proportionate Share associated with Employer	568,419	348,875	0.023904%	0.019241%	0.004663%
Total	<u>\$ 2,477,172</u>	<u>\$ 1,536,225</u>	<u>0.104167%</u>	<u>0.084724%</u>	<u>0.019443%</u>

Changes in actuarial assumptions and methods:

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

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

Changes in benefit terms:

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

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Changes in proportionate share:

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

Pension Expense:

At June 30, 2023, the City recognized a Pension Expense of \$359,805 for its proportionate share of the pension expense. The City also recognized grant revenue of \$58,917 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	Pension Expense as of 6/30/23		Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 359,805	\$	20,700
State of Montana Proportionate Share associated with the Employer	58,917		103,035
Total	\$ 418,722	\$	123,735

Recognition of Beginning Deferred Outflow

At June 30, 2023, the City recognized a beginning deferred outflow of resources for the City’s fiscal year 2022 contributions of \$180,155.

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Recognition of Deferred Inflows and Outflows:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 24,330	\$ -
Actual vs. Expected Investment Earnings	56,092	-
Changes in Assumptions	71,126	139,725
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	234,880	-
Employer contributions subsequent to the measurement date - FY23*	198,842	-
Total	<u>\$ 585,270</u>	<u>\$ 139,725</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, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 143,773
2024	\$ 35,718
2025	\$ (60,498)
2026	\$ 127,710
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, 2022 actuarial valuation, and was determined using the following actuarial assumptions.

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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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, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 2,751,297	\$ 1,908,753	\$ 1,201,537

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

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

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

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

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

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

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NOTE 10. FIRE DEPARTMENT RELIEF ASSOCIATION (FDRA) DEFINED BENEFIT PLAN

Plan Description - FDRA

The plan is a single-employer, defined benefit pension plan that provides retirement services to volunteer firemen serving on the City of Hardin's volunteer firemen team. The use of the Firemen's Disability and Pension Fund is outlined in MCA 19-18-203 and payments can be made for the following:

- 1) Service pension to a volunteer firefighter who, by reason of service has become entitled to a service pension;
- 2) A pension to a member who has become permanently maimed or disabled;
- 3) A benefit or allowance to a member who has suffered a permanent disabling injury;
- 4) A benefit or allowance to a member who has contracted a permanent disabling sickness;
- 5) Benefits to the surviving spouse of a deceased member.

Summary of Benefits - FDRA

A member of a pure volunteer fire department who is at least 50 years old and has served 20 years or more as an active member of the fire department is entitled to benefits. Pensions to a surviving spouse of a deceased volunteer firefighter may not exceed the amount provided for a service pension for a volunteer firefighter under MC 19-18-602(3). The plan pays a lifetime monthly benefit of \$100 to eligible retired volunteer firemen; Surviving spouses receive 50% of the member benefits. The plan does not contain cost of living adjustment provisions. As of June 30, 2020, the plan pays benefits to 22 retirees (17 retirees and 5 surviving spouses). For fiscal year 2021 there are 22 active volunteer firemen. There are no inactive firemen currently eligible for the plan but not yet receiving benefits.

Changes in Benefit Terms - FDRA

No changes in benefit terms have been made since the previous measurement date.

Contributions to the fund are outlined in MCA 19-18-501 and include:

- 1) All bequests, fees, gifts, emoluments, donations or money from other sources given or paid to the fund, except as otherwise designated by the donor;
- 2) The proceeds of the tax levy provided for in MCA 19-18-504;
- 3) All money received from the State of Montana, including those payments provided for in MCA 19-18-512; and
- 4) All interest and other income earned from the investment of the fund assets.

The State of Montana contributes 1½ mills of the total taxable value of the city, to the Firemen's Relief Association Fund according to MCA 19-18-512. However, the State contributions do not constitute a proportionate share of plan. The State is not required to contribute more than the stated 1½ mills of the total taxable value of the City. Therefore, the City carries the full burden of the pension liability.

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Definition of Soundly Funded - FDRA

State law determines the contributions made and the benefits paid. According to MCA 19-18-503, the firefighter’s fund is soundly funded if assets in the fund are maintained at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year or funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. The plan is soundly funded according to the MCA definition of soundly funded.

Whenever the fund contains an amount that is less than the minimum required to keep the fund soundly funded, the city council shall, subject to MCA Section 15-10-420, levy an annual tax on the taxable value of all taxable property within the city.

Changes in Assumptions and Other Inputs - FDRA

There were no changes in assumptions since the previous measurement date.

Pension Expense - FDRA

At June 30, 2022, the City recognized a Pension Expense of \$26,886 because the benefits paid increased from the previous measurement.

