

CITY OF HARDIN  
BIG HORN COUNTY, MONTANA  
Fiscal Year Ended June 30, 2024

**AUDIT REPORT**

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

CITY OF HARDIN  
BIG HORN COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

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CITY OF HARDIN

BIG HORN COUNTY, MONTANA

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CITY OF HARDIN  
BIG HORN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2024

**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**

Joe Purcell  
Andrew Lehr  
Angela Zimmer  
Jordan Knudsen  
Paul George Jr.  
Robert Snively  
Richard Bowler  
Kristi Wedel  
Michael Hurff Jr.

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

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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 \$11,123,112 (*net position*). Of this amount, \$2,517,179 is the Net Investment in Capital Assets, \$7,758,899 is Restricted, and \$847,034 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 \$2,387,206 from the prior fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,202,846, an increase of \$1,106,017 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,879,844, or approximately 99.8% of the General Fund's total fund balance of \$1,883,495. Unassigned fund balance accounted for 92.3% of the fiscal year 2024 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 \$240,002.
  - Payments of principal on revenue bonds for water, wastewater, and landfill were \$169,000. Revenues bonds in the amount of \$8,928 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.

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**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**  
**June 30, 2024**

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, 2024**

**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.

***Gas Apportionment Tax*** – This fund accounts for the revenues received from the Montana Department of Transportation gas tax collections and the expenditures related to street improvements.

***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.



**City of Hardin**  
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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 (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.

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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

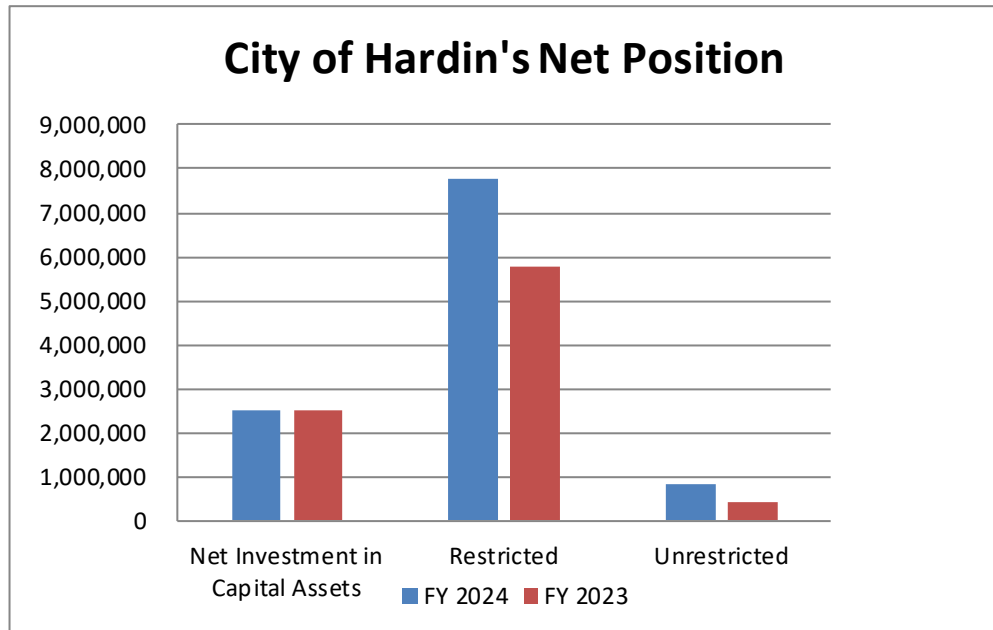
Net Position over time may serve as a useful indicator of a government's financial position. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the year by \$11,123,112 (net position). The total net position increased by \$2,387,206 or 27.33% from last year. Total Liabilities and Deferred Inflows of Resources decreased by \$377,014. 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 4.83%. Net investment in capital assets decreased \$1,331.

A portion of the City's Net Position, \$2,517,179, 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.

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type		Total	
	2024	2023	2024	2023	2024	2023
<b>ASSETS</b>						
Current and other assets	10,244,785	9,247,732	7,533,836	7,460,681	17,778,621	16,708,413
Capital assets and right-to-use	14,958,185	14,476,915	10,885,703	10,426,143	25,843,888	24,903,058
Total assets	25,202,970	23,724,647	18,419,539	17,886,824	43,622,509	41,611,471
Deferred outflow of resources	237,167	368,131	347,256	217,138	584,423	585,269
<b>LIABILITIES</b>						
Other current liabilities	15,072,375	14,624,984	285,839	480,837	15,358,214	15,105,821
Noncurrent liabilities	13,538,874	14,685,283	3,868,374	3,494,702	17,407,248	18,179,985
Total liabilities	28,611,249	29,310,267	4,154,213	3,975,539	32,765,462	33,285,806
Deferred inflow of resources	144,752	103,314	173,606	71,714	318,358	175,028
<b>NET POSITION</b>						
Net investment in capital assets	(6,277,225)	(6,443,085)	8,794,404	8,961,595	2,517,179	2,518,510
Restricted	7,708,178	5,695,463	50,721	73,485	7,758,899	5,768,948
Unrestricted	(4,746,817)	(4,573,181)	5,593,851	5,021,629	847,034	448,448
Total net position	(3,315,864)	(5,320,803)	14,438,976	14,056,709	11,123,112	8,735,906

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 \$11,123,112 (*net position*). \$7,758,899 or 69.75% is the Restricted portion of the City's net position. The balance of unrestricted net position \$847,034 represents the net position which would be used to meet the government's ongoing obligations to citizens and creditors.

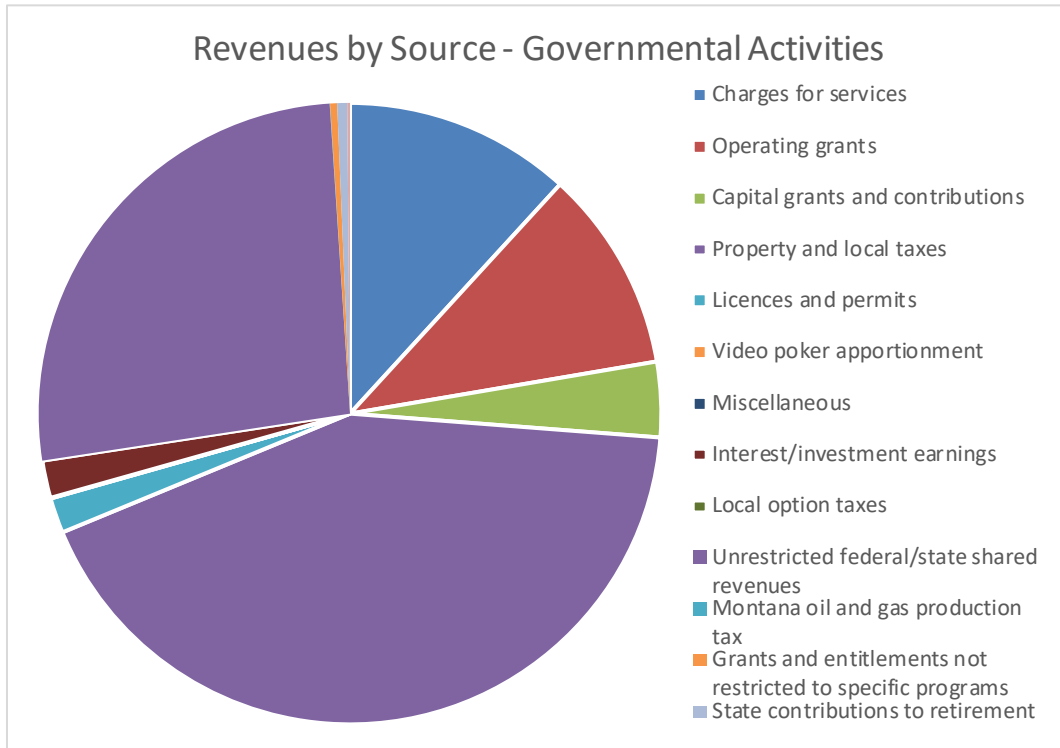
**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**



Condensed Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>REVENUE</b>						
Program Revenues:						
Charges for services	718,947	302,399	2,940,791	2,935,637	3,659,738	3,238,036
Operating grants	641,778	119,050	0	0	641,778	119,050
Capital grants and contributions	238,549	273,223	331,682	186,400	570,231	459,623
General Revenues:						
Property and local taxes	2,593,737	2,017,049	0	0	2,593,737	2,017,049
Licences and permits	112,046	40,848	0	0	112,046	40,848
Video poker apportionment	0	15,425	0	0	0	15,425
Miscellaneous	1,958	24,469	3,361	6,050	5,319	30,519
Interest/investment earnings	119,079	20,695	246,128	26,262	365,207	46,957
Local option taxes	0	6,552	0	0	0	6,552
Unrestricted federal/state shared rev	1,608,276	828,159	0	0	1,608,276	828,159
Montana oil and gas production tax	1,329	1,079	0	0	1,329	1,079
Grants and entitlements not restricted	22,049	57,276	78,112	0	100,161	57,276
State contributions to retirement	31,484	37,058	28,917	21,859	60,401	58,917
Gain (loss) on sale of capital assets	8,779	0	5,291	0	14,070	0
	<u>6,098,011</u>	<u>3,743,282</u>	<u>3,634,282</u>	<u>3,176,208</u>	<u>9,718,223</u>	<u>6,919,490</u>
Expenses:						
General government	733,828	1,052,144	0	0	733,828	1,052,144
Public safety	1,191,818	1,069,363	0	0	1,191,818	1,069,363
Public works	927,765	911,082	0	0	927,765	911,082
Public health	39,203	24,813	0	0	39,203	24,813
Culture and recreation	196,129	157,992	0	0	196,129	157,992
Community development	126,541	113,621	0	0	126,541	113,621
Interest on long-term debt	864,398	1,566,697	0	0	864,398	1,566,697
Miscellaneous	0	3,761	0	0	0	3,761
Water	0	0	1,170,570	1,044,316	1,170,570	1,044,316
Sewer	0	0	861,068	754,359	861,068	754,359
Solid waste	0	0	334,131	405,582	334,131	405,582
Landfill	0	0	588,304	588,304	588,304	588,304
Total expenses	<u>4,079,682</u>	<u>4,899,473</u>	<u>2,954,073</u>	<u>2,792,561</u>	<u>7,033,755</u>	<u>7,692,034</u>
Change in net position	<u>2,018,329</u>	<u>(1,156,191)</u>	<u>680,209</u>	<u>383,647</u>	<u>2,684,468</u>	<u>(772,544)</u>

