

TOWN OF TWIN BRIDGES

MADISON COUNTY, MONTANA

Fiscal Years Ended June 30, 2020 and June 30, 2021

AUDIT REPORT

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

TOWN OF TWIN BRIDGES

MADISON COUNTY, MONTANA

Fiscal Years Ended June 30, 2020 and June 30, 2021

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TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA

ORGANIZATION

Fiscal Years Ended June 30, 2020 and June 30, 2021

TOWN COUNCIL

Joe Willauer
Patty Hayes
Matthew Greenmore
Jordan High
Nolan Frandsen
Scott Holbrook
Jim 'JB' Klyap

Mayor
Mayor effective March 2022
Council President
Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Kristi Millhouse
Lori Harshbarger

Clerk Treasurer
County Attorney

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2020

The following Discussion and Analysis of the Town of Twin Bridges financial performance provides an overview of the Town's financial activities for the Fiscal Year ending June 30, 2020. Reading this narrative in conjunction with the Town's financial statements, should give the reader a complete overview of the activities and financial status of the Town.

Financial Highlight

- Assets of the Town of Twin Bridges exceeded its liabilities by \$3,528,427 (net position)
- The Town government net position increased by \$90,895
- Business-type net position decreased by \$58,579
- Town governmental funds experienced an increase in revenue over expenses by \$90,895 and an increase from FY19 of \$35,922
- Business type fund had a decrease in revenue over expenses of \$58,579 and an overall decrease from FY19 of \$355,206

Using this Financial Report

The Management Discussion and Analysis is intended to serve as an introduction to the Town of Twin Bridges' financial statements. The annual report consists of financial statements for the Town as a whole, with more detailed information of certain funds reported as "major funds": General, the Library Fund and Storm Drain District #1, and a business-type fund, Sewer and Water are reported as major funds.

The financial section of this report contains the following components:

1. Government-wide Financial Statements.
2. Fund Financial Statements
3. Notes to the Basic Financial Statements.
4. Required Supplementary Information.

Government-Wide Financial Statements

The government-wide financial statements, described below, are intended to provide readers with a broad overview of the Town of Twin Bridges' finances.

The *statement of net position* outlines all of the Town's assets and liabilities. The increase or decrease in net position, along with other non-financial factors such as change in tax base and legislative action, can serve as a useful indicator of whether the financial position of the Town of Twin Bridges is improving or deteriorating.

The *statement of activities* presents information showing how Twin Bridges' net assets changed during the most recent fiscal year. Both the statement of net position and the statement of activities use the accrual basis of accounting, similar to the accounting used by most private sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

Town of Twin Bridges
Madison County, Montana
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Both the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that recover all of a significant portion of their costs through user fees and charges (Business-type activities).

Governmental activities of the Town included general government, public works, and culture and recreation (Library). Business-type activities include the water and sold waste.

Fund Financial Statements

The fund financial statements give more detailed information about the Town of Twin Bridges' financial activities. Funds are set up to manage resources that have been segregated for specific activities or objectives. Some funds are required to be set up by state law; other funds are established by the Town to help manage revenues and expenses for specific purposes. All of the Town's funds can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the Town's services are reported in governmental funds. The governmental fund statement provides a detailed short-term view to cash, the fund operations and the basic services it provides.

Proprietary Funds

When the Town charges customers for the service it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

Fiduciary Funds

All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. The Town cannot use these assets to finance its operations, but is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information is essential to a full understanding of the data provided in the annual financial reports.

Required Supplemental Information

This section provides detailed information concerning revenues, expenditures and changes in fund balances, comparing current Fiscal Year 2020 to previous Fiscal Year 2019.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2020

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
	Current and other assets	\$ 420,684	\$ 352,913	\$ 67,771	\$ 422,288	\$ 408,385
Capital assets	524,139	260,991	263,148	3,718,463	3,693,638	24,825
Total assets	\$ 944,823	\$ 613,904	\$ 330,919	\$ 4,140,751	\$ 4,102,023	\$ 38,728
Long-term debt outstanding	\$ 294,932	\$ 102,700	\$ 192,232	\$ 1,154,889	\$ 1,035,425	\$ 119,464
Other liabilities	81,164	33,372	47,792	26,162	48,319	(22,157)
Total liabilities	\$ 376,096	\$ 136,072	\$ 240,024	\$ 1,181,051	\$ 1,083,744	\$ 97,307
Net investment in capital assets	\$ 317,623	\$ 247,411	\$ 70,212	\$ 2,730,455	\$ 2,813,275	\$ (82,820)
Restricted	161,950	150,183	11,767	74,524	70,396	4,128
Unrestricted (deficit)	89,154	80,238	8,916	154,721	134,608	20,113
Total net position	\$ 568,727	\$ 477,832	\$ 90,895	\$ 2,959,700	\$ 3,018,279	\$ (58,579)