At June 30, 2023, the City recognized a Pension Expense of \$27,100 because the benefits paid increased from the previous measurement.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General – Major Governmental	Montana Main Street – Nonmajor Governmental	\$ 10,248
General – Major Governmental	Rural Comm Development – Nonmajor Governmental	25,389
General – Major Governmental	SID #120 – Major Governmental	48,080
General – Major Governmental	SID #121 – Nonmajor Governmental	18,554
General – Major Governmental	Parks - capital projects – Nonmajor Governmental	76,000
General – Major Governmental	Flex plans – Nonmajor Governmental	602

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Curb and Gutter – Nonmajor Governmental	SID #120 – Major Governmental	3,938
Curb and Gutter – Nonmajor Governmental	SID #121 – Nonmajor Governmental	1,625
Gas tax apportionment – Nonmajor Governmental	SID #121 – Nonmajor Governmental	3,792
Capital improvements – Nonmajor Governmental	SID #121 – Nonmajor Governmental	6,501
Gas tax apportionment – Nonmajor Governmental	SID #120 – Major Governmental	7,313
Capital improvements – Nonmajor Governmental	SID #120 – Major Governmental	<u>13,502</u>
		<u>\$215,544</u>

The composition of interfund balances as of June 30, 2023, was as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General – Major Governmental	Rural Comm Development – Nonmajor Governmental	\$ 6,630
General – Major Governmental	SID #120 – Major Governmental	46,037
General – Major Governmental	SID #121 – Nonmajor Governmental	16,898
Curb and Gutter – Nonmajor Governmental	SID #120 – Major Governmental	3,771
Curb and Gutter – Nonmajor Governmental	SID #121 – Nonmajor Governmental	1,480
Gas tax apportionment – Nonmajor Governmental	SID #120 – Major Governmental	3,455
Capital improvements – Nonmajor Governmental	SID #121 – Nonmajor Governmental	5,921
Gas tax apportionment – Nonmajor Governmental	SID #120 – Major Governmental	7,003

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Capital improvements – Nonmajor Governmental	SID #121 – Nonmajor Governmental	12,929
General – Major Governmental	Rural Comm Development – Nonmajor Governmental	<u>46,037</u>
		<u>\$104,124</u>

Advances to/from other funds as of June 30, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SID #120 – Major Governmental	General – Major Governmental	\$467,846
SID #121 – Nonmajor Governmental	General – Major Governmental	163,617
SID #120 – Major Governmental	Curb and Gutter – Nonmajor Governmental	38,266
SID #121 – Nonmajor Governmental	Curb and Gutter – Nonmajor Governmental	14,334
SID #120 – Major Governmental	Gas Tax – Nonmajor Governmental	70,668
SID #121 – Nonmajor Governmental	Gas Tax – Nonmajor Governmental	33,447
SID #120 – Major Governmental	CIP – Nonmajor Governmental	130,715
SID #121 – Nonmajor Governmental	CIP – Nonmajor Governmental	<u>57,338</u>
		<u>\$976,231</u>

Advances to/from other funds as of June 30, 2023:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SID #120 – Major Governmental	General – Major Governmental	\$407,005
SID #121 – Nonmajor Governmental	General – Major Governmental	149,360
SID #120 – Major Governmental	Curb and Gutter – Nonmajor Governmental	33,283

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SID #121 – Nonmajor Governmental	Curb and Gutter – Nonmajor Governmental	13,085
SID #120 – Major Governmental	Gas Tax – Nonmajor Governmental	61,414
SID #121 – Nonmajor Governmental	Gas Tax – Nonmajor Governmental	30,533
SID #120 – Major Governmental	CIP – Nonmajor Governmental	113,631
SID #121 – Nonmajor Governmental	CIP – Nonmajor Governmental	<u>52,342</u>
		<u>\$860,653</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
CDBG - Econ Development – Nonmajor Governmental	General – Major Governmental	\$ 40
Capital Improvements – Nonmajor Governmental	General – Major Governmental	25,000
Fire Department – Nonmajor Governmental	General – Major Governmental	40,000
Parks- Capital Improvement – Nonmajor Governmental	General – Major Governmental	30,000
Landfill – Major Governmental	Solid Waste – Collection – Nonmajor Governmental	<u>35,000</u>
		<u>\$130,040</u>

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Street Maintenance #1 – Nonmajor Governmental	General – Major Governmental	\$ 40,000
Capital Improvements – Nonmajor Governmental	General – Major Governmental	25,000

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Police Department – Nonmajor Governmental	General – Major Governmental	25,000
Fire Department – Nonmajor Governmental	General – Major Governmental	40,000
Parks- Capital Improvement – Nonmajor Governmental	General – Major Governmental	30,000
Landfill – Major Governmental	Solid Waste – Collection – Nonmajor Governmental	<u>50,000</u>
		<u>\$210,000</u>

NOTE 12. LOCAL RETIREMENT PLAN

457(b) Deferred Compensation Retirement Plan

The City provides a 457(b) tax-advantaged, deferred-compensation retirement plan that employees may contribute into. The City provides the plan and the employee may elect to defer their compensation into it as either ROTH contributions or contributions on a pre-tax basis. The plan operates similarly to a 401(k) or 403(b) plan. The key difference is that unlike a 401(k) plan, there is no 10% penalty for withdrawals before the age of 59½ (although the withdrawal is subject to ordinary income tax). Employee contributions are made by salary reductions. There is no monetary participation by the City. The record-keeper for the plan is the State of Montana through the Montana Public Employee Retirement Administration (MPERA). Further information about the plan may be obtained by visiting the MPERA website <http://mpera.mt.gov/.shtml>.