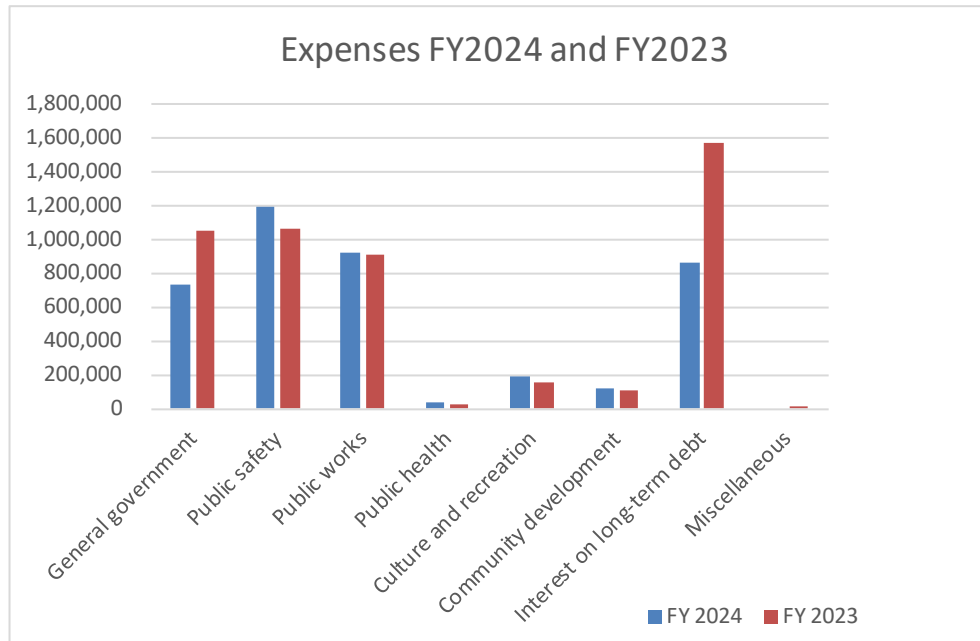
**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**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.



- Total Revenues increased \$2,345,950
- Charges for services increased \$416,548
- Operating Grants and Contributions increased \$522,728
- Capital Grants and Contributions decreased \$34,674
- Property taxes increased \$576,688
- Licenses and permits decreased \$71,198
- Video poker apportionment decreased \$15,425
- Miscellaneous revenues decreased \$22,511
- Investment earnings/interest earnings increased \$98,384
- Local option taxes decreased \$6,552
- Unrestricted federal/state shared revenue increased \$780,117
- Montana oil and gas production tax increased \$250
- Grants and entitlements not restricted to specific programs decreased \$35,227
- State contributions to retirement decreased \$5,574

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**



**Expenses FY 2023 and FY 2024**

**Expenses:**

- Total Governmental expenses decreased \$579,838
- General government expenses increased \$32,445
- Public Safety expenses increased by \$11,647
- Public Works expenses increased \$16,683
- Public Health expenses increased \$14,390
- Culture and recreation (parks) increased \$38,137
- Housing and Community Development increased \$12,920
- Interest on Long-Term Debt decreased \$702,299
- Miscellaneous decreased \$3,761

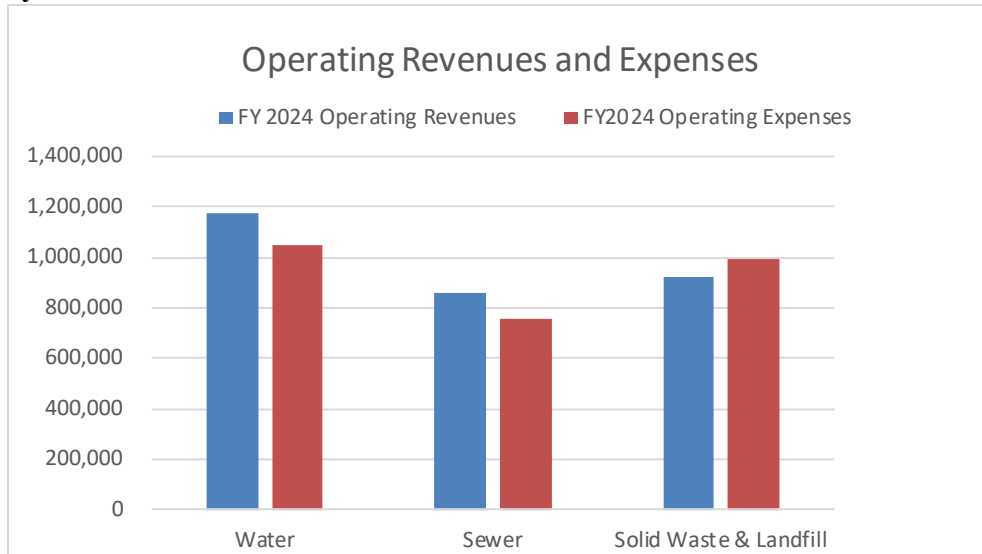
**Business-type Activities:** The City's water, sewer, and solid waste activities resulted in a decrease in net position of \$15,789. The Water fund's net position decreased \$312,318, Sewer increased \$392,164, Garbage Collection increased \$177,167 and Landfill increased \$125,253.

**Revenues:**

The Water fund had operating revenues of \$752,491 in fiscal year 2024. The Sewer fund had operating revenues of \$847,942. Solid Waste – Collection Services had a 5% rate increase, and Landfill rates were raised 3%. Garbage collection had operating revenues of \$521,120 and Landfill had operating revenues of \$838,398.

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**Proprietary Funds**



Expenses in the proprietary funds increased \$473,862 overall. The most significant decrease was due to wages, supplies, net pension liability, professional services and repairs. Depreciation decreased due to the declining carrying value of proprietary fund fixed assets.

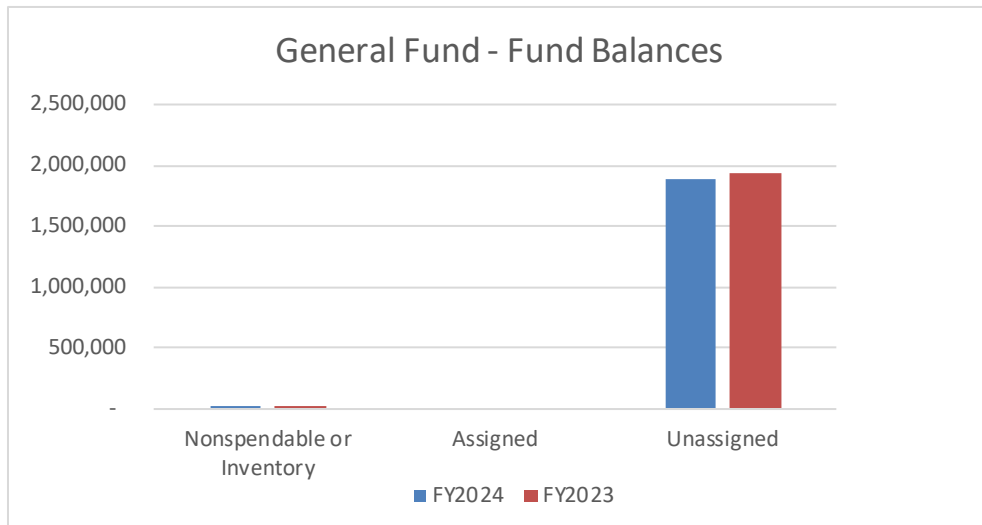
**Financial Analysis of the City's Funds**

**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 \$5,202,846 an increase of \$1,106,017 compared to last year. Non-spendable amounts of \$123,809 were related to inventory. The restricted fund balance of \$2,510,850 is stipulated by constitutional provisions or enabling legislation.

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**General Fund**  
Components of Fund Balance  
June 30, 2024 and 2023



**General Fund Budgetary Highlights:**

The City's **General Fund** is the chief operating fund for governmental activities. At June 30, 2024 the total fund balance was \$1,883,495 which is a \$62,458 decrease from the prior year. \$3,651 or .2% is non-spendable (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 \$1,879,874, or 87.2% of total General Fund expenditures and net transfers (\$2,156,128).

Actual revenues of \$2,093,670 were \$128,069 more than anticipated. Actual expenditures (other than transfers or loans) in the General Fund were \$2,156,128. Overall expenditures and transfers were \$430,669 less than anticipated. General government expenditures were \$70,679 less than budgeted, public safety was \$671,180 less than budgeted, public works was \$37,546 less, public health was \$14,301 less, culture and recreation was \$24,632 less and Community Development was \$136,761 less than budgeted. 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, 2024 and 2023

The **Gas Apportionment Tax fund** had a fund balance of \$905,074. Of this, 100% represents amounts restricted to improvements to city streets. The fund balance increased \$450,887 from the previous year.

**City of Hardin**  
**Management's Discussion and Analysis**  
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The **Tax Increment Finance District** is for debt service of a revenue bond. The fund balance decreased \$173,198. 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 \$67,254 to (\$617,818) from (\$685,072). This represents the balance of interfund loans for the Special Improvement Districts (SIDs) in the Wagner Subdivisions. Fund balances will continue to increase as taxpayers pay their assessments.