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
	Revenues					
<i>Program revenues (by major source):</i>						
Charges for services	\$ 500	\$ -	\$ 500	\$ 405,951	\$ 361,802	\$ 44,149
Operating grants and contributions	61,257	27,243	34,014	27,672	1,303	26,369
Capital grants and contributions	-	-	-	-	296,922	(296,922)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	134,512	126,294	8,218	-	-	-
Licenses and permits	6,016	4,442	1,574	-	-	-
Miscellaneous	30,134	48,169	(18,035)	2,012	8	2,004
Interest/investment earnings	159	124	35	544	401	143
Local option taxes	23,798	22,682	1,116	-	-	-
Unrestricted federal/state shared revenues	705	-	705	-	-	-
State entitlement	44,023	42,266	1,757	-	-	-
Net and gross proceeds	8,926	-	8,926	-	-	-
Contributions & donations	70	1,268	(1,198)	-	-	-
State contribution to retirement	1,898	1,475	423	2,767	-	2,767
Total revenues	\$ 311,998	\$ 273,963	\$ 38,035	\$ 438,946	\$ 660,436	\$ (221,490)
Program expenses						
General government	\$ 41,723	\$ 53,020	\$ (11,297)	\$ -	\$ -	\$ -
Public safety	8,804	13,867	(5,063)	-	-	-
Public works	69,770	64,745	5,025	-	-	-
Public health	57	-	57	-	-	-
Culture and recreation	100,535	87,358	13,177	-	-	-
Debt service - interest	214	-	214	-	-	-
Water	-	-	-	242,261	147,041	95,220
Sewer	-	-	-	255,264	216,948	38,316
Total expenses	\$ 221,103	\$ 218,990	\$ 2,113	\$ 497,525	\$ 363,989	\$ 133,536
Excess (deficiency) before special items and transfers	90,895	54,973	35,922	(58,579)	296,447	(355,026)
Increase (decrease) in net position	\$ 90,895	\$ 54,973	\$ 35,922	\$ (58,579)	\$ 296,447	\$ (355,026)

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2020

Governmental Activities

The cost of all Town activities for the year ending June 30, 2020 was \$221,103 compared to \$218,990 for the previous year.

Business-Type Activities

The cost of the Town's water/sewer department for the year ending June 30, 2020 was \$497,525 compared to \$363,989 for the previous year.

Fund Financial Statements

The focus of Governmental Funds is to provide information on current period revenues, expenditures and the balance of resources available for future requirements. This information is useful in determining the Town's annual financial requirement. As of June 30, 2020, the Town's Governmental Funds reported a combined balance of \$327,224.

The Town of Twin Bridges has two Governmental Funds that are reported as Major Funds. The major funds include the General Fund and the Library Fund.

- General Fund —The General Fund is the primary operating fund for the Town. The general cash balance was \$163,674 at year-end on June 30, 2020.
- Library Fund —The Library Fund is the primary operating fund for the Town Library and includes the blended component unit of the Benefactors of the Twin Bridges Library. The cash balance was \$99,965 at year-end on June 30, 2020.
- Storm Drain District #1 — This is the fund to account for the special assessment district for the construction of storm drain system in the Town, and future assessments. Main activity is the proceeds from debt and construction on the project.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the governmental - wide statements but in more detail. The net position of the Water and Sewer funds at the end of the fiscal year 2020 amounted to \$2,959,700.

Capital (Fixed Assets) and Long-Term Debt

The Town of Twin Bridges' governmental fixed assets increased by \$263,148 from the fiscal year 2019 amount of \$260,991 to the Fiscal Year 2020 amount of \$524,139. The increase in fixed assets was because of the addition of the Town's Shop that was completed in FY20.

The business-type assets increased by \$24,825 from the fiscal year 2019 amount of \$3,693,638 to the Fiscal Year 2020 amount of \$3,718,643. The increase was because of the remaining costs of the waterline extension that was replaced/updated across the river to the Madison County Fairgrounds.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2020

Long term debt increased by \$192,232 for a June 30, 2020 balance of \$294,932 in the governmental funds. Long term debt outstanding increased by \$119,464 in the proprietary funds for June 30, 2020 balance of \$1,154,889. The increase in the long term debt is a reflection of the Inter-cap loan that the Town used to complete the Town Shop.

The Town of Twin Bridges did acquire new long term debt for a Bond Anticipation Note for the Storm water System in Fiscal year 2020. Payments for the bond anticipation note will be on annual basis with funds generated from a district that was created. Current long-term debt payments are budgeted within the appropriate fund during the budget process. Long-term debt payments for the proprietary funds are made on a monthly basis for the sewer system. The current debt balance is \$143,182 for the portion of the storm drains.

Economic Factors and Budgets

The annual budget assures the efficient, effective and economic uses of the Town's resources as well as establishing that projects and objectives are carried out as to prioritize financial planning. Through the budget, the Mayor and Town Council set the direction of the Town and allocate the resources.

The following factors were considered in preparing the Fiscal Year 2020 budget.

- Mill Value - The Town of Twin Bridges continues to have a stable mill value. The mill value is a concern for the Town to keep steady without huge increases but needs to see some increase in order to keep the Town funds stable.
- Grants are important to the Town of Twin Bridges as they help the Town complete projects that may not get done without these funds. The Town was awarded two grants in 2020 but have yet to complete those projects
- TSEP Grant — The Town of Twin Bridges was awarded a \$15,000 grant from TSEP in FY2020 and with \$30,000 matching funds to do a study of the Water Fund. The Town is currently working on an USDA Grant to acquire those matching funds.
- CDBG Grant — The Town of Twin Bridges was awarded a \$45,000 grant from CDBG in FY2020 with matching funds of \$45,000 to do a study of the levy that runs along the Beaverhead River through Town.
- State Entitlement Share is provided by the State of Montana and can be used for any government use.
- Gas Tax Apportionment is money provided from the State and can only be used for the Town's Highway and Streets.
- Cash Reserves — The Town of Twin Bridges is committed to maintaining a cash reserve. The Town is allowed to have 50% cash reserve.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2020

- Bond Anticipation Note - The Town of Twin Bridges has acquired a bond anticipation note for the storm water improvement project. Construction for the Storm water project will began in FY2020 with the completion of storm drains along 6th Avenue. The remainder of the Town will be completed in 1Y2021.