NOTE 13. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

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

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

Nonspendable Fund Balance as of June 30, 2022

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ 178,871	Due from other funds
General	1,169	Prepaid expenses
General	631,465	Advances to other funds
Water	37,731	Inventories
Sewer	29,776	Inventories
Solid Waste	1,951	Inventories
Landfill	165	Inventories
<u>Non-Major Funds</u>		
	36,673	Due from other funds
	344,768	Advances to other funds
	38,889	Prepaid expenses
	<u>1,563</u>	Accounts receivable
Total	<u>\$ 1,303,021</u>	

Nonspendable Fund Balance as of June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ 3,707	Inventory
Street Maintenance #1	<u>117,509</u>	Inventory
Total	<u>\$ 121,216</u>	

Restricted Fund Balance as of June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Street Maintenance #1	\$ 491,884	Road repair, maintenance, and supplies
TFID Debt Service	472,819	Debt service
All Other Aggregate	165,419	General Government administration and services
	17,839	Law Enforcement, emergency services, and supplies
	836,023	Road Repair, maintenance, and supplies
	160,014	Repairs and maintenance
	<u>25,811</u>	Housing and Community Development
Total	<u>\$ 2,169,809</u>	

Committed Fund Balance as of June 30, 2023

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 825,930</u>	Constructions and/or capital asset purchases

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NOTE 14. SERVICES PROVIDED FROM OTHER GOVERNMENTS

County Provided Services

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

NOTE 15. RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, employee torts, professional liability (i.e., errors and omissions), environmental damage, workers' compensation (i.e., employee injuries, and medical insurance costs of employees). Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance.

Employee Health Insurance: The City has joined with other cities, towns and counties in Montana and Wyoming to provide health benefit coverage for employees and their dependents through the Joint Powers Trust (JPT) which is administered by EBMS. JPT Administration may be reached at PO Box 81647, Billings, MT 59108-1647 or 866-886-8612.

Unemployment insurance is obtained through the State of Montana Unemployment Insurance Division. Information about the State's unemployment insurance may be obtained by contacting the Montana Department of Labor & Industry, Unemployment Insurance Division at PO Box 6339, Helena, MT 59604-6339 or at uiservices.mt.gov.

Workers' Compensation, Property & Liability Coverage: The City has joined with other Cities throughout the state into an interlocal common risk pool to cover workers compensation, property and liability insurance needs for all participating cities and towns in a self- insurance pool. The Montana Municipal Interlocal Authority Program (MMIA) is managed by a board of directors elected annually. Members are responsible for fully funding the MMIA through the payment of annual premiums assessed. MSPLIP is administered by Western States Insurance Program. Information regarding MSPLIP may be obtained by contacting MSPLIP directly at 1200 North Montana Ave. PO Box 5207, Helena, MT 59604.

The City has pollution remediation coverage with Alliant Insurance Services, Inc. in accordance with GASB 49.

CITY OF HARDIN
BIG HORN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2023

The City's employer's liability Insurance did not change materially from the prior year. The TRA's property and liability insurance coverage was allowed to lapse as of December 2016.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

General					
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL			
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 521,072	\$ 559,081	\$ 490,175	\$	(68,906)
Alcoholic beverage	7,325	7,325	6,170		(1,155)
General business	23,100	23,100	23,100		-
Building	8,000	8,000	9,500		1,500
Animal	3,000	3,000	3,002		2
Other	25	25			(25)
Intergovernmental- state shared revenues	762,841	763,338	765,475		2,137
General government	500	500	181		(319)
Public safety	150	150	162		12
Public works	400	400	312		(88)
Fines and forfeitures- city court	75,750	75,750	64,233		(11,517)
Miscellaneous	96,910	424,389	334,711		(89,678)
Investment earnings	3,000	3,000	4,072		1,072
Amounts available for appropriation	\$ <u>1,502,073</u>	\$ <u>1,868,058</u>	\$ <u>1,701,093</u>	\$	<u>(166,965)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
General government					
Personal services	\$ 23,545	\$ 23,545	\$ 23,541	\$	4
Supplies/services/materials	3,650	3,725	1,409		2,316
Personal services	6,073	6,073	6,072		1
Supplies/services/materials	1,400	1,675	1,015		660
Personal services	127,644	127,644	115,459		12,185
Supplies/services/materials	25,875	29,600	21,077		8,523
Personal services	37,396	37,396	33,839		3,557
Supplies/services/materials	55,575	55,700	31,978		23,722
Personal services	34,250	34,375	34,355		20
Supplies/services/materials	141,950	142,700	112,415		30,285
Personal services	30,140	30,140	24,307		5,833
Supplies/services/materials	25,150	29,885	23,042		6,843
Capital outlay	-	10,775	12,146		(1,371)
Public safety					
Personal services	334,149	334,149	262,930		71,219
Supplies/services/materials	235,020	261,523	116,535		144,988
Capital outlay	60,000	132,350	142,710		(10,360)
Fire protection					
Personal services	10,218	10,218	9,470		748
Supplies/services/materials	59,100	62,200	49,888		12,312
Personal services	24,353	24,403	24,355		48
Supplies/services/materials	8,525	9,475	5,427		4,048
Public works- road and street services					
Personal services	5,104	5,104	4,813		291
Supplies/services/materials	25,000	25,000	2,517		22,483
Capital outlay	11,000	11,000	216,093		(205,093)
Public health- animal control services					
Personal services	31,939	31,939	28,575		3,364
Supplies/services/materials	13,100	13,875	9,178		4,697
Culture and recreation - parks					
Personal services	43,681	43,756	42,424		1,332
Supplies/services/materials	99,200	101,975	55,412		46,563
Housing and community development					
Personal services	1,862	1,862	1,228		634
Supplies/services/materials	128,265	130,565	24,757		105,808
Debt service - interest	-	216,093	-		216,093
Total charges to appropriations	\$ <u>1,603,164</u>	\$ <u>1,953,220</u>	\$ <u>1,441,396</u>	\$	<u>511,824</u>
OTHER FINANCING SOURCES (USES)					
Inception of lease	\$ -	\$ 11,971	\$ 21,091	\$	9,120
Transfers out	(125,000)	(125,000)	(95,040)		29,960
Total other financing sources (uses)	\$ <u>(125,000)</u>	\$ <u>(113,029)</u>	\$ <u>(73,949)</u>	\$	<u>39,080</u>
Net change in fund balance			\$ <u>185,748</u>		
Fund balance - beginning of the year			\$ <u>1,808,908</u>		
Fund balance - end of the year			\$ <u>1,994,656</u>		