The **American Rescue Plan Act (ARPA)** fund balance increased \$747,682, or the amount of revenue over and above the expenditures for the current period. This fund balance is 100% unrestricted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The City's capital assets for its governmental and business-type activities as of June 30, 2024 total \$25,843,888 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 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
<b>Non-depreciable assets</b>						
Land	544,115	544,115	463,193	463,193	1,007,308	1,007,308
Easements (no land/depreciation)	40,622	40,622	-	-	40,622	40,622
Intangibles	12,000	12,000	-	-	12,000	12,000
Construction-in-progress	49,261	21,801	902,199	326,934	951,460	348,735
	<u>645,998</u>	<u>618,538</u>	<u>1,365,392</u>	<u>790,127</u>	<u>2,011,390</u>	<u>1,408,665</u>
<b>Depreciable assets</b>						
Buildings/improvements/systems	782,517	810,645	73,408	65,804	855,925	876,449
Improvements other than buildings	310,986	327,717	19,909	23,110	330,895	350,827
Machinery and equipment	1,220,235	673,593	1,236,414	621,136	2,456,649	1,294,729
Infrastructure (general plant)	11,683,039	12,045,352	18,772	25,428	11,701,811	12,070,780
Treatment plant	-	-	1,934,792	2,155,732	1,934,792	2,155,732
Transmission and distribution	-	-	5,078,417	5,280,259	5,078,417	5,280,259
	<u>13,996,777</u>	<u>13,857,307</u>	<u>8,361,712</u>	<u>8,171,469</u>	<u>22,358,489</u>	<u>22,028,776</u>
<b>Total Capital Assets</b>	<u>14,642,775</u>	<u>14,475,845</u>	<u>9,727,104</u>	<u>8,961,596</u>	<u>24,369,879</u>	<u>23,437,441</u>



**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

Investments in capital assets for Fiscal Year 2024 included the following:

**Governmental:**

Police vehicles	\$108,583
Fire Department SCBA's	99,894
Equipment Heimat Park	29,886
Parks vehicle	28,142
Sand vhed (in progress)	18,000
Storm Water Pump	17,500
Sawyer Loop culvert replacement	63,325
1 <sup>st</sup> St West Street Project (in progress)	31,261

**Proprietary:**

Phase II of Waste Water Project (In-Progress) FY22	16,237
Phase II of Waste Water Project (In-Progress) FY23	281,406
Phase II of Waste Water Project (In Progress) FY24	561,503
Water vehicles	64,196
1 <sup>st</sup> St W and Watson water/ sewer line extension project FY23	24,291
1 <sup>st</sup> St W and Watson water/ sewer line extension project FY24	41,110
Sewer Fund Pump	17,500
Autocar garbage truck	385,337
Transfer site design at Landfill FY24	5,210
John Deere Loader and blade	279,500

**Outstanding debt:**

At the end of the current fiscal year, the City had total debt of \$27,426,350. This is \$79,930 more than the previous year. There is an additional \$240,002 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 \$169,000 and revenue bonds of \$8,928 were issued in the Sewer Fund for Phase One and Two of the current upgrade project.

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Tax increment revenue bonds	20,920,000	20,920,000	-	-	20,920,000	20,920,000
Tax increment interest payable	5,494,650	5,254,648	-	-	5,494,650	5,254,648
Revenue bonds	-	-	1,011,700	1,177,772	1,011,700	1,171,772
<b>Total</b>	<b>26,414,650</b>	<b>26,174,648</b>	<b>1,011,700</b>	<b>1,177,772</b>	<b>27,426,350</b>	<b>27,346,420</b>

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

**City of Hardin**  
**Management's Discussion and Analysis**  
**June 30, 2024**

**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 2024	FY 2023	Payables:	FY 2024	FY 2023
General Fund	614,285	626,529	General Fund	20,577	-
Curb & Gutter	46,876	51,619	CDBG Economic Development Fund	-	600
Gas Apportionment	93,067	102,403	Montana Main Street	50	-
Capital Improvements	167,927	184,821	Rural Comm Development	43,279	6,630
Water Fund	20,577	0	ARPA Lodge Grass Competitive	8,082	-
	942,732	965,372	SID 120	617,819	685,068
			SID 121	252,325	273,074
			Flex	600	-
				942,732	965,372

**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 two years in a row.

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*

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**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 year ended June 30, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hardin, Big Horn County, Montana, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Summary of Opinions**

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Gas Apportionment Tax	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 year ended June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 year 2024. 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 2024, the City adopted new accounting guidance, GASB No.100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of 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.

### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report June 6, 2025, 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.*

June 6, 2025

**City of Hardin, Big Horn County, Montana**  
**Statement of Net Position**  
**June 30, 2024**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 5,319,187	\$ 6,844,654	\$ 12,163,841
Taxes and assessments receivable, net	3,728,149	-	3,728,149
Internal balances	(20,576)	20,576	-
Special assessments receivable	923,404	313,743	1,237,147
Accounts receivable - net	-	218,771	218,771
Contracts receivable	-	1,897	1,897
Interest receivable	37,468	62,314	99,782
Due from other governments	70,565	16,821	87,386
Prepaid expenses	62,779	4,339	67,118
Inventories	123,809	50,721	174,530
Total current assets	<u>\$ 10,244,785</u>	<u>\$ 7,533,836</u>	<u>\$ 17,778,621</u>
Noncurrent assets			
Restricted cash and investments	\$ 315,410	\$ 1,158,599	\$ 1,474,009
Capital assets - land	596,737	463,193	1,059,930
Capital assets - construction in progress	49,261	902,199	951,460
Capital assets - depreciable, net	13,996,777	8,361,712	22,358,489
Total noncurrent assets	<u>\$ 14,958,185</u>	<u>\$ 10,885,703</u>	<u>\$ 25,843,888</u>
Total assets	<u>\$ 25,202,970</u>	<u>\$ 18,419,539</u>	<u>\$ 43,622,509</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 199,279	\$ 297,255	\$ 496,534
Deferred outflows of resources - OPEB	37,888	50,001	87,889
Total deferred outflows of resources	<u>\$ 237,167</u>	<u>\$ 347,256</u>	<u>\$ 584,423</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 25,440,137</u>	<u>\$ 18,766,795</u>	<u>\$ 44,206,932</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 56,242	\$ -	\$ 56,242
Accounts payable	139,165	82,191	221,356
Accrued interest payable	5,494,650	-	5,494,650
Accrued payroll	55,239	42,175	97,414
Revenues collected in advance	447,370	40,621	487,991
Current portion of long-term capital liabilities	8,800,000	79,000	8,879,000
Current portion of compensated absences payable	79,709	41,852	121,561
Total current liabilities	<u>\$ 15,072,375</u>	<u>\$ 285,839</u>	<u>\$ 15,358,214</u>
Noncurrent liabilities			
Deposits payable	\$ 7,780	\$ 169,528	\$ 177,308
Landfill closure postclosure liability	-	1,340,073	1,340,073
Noncurrent portion of OPEB	158,657	209,402	368,059
Noncurrent portion of long-term capital liabilities	12,120,000	932,700	13,052,700
Noncurrent portion of compensated absences	34,161	97,658	131,819
Net pension liability	1,218,276	1,119,013	2,337,289
Total noncurrent liabilities	<u>\$ 13,538,874</u>	<u>\$ 3,868,374</u>	<u>\$ 17,407,248</u>
Total liabilities	<u>\$ 28,611,249</u>	<u>\$ 4,154,213</u>	<u>\$ 32,765,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 43,454	\$ 39,911	\$ 83,365
Deferred inflows of resources - OPEB	101,298	133,695	234,993
Total deferred inflows of resources	<u>\$ 144,752</u>	<u>\$ 173,606</u>	<u>\$ 318,358</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ (6,277,225)	\$ 8,794,404	\$ 2,517,179
Restricted for capital projects	823,686	-	823,686
Restricted for debt service	3,585,908	-	3,585,908
Restricted for special projects	3,298,584	-	3,298,584
Nonspendable	-	50,721	50,721
Unrestricted	(4,746,817)	5,593,851	847,034
Total net position	<u>\$ (3,315,864)</u>	<u>\$ 14,438,976</u>	<u>\$ 11,123,112</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 25,440,137</u>	<u>\$ 18,766,795</u>	<u>\$ 44,206,932</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, 2024**

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	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 733,828	\$ 91,324	\$ -	\$ -	\$ (642,504)	\$ -	\$ (642,504)
Public safety	1,191,818	1,210	122,434	60,011	(1,008,163)	-	(1,008,163)
Public works	927,765	626,413	519,344	178,538	396,530	-	396,530
Public health	39,203	-	-	-	(39,203)	-	(39,203)
Culture and recreation	196,129	-	-	-	(196,129)	-	(196,129)
Housing and community development	126,541	-	-	-	(126,541)	-	(126,541)
Debt service - interest	864,398	-	-	-	(864,398)	-	(864,398)
Total governmental activities	\$ 4,079,682	\$ 718,947	\$ 641,778	\$ 238,549	\$ (2,480,408)	\$ -	\$ (2,480,408)
Business-type activities:							
Water	\$ 1,170,570	\$ 747,541	\$ -	\$ -	\$ -	\$ (423,029)	\$ (423,029)
Sewer	861,068	833,931	-	331,682	-	304,545	304,545
Solid Waste-Collection	334,131	521,076	-	-	-	186,945	186,945
Landfill	886,247	838,243	-	-	-	(48,004)	(48,004)
Total business-type activities	\$ 3,252,016	\$ 2,940,791	\$ -	\$ 331,682	\$ -	\$ 20,457	\$ 20,457
Total primary government	\$ 7,331,698	\$ 3,659,738	\$ 641,778	\$ 570,231	\$ (2,480,408)	\$ 20,457	\$ (2,459,951)
General Revenues:							
Property taxes for general purposes					\$ 2,593,737	\$ -	\$ 2,593,737
Licenses and permits					112,046	-	112,046
Miscellaneous					1,958	3,361	5,319
Interest/investment earnings					119,079	246,128	365,207
Unrestricted federal/state shared revenues					1,608,276	-	1,608,276
Montana oil and gas production tax					1,329	-	1,329
Grants and entitlements not restricted to specific programs					22,049	78,112	100,161
State contributions to retirement					31,484	28,917	60,401
Gain (loss) on sale of capital assets					8,779	5,291	14,070
Total general revenues, special items and transfers					\$ 4,498,737	\$ 361,809	\$ 4,860,546
Change in net position					\$ 2,018,329	\$ 382,266	\$ 2,400,595
Net position - beginning					\$ (5,320,805)	\$ 14,056,710	\$ 8,735,905
Restatements					(13,388)	-	(13,388)
Net position - beginning - restated					\$ (5,334,193)	\$ 14,056,710	\$ 8,722,517
Net position - end					\$ (3,315,864)	\$ 14,438,976	\$ 11,123,112