Contacting the Town Financial Management

This finance report is designed to provide the citizens, tax payers, customers, investors, and creditors of the Town of Twin Bridges with a general overview of the Town's finances and to show the Town's accountability for the money it receives and expends. If you have any questions about this report, you may contact the Town Office at 406-684-5243.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

The following Discussion and Analysis of the Town of Twin Bridges financial performance provides an overview of the Town's financial activities for the Fiscal Year ending June 30, 2021. Reading this narrative in conjunction with the Town's financial statements, should give the reader a complete overview of the activities and financial status of the Town.

Financial Highlight

- Assets of the Town of Twin Bridges exceeded its liabilities by \$4,171,881 (net position)
- The Town government net position increased by \$706,920
- Business-type net position decreased by \$63,466
- Town governmental funds experienced an increase in revenue over expenses by \$706,920 and a increase from FY20 of \$616,025
- Business type fund had a decrease in revenue over expenses of \$63,466 and an overall decrease from FY20 of \$4,887

Using this Financial Report

The Management Discussion and Analysis is intended to serve as an introduction to the Town of Twin Bridges' financial statements. The annual report consists of financial statements for the Town as a whole, with more detailed information of certain funds reported as "major funds": General and the Library Fund. As a business-type fund, Sewer and Water are reported as major funds.

The financial section of this report contains the following components:

1. Government-wide Financial Statements.
2. Fund Financial Statements
3. Notes to the Basic Financial Statements.
4. Required Supplementary Information.

Government-Wide Financial Statements

The government-wide financial statements, described below, are intended to provide readers with a broad overview of the Town of Twin Bridges' finances.

The *statement of net position* outlines all the Town's assets and liabilities. The increase or decrease in net position, along with other non-financial factors such as change in tax base and legislative action, can serve as a useful indicator of whether the financial position of the Town of Twin Bridges is improving or deteriorating.

The *statement of activities* presents information showing how Twin Bridges' net assets changed during the most recent fiscal year. Both the statement of net position and the statement of activities use the accrual basis of accounting, similar to the accounting used by most private sector businesses. This basis of accounting takes into account all the current year's revenues and expenses, regardless of when cash is received and paid.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

Both the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that recover all or a significant portion of their costs through user fees and charges (Business-type activities).

Governmental activities of the Town included general government, public works, and culture and recreation (Library). Business-type activities include the water and sewer.

Fund Financial Statements

The fund financial statements give more detailed information about the Town of Twin Bridges' financial activities. Funds are set up to manage resources that have been segregated for specific activities or objectives. Some funds are required to be set up by state law; other funds are established by the Town to help manage revenues and expenses for specific purposes. All of the Town's funds can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the Town's services are reported in governmental funds. The governmental fund statement provides a detailed short-term view to cash, the fund operations and the basic services it provides.

Proprietary Funds

When the Town charges customers for the service it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

Fiduciary Funds

All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. The Town cannot use these assets to finance its operations but is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information and are essential to a full understanding of the data provided in the annual financial reports.

Required Supplemental Information

This section provides detailed information concerning revenues, expenditures and changes in fund balances, comparing current Fiscal Year 2021 to previous Fiscal Year 2020.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
	Current and other assets	\$ 526,629	\$ 420,684	\$ 105,945	\$ 485,433	\$ 422,288
Capital assets	1,270,190	524,139	746,051	3,619,086	3,718,463	(99,377)
Total assets	\$ 1,796,819	\$ 944,823	\$ 851,996	\$ 4,104,519	\$ 4,140,751	\$ (36,232)
Long-term debt outstanding	\$ 412,148	\$ 294,932	\$ 117,216	\$ 1,189,099	\$ 1,154,889	\$ 34,210
Other liabilities	109,024	81,164	27,860	19,186	26,162	(6,976)
Total liabilities	\$ 521,172	\$ 376,096	\$ 145,076	\$ 1,208,285	\$ 1,181,051	\$ 27,234
Net investment in capital assets	\$ 969,872	\$ 317,623	\$ 652,249	\$ 2,638,883	\$ 2,730,455	\$ (91,572)
Restricted	162,457	161,950	507	78,652	74,524	4,128
Unrestricted (deficit)	143,318	89,154	54,164	178,699	154,721	23,978
Total net position	\$ 1,275,647	\$ 568,727	\$ 706,920	\$ 2,896,234	\$ 2,959,700	\$ (63,466)