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Street Maintenance #1				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
			(BUDGETARY	BUDGET
			BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 333,632	\$ 334,323	\$ 330,134	\$ (4,189)
Other	665	665	550	(115)
Miscellaneous	25	25	675	650
Investment earnings	1,000	1,117	1,117	-
Amounts available for appropriation	\$ 335,322	\$ 336,130	\$ 332,476	\$ (3,654)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works				-
Personal services	\$ 249,075	\$ 249,075	\$ 201,502	\$ 47,573
Supplies/services/materials	194,155	194,923	81,243	113,680
Total charges to appropriations	\$ 443,230	\$ 443,998	\$ 282,745	\$ 161,253
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ 40,000	\$ 39,960	-	\$ (39,960)
Total other financing sources (uses)	\$ 40,000	\$ 39,960	-	\$ (39,960)
Net change in fund balance			\$ 49,731	
Fund balance - beginning of the year			\$ 533,247	
Fund balance - end of the year			\$ 582,978	

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	ARPA			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Intergovernmental- federal grants	\$ 163,802	\$ 167,153	\$ 10,541	\$ (156,612)
Amounts available for appropriation	<u>\$ 163,802</u>	<u>\$ 167,153</u>	<u>\$ 10,541</u>	<u>\$ (156,612)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
Personal services	\$ -	\$ 241	\$ 238	\$ 3
Supplies/services/materials	-	3,110	3,110	-
Public safety				
Personal services	55,000	55,000	-	55,000
Supplies/services/materials	20,000	20,000	7,193	12,807
Housing and community development				
Supplies/services/materials	25,000	25,000	-	25,000
Capital outlay	63,802	63,802	-	63,802
Total charges to appropriations	<u>\$ 163,802</u>	<u>\$ 167,153</u>	<u>\$ 10,541</u>	<u>\$ 156,612</u>
Net change in fund balance			<u>\$ -</u>	
Fund balance - beginning of the year			<u>\$ -</u>	
Fund balance - end of the year			<u>\$ -</u>	

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

General

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 525,304	\$ 558,061	\$ 596,285	\$ 38,224
Licenses and permits	41,325	42,375	40,848	(1,527)
Intergovernmental	769,257	773,872	773,873	1
Charges for services	1,205	1,205	473	(732)
Fines and forfeitures	86,550	89,240	65,985	(23,255)
Miscellaneous	148,481	462,277	311,554	(150,723)
Investment earnings	1,000	6,854	6,867	13
Amounts available for appropriation	<u>\$ 1,573,122</u>	<u>\$ 1,933,884</u>	<u>\$ 1,795,885</u>	<u>\$ (137,999)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 546,140	\$ 555,684	\$ 466,870	\$ 88,814
Public safety	1,016,086	1,031,071	771,590	259,481
Public works	42,807	50,912	14,793	36,119
Public health	32,342	35,522	19,630	15,892
Culture and recreation	180,184	182,266	111,862	70,404
Housing and community development	146,876	147,886	11,125	136,761
Debt service - principal	4,013	4,013	-	4,013
Debt service - interest	417	417	4,430	(4,013)
Capital outlay	26,928	290,319	284,288	6,031
Total charges to appropriations	<u>\$ 1,995,793</u>	<u>\$ 2,298,090</u>	<u>\$ 1,684,588</u>	<u>\$ 613,502</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Transfers out	(160,000)	(160,000)	(160,000)	-
Total other financing sources (uses)	<u>\$ (135,000)</u>	<u>\$ (135,000)</u>	<u>\$ (160,000)</u>	<u>\$ (25,000)</u>
Net change in fund balance			<u>\$ (48,703)</u>	
Fund balance - beginning of the year			<u>\$ 1,994,656</u>	
Fund balance - end of the year			<u>\$ 1,945,953</u>	

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

Street Maintenance #1				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ -	\$ -	\$ 337,369	\$ 337,369
Licenses and permits	665	665	625	(40)
Miscellaneous	343,585	343,730	170	(343,560)
Investment earnings	1,000	2,360	2,361	1
Amounts available for appropriation	\$ 345,250	\$ 346,755	\$ 340,525	\$ (6,230)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 497,281	\$ 498,786	\$ 354,109	\$ 144,677
Total charges to appropriations	\$ 497,281	\$ 498,786	\$ 354,109	\$ 144,677
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total other financing sources (uses)	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Net change in fund balance			\$ 26,416	
Fund balance - beginning of the year			\$ 582,977	
Fund balance - end of the year			\$ 609,393	

City of Hardin, Big Horn County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