See accompanying Notes to the Financial Statements



**City of Hardin, Big Horn County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

	General	Gas Apportionment Tax	TIFD Debt Service	SID #120	American Rescue Plan Act (ARPA)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 1,387,117	\$ 1,260,171	\$ -	\$ -	\$ 734,146	\$ 1,937,753	\$ 5,319,187
Taxes and assessments receivable, net	262,726	-	3,243,448	3,400	-	218,575	3,728,149
Special assessments receivable	-	-	-	655,242	-	268,162	923,404
Interest receivable	20,188	-	-	-	-	17,280	37,468
Due from other funds	107,391	9,508	-	-	-	21,734	138,633
Due from other governments	6,003	-	324	-	-	64,238	70,565
Prepaid expenses	46,591	-	-	-	15,517	671	62,779
Inventories	3,651	-	-	-	-	120,158	123,809
Total current assets	\$ 1,833,667	\$ 1,269,679	\$ 3,243,772	\$ 658,642	\$ 749,663	\$ 2,648,571	\$ 10,403,994
Noncurrent assets:							
Restricted cash and investments	\$ 7,780	\$ -	\$ 307,630	\$ -	\$ -	\$ -	\$ 315,410
Advances to other funds	506,292	83,559	-	-	-	193,068	782,919
Total noncurrent assets	\$ 514,072	\$ 83,559	\$ 307,630	\$ -	\$ -	\$ 193,068	\$ 1,098,329
<b>TOTAL ASSETS</b>	<b>\$ 2,347,739</b>	<b>\$ 1,353,238</b>	<b>\$ 3,551,402</b>	<b>\$ 658,642</b>	<b>\$ 749,663</b>	<b>\$ 2,841,639</b>	<b>\$ 11,502,323</b>
<b>LIABILITIES</b>							
Current liabilities:							
Warrants payable	\$ 56,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,242
Accounts payable	82,687	-	8,333	-	-	48,145	139,165
Accrued payroll	34,233	794	-	-	1,981	18,231	55,239
Due to other funds	-	-	-	56,090	-	82,543	138,633
Revenues collected in advance	-	447,370	-	-	-	-	447,370
Total current liabilities	\$ 173,162	\$ 448,164	\$ 8,333	\$ 56,090	\$ 1,981	\$ 148,919	\$ 836,649
Noncurrent liabilities:							
Deposits payable	\$ 7,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,780
Advances payable	20,576	-	-	561,728	-	221,191	803,495
Total noncurrent liabilities	\$ 28,356	\$ -	\$ -	\$ 561,728	\$ -	\$ 221,191	\$ 811,275
Total liabilities	\$ 201,518	\$ 448,164	\$ 8,333	\$ 617,818	\$ 1,981	\$ 370,110	\$ 1,647,924
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - taxes and assessments	\$ 262,726	\$ -	\$ 3,243,448	\$ 658,642	\$ -	\$ 486,737	\$ 4,651,553
Total deferred inflows of resources	\$ 262,726	\$ -	\$ 3,243,448	\$ 658,642	\$ -	\$ 486,737	\$ 4,651,553
<b>FUND BALANCES</b>							
Nonspendable	\$ 3,651	\$ -	\$ -	\$ -	\$ -	\$ 120,158	\$ 123,809
Restricted	-	905,074	299,621	-	-	1,306,155	2,510,850
Committed	-	-	-	-	-	823,686	823,686
Unassigned fund balance	1,879,844	-	-	(617,818)	747,682	(265,207)	1,744,501
Total fund balance	\$ 1,883,495	\$ 905,074	\$ 299,621	\$ (617,818)	\$ 747,682	\$ 1,984,792	\$ 5,202,846
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,347,739</b>	<b>\$ 1,353,238</b>	<b>\$ 3,551,402</b>	<b>\$ 658,642</b>	<b>\$ 749,663</b>	<b>\$ 2,841,639</b>	<b>\$ 11,502,323</b>

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, 2024**

<b>Total fund balances - governmental funds</b>	\$ 5,202,846
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,642,775
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.	4,651,553
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(21,033,870)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,218,276)
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.	199,279
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, therefore are not reported in the funds.	(43,454)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.	37,888
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(101,298)
OPEB liabilities are reported on the governmental wide financials and not in the individual funds.	(158,657)
Accrued interest payable is reported on the government wide financials	(5,494,650)
<b>Total net position - governmental activities</b>	\$ <u><u>(3,315,864)</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, 2024**

	General	Gas Apportionment Tax	TIFD Debt Service	SID #120	American Rescue Plan Act (ARPA)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes and assessments	\$ 1,053,513	\$ -	\$ 524,612	\$ 67,254	\$ -	\$ 700,234	\$ 2,345,613
Licenses and permits	97,571	-	-	-	-	850	98,421
Intergovernmental	821,648	519,344	9,166	-	903,254	278,475	2,531,887
Charges for services	873	-	-	-	-	10,169	11,042
Fines and forfeitures	52,363	-	-	-	-	5,884	58,247
Miscellaneous	1,918	-	-	-	-	40	1,958
Investment earnings	59,081	502	9,286	-	2,587	50,209	121,665
Total revenues	<u>\$ 2,086,967</u>	<u>\$ 519,846</u>	<u>\$ 543,064</u>	<u>\$ 67,254</u>	<u>\$ 905,841</u>	<u>\$ 1,045,861</u>	<u>\$ 5,168,833</u>
<b>EXPENDITURES</b>							
General government	\$ 454,066	\$ -	\$ -	\$ -	\$ 23,346	\$ 57,756	\$ 535,168
Public safety	777,294	-	-	-	52,853	256,753	1,086,900
Public works	7,437	63,179	-	-	-	508,543	579,159
Public health	35,667	-	-	-	2,136	1,391	39,194
Culture and recreation	143,625	-	-	-	-	15,505	159,130
Housing and community development	26,637	-	-	-	-	882	27,519
Debt service - interest	148,136	-	716,262	-	-	-	864,398
Capital outlay	443,266	5,780	-	-	79,824	251,257	780,127
Total expenditures	<u>\$ 2,036,128</u>	<u>\$ 68,959</u>	<u>\$ 716,262</u>	<u>\$ -</u>	<u>\$ 158,159</u>	<u>\$ 1,092,087</u>	<u>\$ 4,071,595</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 50,839</u>	<u>\$ 450,887</u>	<u>\$ (173,198)</u>	<u>\$ 67,254</u>	<u>\$ 747,682</u>	<u>\$ (46,226)</u>	<u>\$ 1,097,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from the sale of general capital asset disposition	\$ 6,703	\$ -	\$ -	\$ -	\$ -	\$ 2,076	\$ 8,779
Transfers in	-	-	-	-	-	120,000	120,000
Transfers out	(120,000)	-	-	-	-	-	(120,000)
Total other financing sources (uses)	<u>\$ (113,297)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,076</u>	<u>\$ 8,779</u>
Net Change in Fund Balance	<u>\$ (62,458)</u>	<u>\$ 450,887</u>	<u>\$ (173,198)</u>	<u>\$ 67,254</u>	<u>\$ 747,682</u>	<u>\$ 75,850</u>	<u>\$ 1,106,017</u>
Fund balances - beginning	<u>\$ 1,945,953</u>	<u>\$ 454,187</u>	<u>\$ 472,819</u>	<u>\$ (685,072)</u>	<u>\$ -</u>	<u>\$ 1,908,942</u>	<u>\$ 4,096,829</u>
Fund balance - ending	<u>\$ 1,883,495</u>	<u>\$ 905,074</u>	<u>\$ 299,621</u>	<u>\$ (617,818)</u>	<u>\$ 747,682</u>	<u>\$ 1,984,792</u>	<u>\$ 5,202,846</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, 2024**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,106,017</b>
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	780,127
- Depreciation expense	(600,879)
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)	888,915
The change in compensated absences is shown as an expense in the Statement of Activities	(4,540)
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	(190,016)
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	31,484
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.	16,433
Changes in OPEB liability	(9,212)
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>2,018,329</u></b>