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ -	\$ 500	\$ (500)	\$ 341,671	\$ 405,951	\$ (64,280)
Operating grants and contributions	79,098	31,271	47,827	-	27,672	(27,672)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	151,934	134,512	17,422	-	-	-
Licenses and permits	3,610	6,016	(2,406)	-	-	-
Video poker apportionment	900	-	900	-	-	-
Miscellaneous	11,187	30,134	(18,947)	-	2,012	(2,012)
Interest/investment earnings	115	159	(44)	294	544	(250)
Local option taxes	27,069	23,798	3,271	-	-	-
Unrestricted federal/state shared revenues	2,210	705	1,505	-	-	-
State entitlement	45,815	44,023	1,792	-	-	-
Net and gross proceeds	249	8,926	(8,677)	-	-	-
Contributions & donations	267	30,056	(29,789)	-	-	-
State contribution to retirement	2,734	1,898	836	8,622	2,767	5,855
Total revenues	\$ 983,318	\$ 311,998	\$ 671,320	\$ 350,587	\$ 438,946	\$ (88,359)
Program expenses						
General government	\$ 33,493	\$ 41,723	\$ (8,230)	\$ -	\$ -	\$ -
Public safety	10,210	8,804	1,406	-	-	-
Public works	111,080	69,770	41,310	-	-	-
Public health	72	57	15	-	-	-
Culture and recreation	120,394	100,535	19,859	-	-	-
Debt service - interest	1,149	214	935	-	-	-
Water	-	-	-	190,374	242,261	(51,887)
Sewer	-	-	-	223,679	255,264	(31,585)
Total expenses	\$ 276,398	\$ 221,103	\$ 55,295	\$ 414,053	\$ 497,525	\$ (83,472)
Increase (decrease) in net position	\$ 706,920	\$ 90,895	\$ 616,025	\$ (63,466)	\$ (58,579)	\$ (4,887)

Governmental Activities

The cost of all Town activities for the year ending June 30, 2021, was \$276,398 compared to \$221,103 for the previous year.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

Business-Type Activities

The cost of the Town's water/sewer department for the year ending June 30, 2021, was \$414,053 compared to \$497,525 for the previous year.

Fund Financial Statements

The focus of Governmental Funds is to provide information on current period revenues, expenditures and the balance of resources available for future requirements. This information is useful in determining the Town's annual financial requirement. As of June 30, 2021, the Town's Governmental Funds reported a combined balance of \$392,684 and increase of \$65,460 from the previous year.

The Town of Twin Bridges has three Governmental Funds that are reported as Major Funds. The major funds include the General Fund and the Library Fund.

- General Fund — The General Fund is the primary operating fund for the Town. The general cash balance was \$224,741 at year-end on June 30, 2021.
- Library Fund — The Library Fund is the primary operating fund for the Town Library and includes the blended component unit of the Benefactors of the Twin Bridges Library. The general cash balance was \$89,575 at year-end on June 30, 2021.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the governmental - wide statements but in more detail. The net position of the Water and Sewer funds at the end of the fiscal year 2021 amounted to \$2,896,234.

Capital (Fixed Assets) and Long-Term Debt

The Town of Twin Bridges' governmental fixed assets increased by \$746,051 from the fiscal year 2020 amount of \$524,139 to the Fiscal Year 2021 amount of \$1,270,190. The increase is mostly due to a significant infrastructure project for sidewalks that the Town worked with the Montana Department of Transportation funded by Transition Assistance Program Grants.

The business-type assets decreased by \$99,377 from the fiscal year 2020 amount of \$3,718,463 to the Fiscal Year 2021 amount of 3,619,086.

Long term debt increased by \$117,216 for a June 30, 2021, balance of \$412,148 in the governmental funds. Long term debt outstanding increased by \$34,210 in the proprietary funds for June 30, 2021, balance of \$1,189,099. The increase in the long-term debt reflects the tractor purchased for snow removal in 2021 and current debt accrued for the storm drains as of June 30, 2021.

Payments for the bond anticipation note will be on annual basis with funds generated from a district that was created. Current long-term debt payments are budgeted within the appropriate fund during the budget process. Long-term debt payments for the proprietary funds are made monthly for the sewer system. The current debt balance is \$228,481 for the portion of the storm drains.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

Economic Factors and Budgets

The annual budget assures the efficient, effective and economic uses of the Town's resources as well as establishing that projects and objectives are carried out as to prioritize financial planning. Through the budget, the Mayor and Town Council set the direction of the Town and allocate the resources.

The following factors were considered in preparing the Fiscal Year 2021 budget.

- **Mill Value** - The Town of Twin Bridges continues to have a stable mill value. The mill value is a concern for the Town to keep steady without huge increases but needs to see some increase to keep the Town funds stable.
- **Grants** are important to the Town of Twin Bridges as they help the Town complete projects that may not get done without these funds. The Town was awarded three grants in 2020 which will be completed in fiscal year 2022 for the water PER
- **TSEP Grant** —The Town of Twin Bridges was awarded a \$15,000 grant from TSEP in FY2021 and with \$30,000 matching funds to do a study of the Water Fund. The Town is currently working on an USDA Grant to acquire those matching funds.
- **DNRC Grant** — The Town of Twin Bridges was awarded a \$15,000 grant from the Department of Natural as matching funds for the TSEP grant. They were also awarded an additional \$5,000 for a total of \$35,000.
- **CDBG Grant** —The Town of Twin Bridges was awarded a \$45,000 grant from CDBG in FY2020 with matching funds of \$45,000 to do a study of the levee that runs along the Beaverhead River through Town. The levee project will be completed December 2021.
- **State Entitlement Share** is provided by the State of Montana and can be used for any government use.
- **ARPA Funds — American Rescue Plan** are funds that are being provided to city and towns for improvements to infrastructure. The Town of Twin Bridges received \$53,259.10 in FY 2020 and will receive additional \$53,259.10 in FY 2021. A portion of these funds have been used as a match for the levee study.
- **Gas Tax Apportionment** is money provided from the State and can only be used for the Town's Highway and Streets.
- **Cash Reserves** — The Town of Twin Bridges is committed to maintaining a cash reserve. The Town is allowed to have 50% cash reserve.