American Rescue Plan Act (ARPA)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
	ORIGINAL	FINAL	(BUDGETARY	BUDGET
RESOURCES (INFLOWS):			BASIS) See Note A	
Intergovernmental	\$ 199,813	\$ 199,813	\$ 56,718	\$ (143,095)
Investment earnings	-	-	558	558
Amounts available for appropriation	<u>\$ 199,813</u>	<u>\$ 199,813</u>	<u>\$ 57,276</u>	<u>\$ (142,537)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 8,500	\$ 8,500	\$ 1,254	\$ 7,246
Public safety	18,650	18,650	49,462	(30,812)
Public works	11,000	11,000	-	11,000
Public health	-	-	3,472	(3,472)
Culture and recreation	-	-	3,088	(3,088)
Total charges to appropriations	<u>\$ 38,150</u>	<u>\$ 38,150</u>	<u>\$ 57,276</u>	<u>\$ (19,126)</u>
Net change in fund balance			<u>\$ -</u>	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			<u>\$ -</u>	

City of Hardin, Big Horn County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2022 and June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability					
Service Cost	\$ 64,103	\$ 32,817	\$ 56,836	\$ 47,828	\$ 118,195
Interest	20,738	11,520	12,413	15,571	5,380
Differences in experience	5,500	3,820	-	(63,399)	-
Change in assumptions and inputs	(35,304)	(56,397)	(15,767)	36,733	-
Benefit payments	(19,733)	(14,665)	(12,604)	-	(123,575)
Net change in total OPEB liability	35,304	(22,905)	40,878	36,733	-
Total OPEB Liability - beginning	451,771	474,676	433,798	154,532	154,532
Restatement	-	-	-	242,533	-
Total OPEB Liability - ending	\$ <u>487,075</u>	\$ <u>451,771</u>	\$ <u>474,676</u>	\$ <u>433,798</u>	\$ <u>154,532</u>
Covered-employee payroll	\$ 1,008,519	\$ 974,414	\$ 800,831	\$ 775,623	\$ 834,588
Total OPEB liability as a percentage of covered -employee payroll	48.30%	46.36%	59.27%	55.93%	18.52%

**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 Hardin, Big Horn County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2022 and June 30, 2023

	<u>PERS</u> <u>2023</u>	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.080263%	0.065483%	0.064035%	0.058100%	0.063817%	0.089610%	0.080949%	0.078782%	0.088352%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,908,753	\$ 1,187,350	\$ 1,689,389	\$ 1,214,461	\$ 1,331,959	\$ 1,745,269	\$ 1,378,841	\$ 1,101,277	\$ 1,100,879
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 568,419	\$ 348,875	\$ 530,730	\$ 394,280	\$ 444,691	\$ 21,631	\$ 16,848	\$ 13,527	\$ 13,443
Total	<u>\$ 2,477,172</u>	<u>\$ 1,536,225</u>	<u>\$ 2,220,119</u>	<u>\$ 1,608,741</u>	<u>\$ 1,776,650</u>	<u>\$ 1,766,899</u>	<u>\$ 1,395,689</u>	<u>\$ 1,114,805</u>	<u>\$ 1,114,323</u>
Employer's covered payroll	\$ 1,410,248	\$ 1,155,550	\$ 1,074,996	\$ 958,660	\$ 1,065,674	\$ 1,111,627	\$ 969,627	\$ 919,407	\$ 1,005,257
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	135.34%	102.75%	157.15%	126.68%	124.99%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

City of Hardin, Big Horn County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022 and June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 198,842	\$ 180,155	\$ 102,504	\$ 94,132	\$ 82,449	\$ 88,894	\$ 93,044	\$ 81,047	\$ 75,763
Contributions in relation to the contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 901	\$ 1,452
Contribution deficiency (excess)	\$ 198,842	\$ 180,155	\$ 102,504	\$ 94,132	\$ 82,449	\$ 88,894	\$ 93,044	\$ 81,948	\$ 77,215
City's covered payroll	\$ 2,236,693	\$ 2,024,213	\$ 1,155,550	\$ 1,074,996	\$ 958,660	\$ 1,065,674	\$ 1,111,627	\$ 969,627	\$ 919,407
Contributions as a percentage of covered payroll	8.89%	8.90%	8.87%	8.76%	8.60%	8.34%	8.37%	8.45%	8.40%

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

City of Hardin, Big Horn 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, 2022 and June 30, 2023

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 Hardin, Big Horn 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, 2022 and June 30, 2023

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

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

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

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

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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

City of Hardin, Big Horn 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, 2022 and June 30, 2023

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

City of Hardin, Big Horn County, Montana
Schedule of Total Pension Liability –
Fire Department Relief Association Defined Benefit Pension Plan
Fiscal Years Ending June 30, 2022, and June 30, 2023

As of reporting date	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's total pension liability	\$122,000	\$119,500	\$117,014	\$112,750	\$121,000	\$123,000	\$127,300
City's covered payroll, if applicable (all are volunteers)	N/A						
Total liability (as a percentage of covered payroll), if applicable	N/A						