See accompanying Notes to the Financial Statements

**City of Hardin, Big Horn County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2024**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste- Collection</b>	<b>Landfill</b>	<b>Totals</b>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,894,165	\$ 966,678	\$ 1,259,750	\$ 2,724,061	\$ 6,844,654
Special assessments receivable	123	155	313,465	-	313,743
Accounts receivable - net	62,538	68,450	-	87,783	218,771
Contracts receivable	637	1,260	-	-	1,897
Interest receivable	15,618	15,597	13,936	17,163	62,314
Due from other governments	10,961	1,488	4,372	-	16,821
Prepaid expenses	1,544	927	449	1,419	4,339
Inventories	22,456	21,161	7,057	47	50,721
Total current assets	<u>\$ 2,008,042</u>	<u>\$ 1,075,716</u>	<u>\$ 1,599,029</u>	<u>\$ 2,830,473</u>	<u>\$ 7,513,260</u>
Noncurrent assets:					
Restricted cash and investments	\$ 197,819	\$ 766,362	\$ -	\$ 194,418	\$ 1,158,599
Advances to other funds	20,576	-	-	-	20,576
Capital assets - land	121,191	21,286	-	320,716	463,193
Capital assets - construction in progress	67,551	824,438	-	10,210	902,199
Capital assets - depreciable, net	2,092,707	5,081,270	363,251	824,484	8,361,712
Total noncurrent assets	<u>\$ 2,499,844</u>	<u>\$ 6,693,356</u>	<u>\$ 363,251</u>	<u>\$ 1,349,828</u>	<u>\$ 10,906,279</u>
Total assets	<u>\$ 4,507,886</u>	<u>\$ 7,769,072</u>	<u>\$ 1,962,280</u>	<u>\$ 4,180,301</u>	<u>\$ 18,419,539</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - pensions	\$ 98,177	\$ 73,510	\$ 42,444	\$ 83,124	\$ 297,255
Deferred outflows of resources - OPEB	19,643	11,610	9,100	9,648	50,001
Total deferred outflows of resources	<u>\$ 117,820</u>	<u>\$ 85,120</u>	<u>\$ 51,544</u>	<u>\$ 92,772</u>	<u>\$ 347,256</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,625,706</u>	<u>\$ 7,854,192</u>	<u>\$ 2,013,824</u>	<u>\$ 4,273,073</u>	<u>\$ 18,766,795</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 14,980	\$ 46,949	\$ 3,117	\$ 17,145	\$ 82,191
Accrued payroll	14,545	9,595	6,293	11,742	42,175
Revenues collected in advance	13,840	26,781	-	-	40,621
Current portion of long-term capital liabilities	-	79,000	-	-	79,000
Current portion of compensated absences payable	13,863	7,996	10,101	9,892	41,852
Total current liabilities	<u>\$ 57,228</u>	<u>\$ 170,321</u>	<u>\$ 19,511</u>	<u>\$ 38,779</u>	<u>\$ 285,839</u>
Noncurrent liabilities:					
Deposits payable	\$ 69,852	\$ 176	\$ -	\$ 99,500	\$ 169,528
Landfill closure postclosure liability	-	-	-	1,340,073	1,340,073
Noncurrent portion of OPEB	82,262	48,623	38,111	40,406	209,402
Noncurrent portion of long-term capital liabilities	-	932,700	-	-	932,700
Noncurrent portion of compensated absences	32,348	18,658	23,570	23,082	97,658
Net pension liability	369,586	276,728	159,780	312,919	1,119,013
Total noncurrent liabilities	<u>\$ 554,048</u>	<u>\$ 1,276,885</u>	<u>\$ 221,461</u>	<u>\$ 1,815,980</u>	<u>\$ 3,868,374</u>
Total liabilities	<u>\$ 611,276</u>	<u>\$ 1,447,206</u>	<u>\$ 240,972</u>	<u>\$ 1,854,759</u>	<u>\$ 4,154,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - pensions	\$ 13,182	\$ 9,870	\$ 5,698	\$ 11,161	\$ 39,911
Deferred inflows of resources - OPEB	52,521	31,044	24,332	25,798	133,695
Total deferred inflows of resources	<u>\$ 65,703</u>	<u>\$ 40,914</u>	<u>\$ 30,030</u>	<u>\$ 36,959</u>	<u>\$ 173,606</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 2,281,449	\$ 4,994,294	\$ 363,251	\$ 1,155,410	\$ 8,794,404
Nonspendable	22,456	21,161	7,057	47	50,721
Unrestricted	1,644,822	1,350,617	1,372,514	1,225,898	5,593,851
Total net position	<u>\$ 3,948,727</u>	<u>\$ 6,366,072</u>	<u>\$ 1,742,822</u>	<u>\$ 2,381,355</u>	<u>\$ 14,438,976</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 4,625,706</u>	<u>\$ 7,854,192</u>	<u>\$ 2,013,824</u>	<u>\$ 4,273,073</u>	<u>\$ 18,766,795</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, 2024**

<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste- Collection</b>	<b>Landfill</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 747,542	\$ 833,931	\$ 516,377	\$ 838,243	\$ 2,936,093
Miscellaneous revenues	4,949	14,011	44	155	19,159
Special assessments	-	-	4,699	-	4,699
Total operating revenues	<u>\$ 752,491</u>	<u>\$ 847,942</u>	<u>\$ 521,120</u>	<u>\$ 838,398</u>	<u>\$ 2,959,951</u>
<b>OPERATING EXPENSES</b>					
Personal services	\$ 565,553	\$ 403,842	\$ 172,784	\$ 506,236	\$ 1,648,415
Supplies	151,495	58,969	67,855	98,596	376,915
Purchased services	178,202	160,766	47,305	92,126	478,399
Fixed charges	20,807	22,920	10,133	97,761	151,621
Depreciation	254,513	193,524	36,054	89,976	574,067
Total operating expenses	<u>\$ 1,170,570</u>	<u>\$ 840,021</u>	<u>\$ 334,131</u>	<u>\$ 884,695</u>	<u>\$ 3,229,417</u>
Operating income (loss)	<u>\$ (418,079)</u>	<u>\$ 7,921</u>	<u>\$ 186,989</u>	<u>\$ (46,297)</u>	<u>\$ (269,466)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenue	\$ 55,631	\$ 359,694	\$ 4,129	\$ 8,086	\$ 427,540
Interest revenue	44,839	45,596	41,049	110,016	241,500
Debt service interest expense	-	(21,047)	-	(1,552)	(22,599)
Total non-operating revenues (expenses)	<u>\$ 100,470</u>	<u>\$ 384,243</u>	<u>\$ 45,178</u>	<u>\$ 116,550</u>	<u>\$ 646,441</u>
Income (loss) before contributions and transfers	<u>\$ (317,609)</u>	<u>\$ 392,164</u>	<u>\$ 232,167</u>	<u>\$ 70,253</u>	<u>\$ 376,975</u>
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$ -</u>	<u>\$ (55,000)</u>
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>					
Gain (loss) on sale of capital assets	<u>\$ 5,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,291</u>
Change in net position	<u>\$ (312,318)</u>	<u>\$ 392,164</u>	<u>\$ 177,167</u>	<u>\$ 125,253</u>	<u>\$ 382,266</u>
Net Position - Beginning 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>
Net Position - End of the year	<u>\$ 3,948,727</u>	<u>\$ 6,366,072</u>	<u>\$ 1,742,822</u>	<u>\$ 2,381,355</u>	<u>\$ 14,438,976</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, 2024**

**Business - Type Activities**

	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste - Collection</b>	<b>Landfill</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>					
Cash received from providing services	\$ 733,194	\$ 824,314	\$ 506,383	\$ 797,276	\$ 2,861,167
Cash received from miscellaneous sources	4,949	14,011	44	155	19,159
Cash payments to suppliers	(165,822)	(107,562)	(80,349)	(192,012)	(545,745)
Cash payments for professional services	(178,202)	(160,766)	(47,305)	(92,126)	(478,399)
Cash payments to employees	(446,827)	(317,243)	(193,435)	(346,519)	(1,304,024)
Net cash provided (used) by operating activities	\$ (52,708)	\$ 252,754	\$ 185,338	\$ 166,774	\$ 552,158
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	\$ (112,497)	\$ (549,339)	\$ (388,785)	\$ (288,955)	\$ (1,339,576)
Principal paid on debt	-	(77,000)	-	(92,000)	(169,000)
Interest paid on debt	-	(21,047)	-	(1,552)	(22,599)
Proceeds from bonds, loans and advances	-	8,928	-	-	8,928
Net cash provided (used) by capital and related financing activities	\$ (112,497)	\$ (638,458)	\$ (388,785)	\$ (382,507)	\$ (1,522,247)
<b>Cash flows from non-capital financing activities:</b>					
Cash received or paid to other funds	\$ -	\$ -	\$ (55,000)	\$ 55,000	\$ -
Cash received from other governments	44,670	455,194	10,595	8,086	518,545
Cash advanced to the general fund	(20,576)	-	-	-	(20,576)
Net cash provided (used) from non-capital financing activities	\$ 26,394	\$ 455,194	\$ (44,405)	\$ 63,086	\$ 500,269
<b>Cash flows from investing activities:</b>					
Interest on investments	\$ 35,764	\$ 36,670	\$ 33,396	\$ 100,490	\$ 206,320
Cash received from sale of capital assets	5,291	-	-	-	5,291
Net cash provided (used) by investing activities	\$ 41,055	\$ 36,670	\$ 33,396	\$ 100,490	\$ 211,611
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (97,756)	\$ 106,160	\$ (214,456)	\$ (52,157)	\$ (258,209)
<b>Cash and cash equivalents at beginning</b>	<b>2,189,740</b>	<b>1,626,880</b>	<b>1,474,206</b>	<b>2,970,636</b>	<b>8,261,462</b>
<b>Cash and cash equivalents at end</b>	<b>\$ 2,091,984</b>	<b>\$ 1,733,040</b>	<b>\$ 1,259,750</b>	<b>\$ 2,918,479</b>	<b>\$ 8,003,253</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (418,079)	\$ 7,921	\$ 186,989	\$ (46,297)	\$ (269,466)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	254,513	193,524	36,054	89,976	574,067
Pensions and Other post-employment benefits	120,791	85,158	(23,616)	155,356	337,689
	-	-	-	75,828	75,828
Changes in assets and liabilities:					
Accounts Receivable	(16,545)	(9,664)	-	(40,967)	(67,176)
Special assessments receivable, net	2,197	47	(14,693)	-	(12,449)
Inventory	16,122	8,377	(1,771)	36	22,764
Prepaid expenses	(1,353)	(755)	(373)	(1,324)	(3,805)
Accounts payable	(8,289)	(33,295)	(217)	(70,195)	(111,996)
Compensated absences	4,807	231	1,218	2,647	8,903
Accrued payroll	(6,872)	1,210	1,747	1,714	(2,201)
Net cash provided (used) by operating activities	\$ (52,708)	\$ 252,754	\$ 185,338	\$ 166,774	\$ 552,158

See accompanying notes to the financial statements

**City of Hardin, Big Horn County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2024**

		<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$	144,781
Interest and dividends receivable		619
Taxes receivable		2,373
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>147,773</b>
<b>LIABILITIES</b>		
Warrants payable	\$	9,812
Accounts payable		5,740
Due to others		600
Net Pension Liability		123,000
Total liabilities	\$	139,152
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations, and other governments	\$	8,621
Total net position	\$	8,621
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<b>\$</b>	<b>147,773</b>

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, 2024**

		<u><b>Custodial Funds</b></u>
		<u><b>Custodial</b></u>
		<u><b>Funds</b></u>
<b>ADDITIONS</b>		
Contributions:		
Intergovernmental	\$	38,172
Investment earnings		<u>1,459</u>
Total additions	\$	<u>39,631</u>
 <b>DEDUCTIONS</b>		
Benefits	\$	<u>24,150</u>
Total deductions	\$	<u>24,150</u>
Change in net position	\$	<u>15,481</u>
 Net Position - Beginning of the year	\$	<u>(6,860)</u>
 Net Position - End of the year	\$	<u><u>8,621</u></u>

See accompanying Notes to the Financial Statements

CITY OF HARDIN  
BIG HORN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**New Accounting Pronouncements**

GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The City has implemented this pronouncement in the current fiscal year.