Town of Twin Bridges
Madison County, Montana
Management Discussion & Analysis
For Fiscal Years Ended June 30, 2021

- **Bond Anticipation Note** - The Town of Twin Bridges has acquired a bond anticipation note for the storm water improvement project. Construction for the Storm water project began in FY2020 with the completion of storm drains along 6th Avenue. The remainder of the Town will be completed in FY2022.

Contacting the Town Financial Management

This finance report is designed to provide the citizens, taxpayers, customers, investors, and creditors of the Town of Twin Bridges with a general overview of the Town's finances and to show the Town's accountability for the money it receives and expends. If you have any questions about this report, you may contact the Town Office at 406-684-5243.

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

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

INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Twin Bridges
Madison County
Twin Bridges, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Twin Bridges, Madison County, Montana, as of and for the years ended June 30, 2020 and June 30, 2021, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Town of Twin Bridges, Madison County, Montana, as of and for the years ended June 30, 2020 and June 30, 2021, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the Town adopted new accounting guidance, GASB No. 84 Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 13, and 84 through 93, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the Town of Twin Bridges, Madison 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Twin Bridges, Madison County, Montana's internal control over financial reporting and compliance.

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

June 29, 2022

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 398,982	\$ 287,224	\$ 686,206
Taxes and assessments receivable, net	10,452	-	10,452
Accounts receivable - net	-	38,332	38,332
Total current assets	<u>\$ 409,434</u>	<u>\$ 325,556</u>	<u>\$ 734,990</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 74,524	\$ 74,524
Capital assets - land	81,243	48,288	129,531
Capital assets - construction in progress	338,853	180,823	519,676
Capital assets - depreciable, net	104,043	3,489,352	3,593,395
Total noncurrent assets	<u>\$ 524,139</u>	<u>\$ 3,792,987</u>	<u>\$ 4,317,126</u>
Total assets	<u>\$ 933,573</u>	<u>\$ 4,118,543</u>	<u>\$ 5,052,116</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 11,250	\$ 22,208	\$ 33,458
Total deferred outflows of resources	<u>\$ 11,250</u>	<u>\$ 22,208</u>	<u>\$ 33,458</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 944,823</u>	<u>\$ 4,140,751</u>	<u>\$ 5,085,574</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 48,196	\$ -	\$ 48,196
Accounts payable	20,744	2,481	23,225
Accrued payables	658	-	658
Accrued payroll	2,160	3,556	5,716
Revenues collected in advance	-	4,231	4,231
Current portion of long-term capital liabilities	5,929	31,261	37,190
Current portion of compensated absences payable	6,710	9,722	16,432
Total current liabilities	<u>\$ 84,397</u>	<u>\$ 51,251</u>	<u>\$ 135,648</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 15,937	\$ 27,138	\$ 43,075
Noncurrent portion of long-term capital liabilities	200,587	956,747	1,157,334
Noncurrent portion of compensated absences	2,088	4,310	6,398
Net pension liability	63,681	125,711	189,392
Total noncurrent liabilities	<u>\$ 282,293</u>	<u>\$ 1,113,906</u>	<u>\$ 1,396,199</u>
Total liabilities	<u>\$ 366,690</u>	<u>\$ 1,165,157</u>	<u>\$ 1,531,847</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 9,406	\$ 15,894	\$ 25,300
Total deferred inflows of resources	<u>\$ 9,406</u>	<u>\$ 15,894</u>	<u>\$ 25,300</u>
NET POSITION			
Net investment in capital assets	\$ 317,623	\$ 2,730,455	\$ 3,048,078
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	33,024	33,024
Restricted for special projects	161,950	-	161,950
Unrestricted	89,154	154,721	243,875
Total net position	<u>\$ 568,727</u>	<u>\$ 2,959,700</u>	<u>\$ 3,528,427</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 944,823</u>	<u>\$ 4,140,751</u>	<u>\$ 5,085,574</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 498,458	\$ 338,248	\$ 836,706
Taxes and assessments receivable, net	7,334	-	7,334
Accounts receivable - net	-	28,981	28,981
Due from other governments	353	-	353
Total current assets	<u>\$ 506,145</u>	<u>\$ 367,229</u>	<u>\$ 873,374</u>
Noncurrent assets			
Restricted cash and investments	-	78,652	78,652
Capital assets - land	81,243	48,288	129,531
Capital assets - construction in progress	218,837	-	218,837
Capital assets - depreciable, net	970,110	3,570,798	4,540,908
Total noncurrent assets	<u>\$ 1,270,190</u>	<u>\$ 3,697,738</u>	<u>\$ 4,967,928</u>
Total assets	<u>\$ 1,776,335</u>	<u>\$ 4,064,967</u>	<u>\$ 5,841,302</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 19,727	\$ 38,316	\$ 58,043