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

City of Hardin, Big Horn County, Montana
Schedule of Changes in Total Pension Liability –
Fire Department Relief Association Defined Benefit Pension Plan
Fiscal Years Ending June 30, 2022, and June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 29,600	\$ 29,372	\$ 21,591	\$ 15,150	\$ 19,661	\$ 19,481	\$ 24,600
Interest	-	-	-	-	889	819	686
Differences in experience	-	-	-	-	-	(400)	-
Change in assumptions and inputs	-	-	6,573	-	-	-	126,614
Benefit payments	<u>(27,100)</u>	<u>(26,886)</u>	<u>(23,900)</u>	<u>(23,400)</u>	<u>(22,550)</u>	<u>(24,200)</u>	<u>(24,600)</u>
Net change in total OPEB liability	2,500	2,486	4,264	(8,250)	(2,000)	(4,300)	127,300
Total Liability - beginning	119,500	117,014	112,750	121,000	123,000	127,300	-
Total Liability - ending	<u>\$ 122,000</u>	<u>\$ 119,500</u>	<u>\$ 117,014</u>	<u>\$ 112,750</u>	<u>\$ 121,000</u>	<u>\$ 123,000</u>	<u>\$ 127,300</u>

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

City of Hardin, Big Horn County, Montana
Schedule of Contributions – Fire Department Relief Association
Defined Benefit Plan
For Fiscal Years Ending June 30, 2022, and June 30, 2023

	FDRA 2023	FDRA 2022	FDRA 2021	FDRA 2020	FDRA 2019	FDRA 2018	FDRA 2017
City Contributions	\$ 30,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,810
State Contributions	\$ 5,183	\$ 6,197	\$ 6,021	\$ 6,780	\$ 7,271	\$ 7,224	\$ 6,975
Allocated Taxes	\$ -	\$ -	\$ -	\$ -	\$ 284	\$ 675	\$ 10,037
Total Contribution	\$ 35,463	\$ 6,197	\$ 6,021	\$ 6,780	\$ 7,555	\$ 7,899	\$ 42,822

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

City of Hardin, Big Horn County, Montana
Notes to Required Supplementary Information
Fire Department Relief Association Pension Plan
For the Year ended June 30, 2022 and June 30, 2023

The Fire Department Relief Association pension plan (the Plan) is reported according to GASB 73 which was effective in fiscal year 2017.

No Trust Arrangement

The assets of the Fire Department Relief Association are not in a trust or equivalent arrangement. Although, those assets are expected to be used to pay plan costs, those assets will not be used to offset the liabilities of the pension plan.

Changes in Benefit Terms

No changes in benefit terms have been made in the past 10 years. The number of firemen receiving benefits has not significantly changed in the past year.

Contributions

According to MCA 19-18-512, the State of Montana contributions are limited to 1 ½ mills of the total taxable value of the city. Although MCA specifies that the State will provide funds to the volunteer firemen's fund, it does not state that these monies are a portion of the pension plan. Therefore, the State does not have a shared portion of the pension liability. The City is solely responsible for meeting plan costs. Annual contributions to the plan are at the discretion of the City rather than by an established schedule.

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

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

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

Mayor and City Council
City of Hardin
Big Horn County
Hardin, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hardin, Big Horn County, Montana, as of and for the years ended June 30, 2022 and June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hardin's basic financial statements and have issued our report thereon dated May 31, 2024, which includes a disclaimer of opinion on the aggregate discretely presented component unit due to not being able to obtain sufficient appropriate evidence for financial statement amounts.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hardin, Big Horn 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 Hardin, Big Horn County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hardin's internal control over financial reporting.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as items 2022/2023-001, 2022/2023-002, and 2022/2023-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies as identified as items 2022/2023-004 and 2022/2023-005.

2022/2023-001 Two Rivers Authority (TRA) Payroll in Arrears (Repeat Finding 2021-003)

Condition:

The executive director of TRA claims back pay of approximately \$53,000 a year. For a total liability of approximately \$481,000.

Context:

While interviewing the executive director of the TRA and review of the 2021 audit report the director claims to be owed back pay as TRA executive director. Audit Comment #2021-003 stated “TRA is not in compliance with Montana Wage and Hour Laws concerning payment of employees. Payroll continues to accrue rather than being paid.” I requested both a copy of the documentation that approved his pay and a copy of the worksheet to substantiate the amount. As of the date of this report I have not received either document.

Criteria:

If substantiated by the executive director the Montana Wage and Hour laws require payment of employees’ wages.

Effect:

Since no financial information was provided by TRA (see disclaimer opinion) and no supporting documentation was provided I am unable to determine if a valid claim exists.

Cause:

The TRA has only one asset, a detention facility. It appears as if the executive director maintained the facility for approximately the last 10 years.

Recommendation:

We recommend TRA to obtain legal counsel to determine whether TRA is liable for past payroll expenses and if so for what amount.

2022/2023-002 Fire Department Relief Association (FDRA) Defined Benefit Retirement Plan

Condition:

The City did not have an actuarial valuation performed for it is FRDA Defined Benefit Retirement Plan.

Context:

While reviewing the most recent audit report and discussion with the City CFO I learned the City calculates its own Net Pension Liability (NPL) by multiplying its annual expenses by 5.

Criteria:

GASB #73 (Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB #68) paragraph 27 requires an actuarial valuation to be performed at least biennially.

Effect:

The City of Hardin calculated a NPL of \$119,500 for fiscal year 2022 and \$122,000 for fiscal year 2023. The NPL is similar to the amount of cash on hand for each fiscal year. Since an Actuarial valuation is required by GASB #73 and was not performed we are unable to determine the amount of the liability. However, the error in the NPL liability would not be material to the aggregate opinion unit.

Cause:

This is a small fund and the cost of the actuarial valuation may not be economically feasible.

Recommendation:

We recommend the City either transfer the pension plan over to the State's Firefighters United Retirement System (FURS) or complete a biennial actuarial valuation as required by GASB #73.