**Financial Reporting Entity**

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

*Primary Government*

The City is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the City. The City 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.

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*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, 2024. The City has the following discretely presented component units:

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."

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

**Government-wide Financial Statements:**

*Basis of Presentation*

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

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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.

**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:

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

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

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

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

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**Major Funds:**

The City reports the following major governmental funds:

*General Fund* – This is the City’s primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.

*Gas Apportionment Tax Fund* – This fund accounts for the revenues received from the Montana Department of Transportation gas tax collections and the expenditures related to street improvements.

*American Rescue Plan Act (ARPA)* – 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 (TFID) fund accounts for revenues and cost 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:**

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

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

**Major Funds:**

The City reports the following major proprietary funds:

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

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*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 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.

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

**Cash Composition**

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

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 660
Cash in banks:	
Demand deposits	88,135
Savings deposits	78,863
Time deposits	5,424,335
<u>Investments:</u>	
U.S. Government Securities	3,019,047
Repurchase agreements	3,795,891
Landfill Trusts	1,375,700
Total	\$ <u>13,782,631</u>

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**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, landfill trusts, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

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

**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 Treasury Bills and 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.

**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).



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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.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2024, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2024
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 349,232
- Collateral held by the pledging bank's trust department but not in the City's name	3,322,658
- Uninsured and uncollateralized deposits	1,601,677
Total deposits and investments	\$ <u><u>5,273,567</u></u>

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Deposit Security

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

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

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

The amount of collateral held for City deposits at June 30, 2024, did not meet the amount required by State statutes.

**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>
Repurchase agreements	46%
U.S Government Securities	37%

**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, 2024 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
FISB - Landfill 12-CLA	2.71%	N/A	\$ 506,313.00
FISB - Landfill 12-POB	2.52%	N/A	49,209.00
FISB - Landfill Trust xxx2-CL	2.40%	N/A	642,300.00
FISB - Landfill Trust - xxxx-POS	1.52%	N/A	177,878.00
First Interstate Repo Acct #9777	1.06%	N/A	3,795,891.00
First Interstate #8847 Managed Account	0%-4.4%	2/2/24 to 4/30/28	3,019,047.00
Total			<u>\$ 8,190,638</u>

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**NOTE 3. RESTRICTED CASH/INVESTMENTS**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	CDs FISB - Customer Deposits	\$ 7,780
TIFD Debt Service	Cash/Equivalents-Restricted	307,630
Water	CDs FISB - Customer Deposits	69,852
Water	Cash - Construction/Impact	127,967
Sewer	CDs-FISB-Const/Impact	74,179
Sewer	Cash - Revenue Bond (CY Payment)	35,486
Sewer	Cash - Reserve (Future Payment)	121,618
Sewer	Cash - Const/R&D-Restricted	535,079
Landfill	Cash - Customer Deposits	99,500
Landfill	Cash - Reserve (Future Payment)	94,918
Total		<u>\$1,474,009</u>

**NOTE 4. RECEIVABLES**

**Tax Receivables**

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

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

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

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**NOTE 5. INVENTORIES**

The cost of inventories are recorded as an expenditure when incurred. Inventories are accounted for using the purchase method.

**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	20 – 40 years	10 – 37 years
Equipment	3 – 20 years	5 – 20 years
Infrastructure	5 – 50 years	5 – 50 years

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

Governmental activities:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Restatements</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets not being depreciated:					
Land	\$ 553,285	\$ -	\$ -	\$ (9,170)	\$ 544,115
Easements (no land & no depreciation)	40,622	-	-	-	40,622
	12,000	-	-	-	12,000
Construction in progress	21,801	27,460			49,261
Total capital assets not being depreciated	<u>\$ 627,708</u>	<u>\$ 27,460</u>	<u>\$ -</u>	<u>\$ (9,170)</u>	<u>\$ 645,998</u>
Other capital assets:					
Buildings and Improvements	\$ 1,315,456	\$ 2,917	\$ -	\$ (4,218)	\$ 1,314,155
Improvements other than buildings	426,268	-	-	-	426,268
Machinery and equipment	2,088,421	687,424	(9,950)	-	2,765,895
Infrastructure	16,624,941	62,326	-	-	16,687,267
Total other capital assets at historical cost	<u>\$ 20,455,086</u>	<u>\$ 752,667</u>	<u>\$ (9,950)</u>	<u>\$ (4,218)</u>	<u>\$ 21,193,585</u>
Less: accumulated depreciation	<u>(6,605,879)</u>	<u>(600,879)</u>	<u>9,950</u>		<u>(7,196,808)</u>
Total	<u>\$ 14,476,915</u>	<u>\$ 179,248</u>	<u>\$ -</u>	<u>\$ (13,388)</u>	<u>\$ 14,642,775</u>

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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 11,325
Public safety	104,918
Public works	348,606
Public health	9
Culture and recreation	36,999
Housing and community development	<u>99,022</u>
Total governmental activities depreciation expense	<u>\$600,879</u>

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

Business-type activities:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>
Capital assets not being depreciated:				
Land	\$ 463,193	\$ -	\$ -	\$ 463,193
Construction in progress	326,934	575,266	-	902,200
Total capital assets not being depreciated	<u>\$ 790,127</u>	<u>\$ 575,266</u>	<u>\$ -</u>	<u>\$ 1,365,393</u>
Other capital assets:				
Buildings & Systems	\$ 139,636	\$ 11,669	\$ -	\$ 151,305
Improvements other than buildings	1,980,909	-	-	1,980,909
Machinery and equipment	2,687,478	752,642	(6,100)	3,434,020
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>\$ 21,189,835</u>	<u>\$ 764,311</u>	<u>\$ (6,100)</u>	<u>\$ 21,948,046</u>
Less: accumulated depreciation	<u>(13,018,367)</u>	<u>(574,067)</u>	<u>6,100</u>	<u>(13,586,334)</u>
Total	<u><u>\$ 8,961,595</u></u>	<u><u>\$ 765,510</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,727,105</u></u>

## NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

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

Governmental Activities:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	Balance <u>June 30, 2024</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 20,920,000	\$ -	\$ 20,920,000	\$ 8,800,000
Compensated absences	109,330	4,540	113,870	79,709
Total	<u>\$ 21,029,330</u>	<u>\$ 4,540</u>	<u>\$ 21,033,870</u>	<u>\$ 8,879,709</u>

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

Business-type Activities:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 1,171,772	\$ 8,928	\$ (169,000)	\$ 1,011,700	\$ 79,000
Compensated absences	130,607	8,903	-	139,510	41,852
Total	<u>\$ 1,302,379</u>	<u>\$ 17,831</u>	<u>\$ (169,000)</u>	<u>\$ 1,151,210</u>	<u>\$ 120,852</u>

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Balance June 30, 2024</u>
TIF series 2006 revenue bond	9/1/2006	6.25%	25 yrs	9/1/31	\$12,600,953	\$ 20,920,000
Sewer series 2010B	1/15/2010	0.75%	20 yrs	1/1/2030	359,300	104,000
Sewer series 2010C	5/11/2010	3.00%	20 yrs	1/1/2030	557,000	213,000
Sewer series 2021B	4/22/2021	2.50%	20 yrs	1/1/2041	595,245	571,245
Sewer series 2021A	4/22/2021	0.00%	20 yrs	1/1/2041	192,700	123,455
					<u>\$14,305,198</u>	<u>\$ 21,931,700</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:

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Tax Increment Fund Bonds

In September 2206, 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 \$6,094,221 for fiscal year 2024.

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.”

The Trustee made the following notice to beneficial holders during the fiscal year:

On September 8, 2023, the Trustee will make a Default Distribution in the aggregate amount of \$407,929.34 which is the equivalent of interest on outstanding par of \$20,920,000 paid at a rate of .01949949 which is equal to \$19.499490 per \$1,000 face held to the holders or record on 9/7/23. This represents the balance of the interest that was due on 3/01/19, as well as a portion of the interest that was on 9/1/19. The balance of interest due on 9/1/19 in the amount of \$270,468,20 as well as the interest due on 3/1/20, 9/1/20, 3/1/21, 9/1/21, 3/1/22, 9/1/22, 3/1/23, and 6/1/23 in the amount of \$653,750 for each respective date will be due and unpaid at the tome of this distribution. Following this distribution there will remain approximately \$57,000 in the Debt Service Reserve Fund (the “Reserve Fund”).

On March 6, 2024, the Trustee will make a Default Distribution in the aggregate amount of \$300,000 which is the equivalent of interest on outstanding par of \$20,920,000 paid at a rate of .014340344 which is equal to \$14.303442 per \$1,000 face held to the holders or record on 3/5/24. This represents the balance of the interest that was due on 9/1/19, as well as a portion of the interest that was on 3/1/20. The balance of interest due on 3/1/20, in the amount of \$624,218,20 as well as the interest due on 9/1/20, 3/1/21, 9/1/21, 3/1/22, 9/1/22, 3/1/23, 9/1/23, and 3/1/24 in the amount of \$653,750 for each respective date will be due and unpaid at the time of this distribution. Following this distribution there will remain approximately \$57,000 in the Debt Service Reserve Fund (the “Reserve Fund”).

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Annual requirement to amortize debt:

For Fiscal Year Ended	TIF		TIF		Business Type	
	Governmental	Governmental	Governmental	Governmental	Business - Type	Business - Type
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 8,800,000	\$ 2,555,159	\$ 151,142	\$ 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>6,094,221</u>	\$ <u>1,011,700</u>	\$ <u>106,603</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.

Maturity	Principal	Interest	
<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIPS</u>
2011	\$ 2,685,000	6.00%	90206XAA8
2016	4,425,000	6.75%	90206XAB6
2021	6,205,000	7.25%	90206XAC4
2027	13,700,000	7.375%	90206XAD2
Total	\$ <u>27,015,000</u>		



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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, 2024, of \$1,340,073 represents the cumulative amount reported to-date based on the remaining available use of 41% of the Class II area and 80% 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 35 years and the Coal Ash area in 39 years.

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.

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**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.