Deferred outflows of resources - OPEB	757	1,236	1,993
Total deferred outflows of resources	<u>\$ 20,484</u>	<u>\$ 39,552</u>	<u>\$ 60,036</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,796,819</u>	<u>\$ 4,104,519</u>	<u>\$ 5,901,338</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 47,355	-	\$ 47,355
Accounts payable	1,874	4,167	6,041
Accrued payables	2,773	4,450	7,223
Due to other governments	866	-	866
Revenues collected in advance	53,259	4,943	58,202
Current portion of long-term capital liabilities	237,376	36,144	273,520
Current portion of compensated absences payable	5,972	8,758	14,730
Total current liabilities	<u>\$ 349,475</u>	<u>\$ 58,462</u>	<u>\$ 407,937</u>
Noncurrent liabilities			
Noncurrent portion of OPEB	\$ 17,210	\$ 28,086	\$ 45,296
Noncurrent portion of long-term capital liabilities	62,942	944,059	1,007,001
Noncurrent portion of compensated absences	2,153	4,054	6,207
Net pension liability	86,495	167,998	254,493
Total noncurrent liabilities	<u>\$ 168,800</u>	<u>\$ 1,144,197</u>	<u>\$ 1,312,997</u>
Total liabilities	<u>\$ 518,275</u>	<u>\$ 1,202,659</u>	<u>\$ 1,720,934</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 2,897	\$ 5,626	\$ 8,523
Total deferred inflows of resources	<u>\$ 2,897</u>	<u>\$ 5,626</u>	<u>\$ 8,523</u>
NET POSITION			
Net investment in capital assets	\$ 969,872	\$ 2,638,883	\$ 3,608,755
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	37,152	37,152
Restricted for special projects	162,457	-	162,457
Unrestricted	143,318	178,699	322,017
Total net position	<u>\$ 1,275,647</u>	<u>\$ 2,896,234</u>	<u>\$ 4,171,881</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,796,819</u>	<u>\$ 4,104,519</u>	<u>\$ 5,901,338</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 41,723	\$ -	\$ -	\$ (41,723)	\$ -	\$ (41,723)
Public safety	8,804	-	-	(8,804)	-	(8,804)
Public works	69,770	500	28,799	(40,471)	-	(40,471)
Public health	57	-	-	(57)	-	(57)
Culture and recreation	100,535	-	32,458	(68,077)	-	(68,077)
Debt service - interest	214	-	-	(214)	-	(214)
Total governmental activities	\$ 221,103	\$ 500	\$ 61,257	\$ (159,346)	\$ -	\$ (159,346)
Business-type activities:						
Water	\$ 242,261	\$ 209,843	\$ 27,672	\$ -	\$ (4,746)	\$ (4,746)
Sewer	255,264	196,108	-	-	(59,156)	(59,156)
Total business-type activities	\$ 497,525	\$ 405,951	\$ 27,672	\$ -	\$ (63,902)	\$ (63,902)
Total primary government	\$ 718,628	\$ 406,451	\$ 88,929	\$ (159,346)	\$ (63,902)	\$ (223,248)
General Revenues:						
Property taxes for general purposes				\$ 134,512	\$ -	\$ 134,512
Licenses and permits				6,016	-	6,016
Miscellaneous				30,134	2,012	32,146
Interest/investment earnings				159	544	703
Local option taxes				23,798	-	23,798
Unrestricted federal/state shared revenues				705	-	705
State entitlement				44,023	-	44,023
Net and gross proceeds				8,926	-	8,926
Contributions & donations				70	-	70
State contribution to retirement				1,898	2,767	4,665
Total general revenues, special items and transfers				\$ 250,241	\$ 5,323	\$ 255,564
Change in net position				\$ 90,895	\$ (58,579)	\$ 32,316
Net position - beginning				\$ 477,832	\$ 3,018,279	\$ 3,496,111
Net position - end				\$ 568,727	\$ 2,959,700	\$ 3,528,427

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 33,493	\$ -	\$ -	\$ -	(33,493)	\$ -	(33,493)
Public safety	10,210	-	3,510	-	(6,700)	-	(6,700)
Public works	111,080	-	23,105	658,130	570,155	-	570,155
Public health	72	-	-	-	(72)	-	(72)
Culture and recreation	120,394	-	52,483	-	(67,911)	-	(67,911)
Debt service - interest	1,149	-	-	-	(1,149)	-	(1,149)
Total governmental activities	\$ 276,398	\$ -	\$ 79,098	\$ 658,130	\$ 460,830	\$ -	\$ 460,830
Business-type activities:							
Water	\$ 190,374	\$ 152,237	\$ -	\$ -	\$ -	\$ (38,137)	\$ (38,137)
Sewer	223,679	189,434	-	-	-	(34,245)	(34,245)
Total business-type activities	\$ 414,053	\$ 341,671	\$ -	\$ -	\$ -	\$ (72,382)	\$ (72,382)
Total primary government	\$ 690,451	\$ 341,671	\$ 79,098	\$ 658,130	\$ 460,830	\$ (72,382)	\$ 388,448
General Revenues:							
Property taxes for general purposes				\$ 151,934	\$ -	\$ -	151,934
Licenses and permits				3,610	-	-	3,610
Video poker apportionment				900	-	-	900
Miscellaneous				11,187	-	-	11,187
Interest/investment earnings				115	294	-	409
Local option taxes				27,069	-	-	27,069
Unrestricted federal/state shared revenues				2,210	-	-	2,210
State entitlement				45,815	-	-	45,815
Net and gross proceeds				249	-	-	249
Contributions & donations				267	-	-	267
State contribution to retirement				2,734	8,622	-	11,356
Total general revenues, special items and transfers				\$ 246,090	\$ 8,916	\$ -	255,006
Change in net position				\$ 706,920	\$ (63,466)	\$ -	643,454
Net position - beginning				\$ 568,727	\$ 2,959,700	\$ -	3,528,427
Net position - end				\$ 1,275,647	\$ 2,896,234	\$ -	4,171,881