2022/2023-003 Two Rivers Authority (TRA) Financial Reporting (Repeat Finding 2021-002, 2021-004, 2021-005, and 2021-006)

Condition:

TRA has only one asset a regional detention center. TRA is required to be audited as a discretely presented component unit of the City of Hardin. TRA failed to provide any financial information for audit. Additionally, TRA has the following additional conditions:

- (1) TRA has failed to make required bond principal and interest payments
- (2) TRA has insufficient management representation in the operating activities.
- (3) TRA has insufficient supporting documentation
- (4) TRA lacks segregation of duties

Context:

Inquiry with the executive director of TRA and others discovered the auditor would not be receiving any financial information for the audit. All financial information including revenue received and expenses paid are managed by US Bank trust department.

Criteria:

Financial information as well as access to supporting documentation is required to perform an audit.

Effect:

The financials will be disclaimed by the auditor.

Cause:

The executive director receives no financial information and has no access to supporting documentation or day to day operations of the detention center.

Recommendation:

We recommend TRA obtain the required financial information as submit it for financial audit in future years.

2022/2023-004 Taxes Receivable

Condition:

Taxes receivable as recalculated did not agree with the balances reported at the County.

Context:

While reviewing taxes I noticed possible errors in the calculation of taxes.

Effect:

For fiscal year 2022 we calculated \$336,595 but only recorded \$265,096 a shortage of \$71,499.

For fiscal year 2023 we calculated \$159,851 but recorded \$276,753 an overage of \$116,902.

Cause:

The error was most likely made either by the Department of Revenue (DOR) in the certified taxable value amount or the County when entering taxes.

Recommendation:

We recommend the City check the County and the DOR by reviewing the monthly reports to ensure they agree with the tax levy requirement schedule which is the basis for the City's budget.

2022/2023-005 Pledged Securities

Condition:

The City has \$1,509,980 as of June 30, 2022 and \$1,657,863 of deposits that are not collateralized or insured, exposing the city to risk of loss.

Context:

When examining for sufficient pledged securities, it was noted that the city does not have insurance and pledged securities matching 100% of the balances on its savings and checking deposit accounts.

Criteria:

To eliminate the risk of loss to the city's 100% of the balances should be collateralized or insured. The city does meet the requirements set in place by Montana Codes Annotated Section 7-6-207(1) which states in part: "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: 50% of the deposits if the financial institution has a net worth to total assets ratio of 6% or more"

Effect:

There is a risk of loss due to inadequate pledged securities.

Cause:

Insufficient pledged securities that did not meet or exceed the balance held in the accounts.

Recommendation:

We recommend the City periodically reviews their accounts to ensure insurance and pledged securities are adequate to eliminate the risk of loss.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hardin’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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item 2022/2023-006.

2022/2023-006 Tax Increment Fund (TIF) Revenue Bond Requirements Not Met (Repeat Finding 2021-001)

Condition:

The City is not in compliance with the revenue bond agreement concerning the TIF bond and interest payments.

Context:

No principal payments have been made since the inception of the bond. Principal payments in arrears were \$6,590,000 as of June 30, 2022 and \$7,660,000 as of June 30, 2023. Interest payable in arrears were \$4,576,250 as of June 30, 2022 and \$5,494,650 as of June 30, 2023.

Criteria:

The revenue bond agreement specifies that principal and interest payments are to be paid according to the amortization schedule.

Effect:

The city is not in compliance with the bond agreement. The rating of the financial health of the city could be downgraded by this default. The city could have difficulty obtaining loans or bonds for future projects while these revenue bonds remain in default.

Cause:

Revenues assessed to meet the TIF District revenue bonds were insufficient to meet the bond principal and interest payment as they became due. The primary business in the TIF District filed for bankruptcy, which reduced the taxable value of the entire TIF district. The maximum allowable taxes are not sufficient to meet the bond principal and interest payments as they become due.

Recommendation:

We recommend that the city review all available alternatives for meeting the revenue bond requirements.

City of Hardin's Response to Findings

City of Hardin's response to the findings identified in our audit is described in the Auditee's corrective Action Plan. City of Hardin'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 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.

May 31, 2024

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Mayor and City Council
City of Hardin
Big Horn County
Hardin, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2021-001 Revenue Bond Requirements Not Met	Repeated
2021-002 Two Rivers Authority Revenue Bond Requirements	Repeated
2021-003 Two Rivers Authority Payroll in Arrears	Partially Repeated
2021-004 Two Rivers Authority Insufficient Management Representation	Repeated
2021-005 Two Rivers Authority Insufficient Supporting Documentation	Repeated
2021-006 Two Rivers Authority Lack of Segregation of Duties	Repeated
2021-007 Late Audit Submission	Implemented

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

May 31, 2024

MAYOR
Joe Purcell

The City of

HARDIN

PUBLIC WORKS DIRECTOR
Michael Hurff Jr.

POLICE CHIEF
Paul George Jr.

Montana

FINANCE OFFICER/CITY

Corrective Action Plan
Fiscal Years 2022 and 2023

FINDING NUMBER 2022/2023-001 – Two Rivers Authority (TRA) Payroll in Arrears
(Repeat Finding 2021-003):

Condition: The executive director of TRA claims back pay of approximately \$53,000 a year. For a total liability of approximately \$481,000.