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

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	20
Total employees	<u>20</u>

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Total OPEB Liability

The City's total OPEB liability of \$368,059 at June 30, 2024, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2024.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2024, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	56.4
Discount rate (average anticipated rate)	4.34%
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>
2024	9.86%
2025	7.08%
2026	6.34%
2027	5.51%
2028	5.41%
2029	5.33%
2030	5.26%
2031	5.18%
2032	5.08%
2033	5.00%
2034 -2046	4.70%
2027-2064	4.60%
2065-2066	4.50%
2067-2068	4.40%
2069-2071	4.30%
2072-2073	4.20%
2074	4.10%
2075 +	4.00%

Mortality – Contributing Members

For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021.

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Mortality – Retired

For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.

Mortality – Surviving Beneficiaries

For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021.

Mortality – Disabled

For disabled MPERA members, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021.

The turnover rates were determined per GASB 75, paragraph 225e.

Changes in the Total OPEB Liability

Balance at 6/30/2023	\$ <u>481,575</u>
Changes for the year:	
Service Cost	\$ 35,314
Interest	21,244
Differences in experience	(153,059)
Change in assumptions	5,955
Benefit payments	<u>(22,970)</u>
Net Changes	\$ <u>(113,516)</u>
Balance at 6/30/2024	\$ <u><u>368,059</u></u>

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

	1% Decrease (3.34%)	Discount Rate (4.34%)	1% Increase (5.34%)
Total OPEB Liability	\$ 395,301	\$ 368,059	\$ 342,168

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 330,662	\$ 368,059	\$ 412,372

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

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

For the year ended June 30, 2024, the City recognized an OPEB expense of \$(113,516). The City does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Differences between expected and actual economic experience	\$ -	(153,059)
Changes in actuarial assumptions	87,889	(81,934)
Total	\$ <u>87,889</u>	\$ <u>(234,993)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

OPEB: Year ended June 30:	Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense
2024	\$ (147,104)
2025	\$ -
2026	\$ -
2027	\$ -
2028	\$ -
Thereafter	\$ -

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**NOTE 9. NET PENSION LIABILITY**

As of June 30, 2024, the City reported the following balances as its proportionate share of PERS pension amounts:

City's Proportionate Share Associated With:		<u>PERS</u>
Net Pension Liability	\$	2,337,289
Deferred outflows of resources*	\$	496,534
Deferred inflows of resources	\$	83,365
Pension expense	\$	524,791

\*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$41,081. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2024.

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

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

**Summary of Significant Accounting Policies**

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

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**Plan Descriptions**

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

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

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

**Summary of Benefits**

Service retirement:

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

Early Retirement (actuarially reduced):

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

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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
2024	7.900%	7.900%	9.070%	0.100%
2023	7.900%	7.900%	8.970%	0.100%
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

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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 \$34,979,900.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$2,337,289 and the City's proportionate share was 0.095777 percent.

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	Net Pension Liability as of 6/30/2024	Net Pension Liability as of 6/30/2023	Percent of Collective NPL as of 6/30/2024	Percent of Collective NPL as of 6/30/2023	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,337,289	\$ 1,908,573	0.095777%	0.080263%	0.015514%
State of Montana Proportionate Share associated with Employer	643,854	568,419	0.026384%	0.023904%	0.002480%
Total	<u>\$ 2,981,143</u>	<u>\$ 2,476,992</u>	<u>0.122161%</u>	<u>0.104167%</u>	<u>0.017994%</u>

*Changes in actuarial assumptions and methods:*

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

*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2024, the City recognized a Pension Expense of \$464,388 for its proportionate share of the pension expense. The City also recognized grant revenue of \$60,403 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 6/30/24	Pension Expense as of 6/30/23
Employer Proportionate Share	\$ 464,388	\$ 359,805
State of Montana Proportionate Share associated with the Employer	60,403	58,917
Total	<u>\$ 524,791</u>	<u>\$ 418,722</u>

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*Recognition of Beginning Deferred Outflow*

At June 30, 2024, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2023 contributions of \$198,842.

*Recognition of Deferred Inflows and Outflows:*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 93,090	\$ -
Actual vs. Expected Investment Earnings	5,930	-
Changes in Assumptions	-	83,365
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	356,432	-
Employer contributions subsequent to the measurement date - FY24*	41,081	-
Total	<u>\$ 496,533</u>	<u>\$ 83,365</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2024	\$ 170,617
2025	\$ 77,449
2026	\$ 138,207
2027	\$ (14,186)
Thereafter	\$ -

### Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2024 actuarial valuation, and was determined using the following actuarial assumptions.

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

### Postretirement Benefit Increases - Guaranteed Annual Benefit Adjustment (GABA)

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

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

### Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.

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- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

**Target Allocations**

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

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

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**Discount Rate**

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

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 3,376,206	\$ 2,337,289	\$ 1,465,731

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.

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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, 2024, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

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

**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.



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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.

**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, 2024, the City recognized a Pension Expense of \$24,150 because the benefits paid increased from the previous measurement.

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**NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2024, 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	Rural Comm Development – Nonmajor Governmental	36,649
General – Major Governmental	Montana Main Street – Nonmajor Governmental	50
General – Major Governmental	SID #120 – Major Governmental	37,026
Curb & Gutter – Nonmajor Governmental	SID #120 – Major Governmental	3,033
Gas Apportionment – Major Governmental	SID #120 – Major Governmental	5,633
Capital Improvements – Nonmajor Governmental	SID #120 – Major Governmental	10,398
General – Major Governmental	SID #121 – Nonmajor Governmental	18,954
Curb & Gutter – Nonmajor Governmental	SID #121 – Nonmajor Governmental	1,661
Gas Apportionment – Major Governmental	SID #121 – Nonmajor Governmental	3,875
Capital Improvements – Nonmajor Governmental	SID #121 – Nonmajor Governmental	\$6,642
General – Major Governmental	American Rescue DNRC – Major Governmental	8,082
		<u>\$138,633</u>

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**Advances to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund – Major Governmental	Water – Major Proprietary	\$ 20,576
SID120 – Major Governmental	General – Major Governmental	371,621
SID120 – Major Governmental	Curb & Gutter – Nonmajor Governmental	30,384
SID120 – Major Governmental	Gas Apportionment – Major Governmental	56,030
SID120 – Major Governmental	Capital Improvement – Nonmajor Governmental	103,693
SID121 – Nonmajor Governmental	General – Major Governmental	134,671
SID121 – Nonmajor Governmental	Curb & Gutter – Nonmajor Governmental	11,798
SID121 – Nonmajor Governmental	Gas Apportionment – Major Governmental	27,529
SID121 – Nonmajor Governmental	Capital Improvement – Nonmajor Governmental	47,193
		<u>\$803,495</u>

**Interfund Transfers**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Parks – Nonmajor Governmental	General – Major Governmental	\$ 30,000
Police Department – Nonmajor Governmental	General – Major Governmental	30,000
Fire Department – Nonmajor Governmental	General – Major Governmental	30,000
Capital Improvements – Nonmajor Governmental	General – Major Governmental	30,000
Landfill – Major Proprietary	Solid Waste – Major Proprietary	27,500
Landfill – Major Proprietary	Solid Waste – Major Proprietary	27,500
		<u>\$175,000</u>

CITY OF HARDIN  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12. LOCAL RETIREMENT PLANS**

**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 recordkeeper 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.

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**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General	\$ 3,651	Inventory
All Other Aggregate	120,158	Inventory
Total	<u>\$ 123,809</u>	

CITY OF HARDIN  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Gas Apportionment Tax	\$ 905,074	Road Repair, maintenance, and supplies
TFID Debt Service	299,621	Debt Service
All Other Aggregate	186,539	General Government administration and services
	7,494	Law Enforcement, emergency services, and supplies
	944,027	Road Repair, maintenance and supplies
	140,627	Repairs and maintenance
	27,468	Housing and Community Development
Total	<u>\$ 2,510,850</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 823,686</u>	Constructions and/or capital asset purchases

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

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](http://uiservices.mt.gov).

CITY OF HARDIN  
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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.

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, 2024

General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 559,249	\$ 559,249	\$ 1,053,513	\$ 494,264
Licenses and permits	59,025	69,150	97,571	28,421
Intergovernmental	793,697	819,847	821,648	1,801
Charges for services	1,205	1,205	873	(332)
Fines and forfeitures	86,550	86,550	52,363	(34,187)
Miscellaneous	181,475	181,475	1,918	(179,557)
Investment earnings	2,000	37,000	59,081	22,081
Amounts available for appropriation	\$ 1,683,201	\$ 1,754,476	\$ 2,086,967	\$ 332,491
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 561,135	\$ 524,745	\$ 454,066	\$ 70,679
Public safety	1,296,880	1,448,474	777,294	671,180
Public works	44,868	44,983	7,437	37,546
Public health	46,668	49,968	35,667	14,301
Culture and recreation	164,772	168,407	143,625	24,782
Housing and community development	147,308	38,734	26,637	12,097
Debt service - principal	14,533	154,496	-	154,496
Debt service - interest	45,633	2,720	148,136	(145,416)
Capital outlay	336,288	436,295	443,266	(6,971)
Total charges to appropriations	\$ 2,658,085	\$ 2,868,822	\$ 2,036,128	\$ 832,694
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 6,703	\$ 6,703
Other financing source (revenue)	155,400	199,125	-	(199,125)
Transfers out	150,000	150,000	(120,000)	(270,000)
Total other financing sources (uses)	\$ 305,400	\$ 349,125	\$ (113,297)	\$ (462,422)
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>				
Special item -	\$ 105,400	\$ -	\$ -	\$ -
Total special and extraordinary items	\$ 105,400	\$ -	\$ -	\$ -
Net change in fund balance			\$ (62,458)	
Fund balance - beginning of the year			\$ 1,945,953	
Fund balance - end of the year			\$ 1,883,495	



City of Hardin, Big Horn County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2024