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Library</u>	<u>Storm Drain District #1</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 163,674	\$ 99,965	\$ 445	\$ 134,898	\$ 398,982
Taxes and assessments receivable, net	10,217	-	-	235	10,452
Due from other funds	11,346	-	-	-	11,346
Total current assets	<u>\$ 185,237</u>	<u>\$ 99,965</u>	<u>\$ 445</u>	<u>\$ 135,133</u>	<u>\$ 420,780</u>
Total assets	<u>\$ 185,237</u>	<u>\$ 99,965</u>	<u>\$ 445</u>	<u>\$ 135,133</u>	<u>\$ 420,780</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 185,237</u>	<u>\$ 99,965</u>	<u>\$ 445</u>	<u>\$ 135,133</u>	<u>\$ 420,780</u>
LIABILITIES					
Current liabilities:					
Warrants payable	\$ 48,196	\$ -	\$ -	\$ -	\$ 48,196
Accounts payable	1,453	4,832	14,459	-	20,744
Accrued payables	658	-	-	-	658
Accrued payroll	865	1,295	-	-	2,160
Due to other funds	-	-	11,346	-	11,346
Total current liabilities	<u>\$ 51,172</u>	<u>\$ 6,127</u>	<u>\$ 25,805</u>	<u>\$ -</u>	<u>\$ 83,104</u>
Total liabilities	<u>\$ 51,172</u>	<u>\$ 6,127</u>	<u>\$ 25,805</u>	<u>\$ -</u>	<u>\$ 83,104</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes and assessments	\$ 10,217	\$ -	\$ -	\$ 235	\$ 10,452
Total deferred inflows of resources	<u>\$ 10,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 10,452</u>
FUND BALANCES					
Restricted	\$ -	\$ 93,838	\$ -	\$ 68,112	\$ 161,950
Committed	-	-	-	66,786	66,786
Unassigned fund balance	123,848	-	(25,360)	-	98,488
Total fund balance	<u>\$ 123,848</u>	<u>\$ 93,838</u>	<u>\$ (25,360)</u>	<u>\$ 134,898</u>	<u>\$ 327,224</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	<u>\$ 185,237</u>	<u>\$ 99,965</u>	<u>\$ 445</u>	<u>\$ 135,133</u>	<u>\$ 420,780</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 224,741	\$ 89,575	\$ 184,142	\$ 498,458
Taxes and assessments receivable, net	7,172	-	162	7,334
Due from other governments	353	-	-	353
Total current assets	<u>\$ 232,266</u>	<u>\$ 89,575</u>	<u>\$ 184,304</u>	<u>\$ 506,145</u>
Total assets	<u>\$ 232,266</u>	<u>\$ 89,575</u>	<u>\$ 184,304</u>	<u>\$ 506,145</u>
TOTAL ASSETS	<u><u>\$ 232,266</u></u>	<u><u>\$ 89,575</u></u>	<u><u>\$ 184,304</u></u>	<u><u>\$ 506,145</u></u>
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 47,355	\$ -	\$ -	\$ 47,355
Accounts payable	1,264	610	-	1,874
Accrued payables	1,160	1,613	-	2,773
Due to other governments	866	-	-	866
Revenues collected in advance	-	-	53,259	53,259
Total current liabilities	<u>\$ 50,645</u>	<u>\$ 2,223</u>	<u>\$ 53,259</u>	<u>\$ 106,127</u>
Total liabilities	<u>\$ 50,645</u>	<u>\$ 2,223</u>	<u>\$ 53,259</u>	<u>\$ 106,127</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	<u>\$ 7,172</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 7,334</u>
Total deferred inflows of resources	<u>\$ 7,172</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 7,334</u>
FUND BALANCES				
Restricted	\$ -	\$ 87,352	\$ 75,105	\$ 162,457
Committed	-	-	55,778	55,778
Unassigned fund balance	174,449	-	-	174,449
Total fund balance	<u>\$ 174,449</u>	<u>\$ 87,352</u>	<u>\$ 130,883</u>	<u>\$ 392,684</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 232,266</u></u>	<u><u>\$ 89,575</u></u>	<u><u>\$ 184,304</u></u>	<u><u>\$ 506,145</u></u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total fund balances - governmental funds	\$	327,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		524,139
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.		10,452
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(231,251)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(63,681)
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.		11,250
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.		(9,406)
Total net position - governmental activities	\$	<u><u>568,727</u></u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2021