Cause: The TRA has only one asset, a detention facility. It appears as if the executive director maintained the facility for approximately the last 10 years. The revenue earned from the agreement with BIA is not sufficient to pay for the facility debt and operations.

Correction: The City is recommending to the TRA board that they hire legal counsel to determine if they are liable for past payroll expense.

Responsible party: The responsible party is the TRA board who will be in charge of contacting legal counsel.

Timeline: The timeline for this finding is within the next calendar year. This issue will not be resolved by the end of the current fiscal year that the City is operating, but has the potential to be resolved by the end of fiscal year 2025.

FINDING NUMBER 2022/2023-002 – Fire Department Relief Association (FDRA) Defined Benefit Retirement Plan:

Condition: The City did not have an actuarial valuation performed for its FDRA defined benefit Retirement Plan.

Cause: The City did not contract an actuarial professional to complete an assessment for the retirement fund as required by GASB #73.

Correction: The City will attempt to have this retirement fund moved to the State's Firefighters United Retirement System (FURS). If the City is not allowed to move this fund to the FURS portion of MPERA, there will be no action taken. The City doesn't believe it is economically feasible to contract an actuary to complete an assessment for such a small fund.

Responsible party: The Finance Officer will contact Montana Public Employee Retirement System officials to work on moving the retirement fund to their portfolio.

Timeline: The Finance Officer has already been discussing the potential of this move to MPERA. There is a potential for a resolution in the next fiscal year.

FINDING NUMBER 2022/2023-003 – Two Rivers Authority (TRA) Financial Reporting (Repeat Finding 2021-002, 2021-004, 2021-005, and 2021-006):

Condition: TRA has only one asset, a regional detention center. TRA is required to be audited as a discretely presented component unit of the City of Hardin. TRA failed to provide any financial information for audit. Additionally, TRA has the following additional conditions:

1. TRA has failed to make required bond principal and interest payments
2. TRA has insufficient management representation in the operating activities
3. TRA has insufficient supporting documentation
4. TRA lacks segregation of duties

Cause: The Executive Director receives no financial information and has no access to supporting documentation or day to day operations of the detention center.

Correction: The TRA will obtain the financial information that is required to submit for audit in future years.

Responsible party: The Executive Director will work with the bond trustees to obtain the financial information that is required to complete the financial statements required during each annual audit.

Timeline: This corrective action will be accomplished throughout fiscal year 2024 and 2025.

FINDING NUMBER 2022/2023-004 – Taxes Receivable

Condition: Taxes receivable as recalculated did not agree with the balances reported at the County.

Cause: The amount assessed by the County and Department of Revenue did not match what should have been levied during fiscal years 2022 and 2023.

Correction: The City will work with the Big Horn County Treasurer's office and Department of Revenue to ensure that the correct amount of taxes levied and receivable are recorded by the County ensure budget and reporting accuracy. The City does recognize that there should be a control in place to make sure that what is levied for the City is correct. In all successive years, the City will compare what is billed by BHC Treasurer's office and compare with the calculated total for real estate, mobile homes and other personal property taxes to ensure accuracy. The Big Horn County Accountant also stated the County will implement a control to ensure that the values input match what is on the certified taxable value forms.

Responsible party: The Finance Officer will be the responsible party to ensure that the County, DOR and the City taxes receivable match each other.

Timeline: This will be accomplished in the final month of fiscal year 2024 and going forward to future fiscal years. The Finance Officer has already been discussing this issue with the County and has determined that the Montana Department of Revenue has input the incorrect taxable values into the county tax system.

FINDING NUMBER 2022/2023-005 – Pledged Securities

Condition: The City has \$1,509,980 as of June 30, 2022 and \$1,657,863 of deposits that are not collateralized or insured, exposing the City to risk of loss.

Cause: Montana Code Annotated Section 7-6-207(1) states: “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: 50% of the deposits if the financial institution has a net worth to total assets ratio of 6% or more.”

Correction: The City is following state law when considering pledged securities. However, the City will work with the local banks to get to 100% pledged securities to cover the City in case of a catastrophic failure of either bank.

Responsible party: The Finance Officer does review account balances and the pledges or letters of credit designated to these funds. The Finance Officer will continue completing this process on a quarterly basis as required by City code.

Timeline: As the City is following state statute but will work with the two banks that hold City funds to get to 100% pledged securities by the end of June 2024.

FINDING NUMBER 2022/2023-006 – Tax Increment Fund (TIF) Revenue Bond Requirements Not Met (Repeat Finding 2021-001):

Condition: The City is not in compliance with the revenue bond agreement concerning the TIF bond and interest payments.

Cause: Revenues assess to meet the TIF District revenue bonds were insufficient to meet the bond principal and interest payments as they became due. The primary business in the TIF Districted filed for bankruptcy, which reduced the taxable value of the entire TIF District. The maximum allowable taxes are not sufficient to meet the bond principal and interest payments as they become due.

Correction: The City will review and determine all available alternatives, including bringing more businesses to the TIF District. The City has advertised for a City Economic Development Director and one goal of this position will be to assist in attracting businesses to the TIF District. The City believes this to be the best path forward to assessing enough taxes to meet the bond payment requirements.

Responsible party: The Finance Officer, Mayor, City Council, Economic Development Director and Building Inspector will all work together to accomplish this corrective action. The City also plans to lean on other resources such as Beartooth RC&D and other similar organizations.

Timeline: This corrective action will take multiple years, but is a major goal of the City within the next 5 years.