<u>Gas Apportionment Tax</u>				
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	\$ 525,858	\$ 525,858	\$ 519,344	\$ (6,514)
Investment earnings	750	750	502	(248)
Amounts available for appropriation	<u>\$ 526,608</u>	<u>\$ 526,608</u>	<u>\$ 519,846</u>	<u>\$ (6,762)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 313,676	\$ 313,676	\$ 63,179	\$ 250,497
Capital outlay	236,327	236,327	5,780	230,547
Total charges to appropriations	<u>\$ 550,003</u>	<u>\$ 550,003</u>	<u>\$ 68,959</u>	<u>\$ 481,044</u>
Net change in fund balance			<u>\$ 450,887</u>	
Fund balance - beginning of the year			\$ 454,187	
Fund balance - end of the year			<u>\$ 905,074</u>	

**City of Hardin, Big Horn County, Montana**  
**Budgetary Comparison Schedule**  
**Budget-to-GAAP Reconciliation**

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

	<u>General</u>	<u>Gas Apportionment Tax</u>
<b>Sources/Inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,086,967	\$ 519,846
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ <u>2,086,967</u>	\$ <u>519,846</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,036,128	\$ 68,959
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u>2,036,128</u>	\$ <u>68,959</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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB liability</b>						
Service Cost	\$ 35,314	\$ 64,103	\$ 32,817	\$ 56,836	\$ 47,828	\$ 118,195
Interest	21,244	20,738	11,520	12,413	15,571	5,380
Differences in experience	(153,059)	5,500	3,820	-	(63,399)	-
Change in assumptions and inputs	5,955	(35,304)	(56,397)	(15,767)	36,733	-
Benefit payments	<u>(22,970)</u>	<u>(19,733)</u>	<u>(14,665)</u>	<u>(12,604)</u>	<u>-</u>	<u>(123,575)</u>
Net change in total OPEB liability	(113,516)	35,304	(22,905)	40,878	36,733	-
Total OPEB Liability - beginning	481,575	451,771	474,676	433,798	154,532	154,532
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,533</u>	<u>-</u>
Total OPEB Liability - ending	\$ <u><u>368,059</u></u>	\$ <u><u>487,075</u></u>	\$ <u><u>451,771</u></u>	\$ <u><u>474,676</u></u>	\$ <u><u>433,798</u></u>	\$ <u><u>154,532</u></u>
Covered-employee payroll	\$ 1,107,416	\$ 1,008,519	\$ 974,414	\$ 800,831	\$ 775,623	\$ 834,588
Total OPEB liability as a percentage of covered -employee payroll	33.2%	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, 2024**

	<b>PERS 2024</b>	<b>PERS 2023</b>	<b>PERS 2022</b>	<b>PERS 2021</b>	<b>PERS 2020</b>	<b>PERS 2019</b>	<b>PERS 2018</b>	<b>PERS 2017</b>	<b>PERS 2016</b>	<b>PERS 2015</b>
Employer's proportion of the net pension liability	0.095777%	0.08%	0.0655%	0.0640%	0.0581%	0.0638%	0.0896%	0.0809%	0.0788%	0.0884%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 2,337,289	\$ 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	\$ 643,854	\$ 568,419	\$ 348,875	\$ 530,730	\$ 394,280	\$ 444,691	\$ 21,631	\$ 16,848	\$ 13,527	\$ 13,443
Total	<u>\$ 2,981,143</u>	<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	\$ 1,780,669	\$ 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	131.26%	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	73.93%	7366.00%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

-72- *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, 2024**

		<b>PERS 2024</b>	<b>PERS 2023</b>	<b>PERS 2021</b>	<b>PERS 2020</b>	<b>PERS 2019</b>	<b>PERS 2018</b>	<b>PERS 2018</b>	<b>PERS 2017</b>	<b>PERS 2016</b>	<b>PERS 2015</b>
Contractually required contributions	\$	41,081	\$ 161,056	\$ 25,448	\$ 102,504	\$ 94,132	\$ 82,449	\$ 88,894	\$ 93,044	\$ 81,047	\$ 75,763
Contributions in relation to the contractually required contributions	\$	41,081	\$ 161,056	\$ 125,448	\$ 102,504	\$ 94,132	\$ 82,449	\$ 88,894	\$ 93,044	\$ 81,948	\$ 77,215
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$	452,933	\$ 1,780,669	\$ 1,410,248	\$ 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		9.07%	9.04%	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, 2024**

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

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

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

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

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

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

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

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

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

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

**2015 Legislative Changes**

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

**Second Retirement Benefit - for PERS**

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

**City of 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, 2024**

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

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

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

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

**2017 Legislative Changes**

**Working Retiree Limitations – for PERS**

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

**Refunds**

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

**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, 2024**

**Lump-sum payouts**

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

**Disabled PERS Defined Contribution (DC) Members**

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

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.0%, net of pension plan investment and administrative expenses
*Includes inflation at	2.75%
Merit salary increase	0% to 4.80%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
• Active Participants	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
• Disabled Retirees	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
• Contingent Survivors	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.
• Health Retirees	



**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, 2024**

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

## **SINGLE AUDIT SECTION**

**City of Hardin, Big Horn County, Montana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

<i><b>Federal Grantor/Program or Cluster Title</b></i>	<i><b>Federal CFDA Number</b></i>		<i><b>Federal Expenditures(\$)</b></i>
<b><i>Other Programs</i></b>			
United States Department of Justice			
Public Safety Partnership and Community Policing Grants			
Public Safety Partnership and Community Policing Grants	16.710	\$	<u>122,434</u>
Total Public Safety Partnership and Community Policing Grants		\$	<u>122,434</u>
<i>Total United States Department of Justice</i>		\$	<u>122,434</u>
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	\$	<u>1,008,794</u>
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS		\$	<u>1,008,794</u>
<i>Total Department of the Treasury</i>		\$	<u>1,008,794</u>
United States Department of Agriculture			
Community Facilities Loans and Grants			
Community Facilities Loans and Grants	10.766	\$	<u>60,011</u>
Total Community Facilities Loans and Grants		\$	<u>60,011</u>
<i>Total United States Department of Agriculture</i>		\$	<u>60,011</u>
<b><i>Total Other Programs</i></b>		\$	<u>1,191,239</u>
<b><i>Total Expenditures of Federal Awards</i></b>		\$	<u><u>1,191,239</u></u>

The accompanying notes are an integral part of this schedule

CITY OF HARDIN

BIG HORN COUNTY, MONTANA

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

Fiscal year Ended June 30, 2024

*Basis of Presentation and Significant Accounting Policies*

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

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

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

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

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

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

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 year ended June 30, 2024, 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 June 6, 2025, 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 in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as item(s) 2024-001, 2024-002, and 2024-003.

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 in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as item(s) 2024-004.

### **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 in the accompanying schedule of findings and questioned costs as item(s) 2024-005.

### **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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 6, 2025

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

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

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

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

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

**Opinion on Each Major Federal Program**

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

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

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

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

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

**Responsibilities of Management for Compliance**

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

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

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

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

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

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

### **Other Matters**

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

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

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



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

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

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

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

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

June 6, 2025

CITY OF HARDIN  
BIG HORN COUNTY, MONTANA  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal year Ended June 30, 2024

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

**Financial Statements**

Type of auditor’s report issued	<i>Disclaimer</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	None Noted

**Federal Awards**

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

**Identification of major programs:**

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

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

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

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

#### **2024-001      Two Rivers Authority (TRA) Payroll in Arrears (Repeated 2021-003 and 2022/2023-001)**

**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.

#### **2024-002      Fire Department Relief Association (FDRA) Defined Benefit Retirement Plan (Repeat Finding 2022/2023-002)**

**Condition:**

The City did not have an actuarial valuation performed for it is FDRA 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.

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

### **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 \$123,000 for fiscal year 2024. The NPL is like 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.

## **2024-003      Two River Authority (TRA) Financial Reporting (Repeat Finding 2021-002, 2021-004, 2021-005, 2021-006, 2022/2023-003)**

### **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 management 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.

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

### **Recommendation:**

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

### **2024-004      Pledged Securities (Repeat Finding 2022/2023-005)**

#### **Condition:**

The City has \$1,601,677 as of June 30, 2024 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.

### **2024-005      Tax Increment Fund (TIF) Revenue Bond Requirements Not Met (Repeat Finding (2021-01 and 2022/2023-006)**

#### **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 \$8,800,000 as of June 30, 2024. Interest payable in arrears were \$6,094,221

#### **Criteria:**

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

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

### **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.

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

There were no federal award findings or questioned costs reported.

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
2022/2023-001 Two Rivers Authority (TRA) Payroll in Arrears	Repeated
2022/2023-002 Fire Department Relief Association (FDRA) Defined Benefit Retirement Plan	Repeated
2022/2023-003 Two River Authority (TRA) Financial Reporting	Repeated
2022/2023-004 Taxes Receivable	Implemented
2022/2023-005 Pledged Securities	Repeated
2022/2023-006 Tax Increment Fund (TIF) Revenue Bond Requirements Not Met	Repeated

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

June 6, 2025

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 Year 2024**

**FINDING NUMBER 2024-001 – Two Rivers Authority (TRA) Payroll in Arrears (Repeat Finding 2021-003 and 2022/2023-001):**

**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 two calendar years. 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 2026 or fiscal year 2027.

**FINDING NUMBER 2024-002 – Fire Department Relief Association (FDRA) Defined Benefit Retirement Plan (Repeat Finding 2022/2023-002):**

**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 attempted to have this retirement fund moved to the State's Firefighters United Retirement System (FURS), but was denied by MPERA. The City will continue discussing this topic with MPERA to find a solution or complete a biennial valuation as required by GASB #73.

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

**Timeline:** The Finance Officer has already discussed the potential of this move to MPERA, but will continue working to find a resolution to this finding.



**FINDING NUMBER 2024-003 – Two Rivers Authority (TRA) Financial Reporting (Repeat Finding 2022/2023-003, 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 2026 and 2027.

**FINDING NUMBER 2024-004 – Pledged Securities (Repeat Finding 2022/2023-005):**

**Condition:** The City has \$1,601,677 as of June 30, 2024 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:** The City is following state statute but will work with the two banks that hold City funds to get to 100% pledged securities by June 2025.

**FINDING NUMBER 2024-005 – Tax Increment Fund (TIF) Revenue Bond Requirements Not Met (Repeat Finding 2021-001 and 2022/2023-006):**

**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 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.

**Correction:** The City will review and determine all available alternatives, including bringing more businesses to the TIF District. The City has hired 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.