Total fund balances - governmental funds	\$	392,684
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,270,190
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.		7,334
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(325,653)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(86,495)
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.		19,727
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.		(2,897)
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.		757
Total net position - governmental activities	\$	<u><u>1,275,647</u></u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	<u>General</u>	<u>Library</u>	<u>Storm Drain District #1</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 87,728	\$ -	\$ -	\$ 1,454	\$ 89,182
Licenses and permits	4,991	-	-	-	4,991
Intergovernmental	50,753	3,169	-	23,799	77,721
Charges for services	2,321	73,479	-	-	75,800
Miscellaneous	28,046	23,359	-	8,164	59,569
Investment earnings	2	129	-	28	159
Total revenues	<u>\$ 173,841</u>	<u>\$ 100,136</u>	<u>\$ -</u>	<u>\$ 33,445</u>	<u>\$ 307,422</u>
EXPENDITURES					
General government	\$ 38,889	\$ -	\$ -	\$ -	\$ 38,889
Public safety	6,026	-	-	-	6,026
Public works	49,079	-	15,470	3,301	67,850
Public health	57	-	-	-	57
Culture and recreation	25,313	69,721	-	-	95,034
Debt service - interest	214	-	-	-	214
Capital outlay	128,442	8,164	114,580	22,250	273,436
Total expenditures	<u>\$ 248,020</u>	<u>\$ 77,885</u>	<u>\$ 130,050</u>	<u>\$ 25,551</u>	<u>\$ 481,506</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (74,179)</u>	<u>\$ 22,251</u>	<u>\$ (130,050)</u>	<u>\$ 7,894</u>	<u>\$ (174,084)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of general long term debt	\$ 63,334	\$ -	\$ 129,602	\$ -	\$ 192,936
Transfers in	-	-	-	11,268	11,268
Transfers out	(634)	(10,000)	-	(634)	(11,268)
Total other financing sources (uses)	<u>\$ 62,700</u>	<u>\$ (10,000)</u>	<u>\$ 129,602</u>	<u>\$ 10,634</u>	<u>\$ 192,936</u>
Net Change in Fund Balance	<u>\$ (11,479)</u>	<u>\$ 12,251</u>	<u>\$ (448)</u>	<u>\$ 18,528</u>	<u>\$ 18,852</u>
Fund balances - beginning	\$ 135,327	\$ 81,587	\$ (24,912)	\$ 116,370	\$ 308,372
Fund balance - ending	<u>\$ 123,848</u>	<u>\$ 93,838</u>	<u>\$ (25,360)</u>	<u>\$ 134,898</u>	<u>\$ 327,224</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and assessments	\$ 100,853	\$ 79,848	\$ 3,784	\$ 184,485
Licenses and permits	3,610	-	-	3,610
Intergovernmental	708,450	16,816	23,105	748,371
Charges for services	505	-	-	505
Miscellaneous	8,721	39,650	979	49,350
Investment earnings	12	85	18	115
Total revenues	<u>\$ 822,151</u>	<u>\$ 136,399</u>	<u>\$ 27,886</u>	<u>\$ 986,436</u>
EXPENDITURES				
General government	\$ 25,027	\$ -	\$ 707	\$ 25,734
Public safety	8,290	-	-	8,290
Public works	54,009	-	24,179	78,188
Public health	72	-	-	72
Culture and recreation	17,914	94,527	16	112,457
Debt service - principal	5,928	-	-	5,928
Debt service - interest	1,149	-	-	1,149
Capital outlay	658,852	43,358	86,678	788,888
Total expenditures	<u>\$ 771,241</u>	<u>\$ 137,885</u>	<u>\$ 111,580</u>	<u>\$ 1,020,706</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 50,910</u>	<u>\$ (1,486)</u>	<u>\$ (83,694)</u>	<u>\$ (34,270)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 99,730	\$ 99,730
Transfers in	-	-	5,617	5,617
Transfers out	(309)	(5,000)	(308)	(5,617)
Total other financing sources (uses)	<u>\$ (309)</u>	<u>\$ (5,000)</u>	<u>\$ 105,039</u>	<u>\$ 99,730</u>
Net Change in Fund Balance	<u>\$ 50,601</u>	<u>\$ (6,486)</u>	<u>\$ 21,345</u>	<u>\$ 65,460</u>
Fund balances - beginning	\$ 123,848	\$ 93,838	\$ 109,538	\$ 327,224
Fund balance - ending	<u>\$ 174,449</u>	<u>\$ 87,352</u>	<u>\$ 130,883</u>	<u>\$ 392,684</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison 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, 2020

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

Net change in fund balances - total governmental funds	\$ 18,852
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	273,436
- Depreciation expense	(10,288)
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)	4,576
The change in compensated absences is shown as an expense in the Statement of Activities	(944)
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:	
- Proceeds from the sale of long-term debt	(192,936)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(935)
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	(866)
Change in net position - Statement of Activities	\$ <u>90,895</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison 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, 2021

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

Net change in fund balances - total governmental funds	\$	65,460
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		788,888
- Depreciation expense		(42,837)
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)		(3,118)
The change in compensated absences is shown as an expense in the Statement of Activities		
		673
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		5,928
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:		
- Proceeds from the sale of long-term debt		(99,730)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(516)
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		
		(12,680)
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.		
		4,852
Change in net position - Statement of Activities	\$	<u>706,920</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2020

Business-Type Activities - Enterprise Funds

	Water	Sewer	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 176,532	\$ 110,692	\$ 287,224
Accounts receivable - net	26,973	11,359	38,332
Total current assets	\$ 203,505	\$ 122,051	\$ 325,556
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 74,524	\$ 74,524
Capital assets - land	-	48,288	48,288
Capital assets - construction in progress	90,318	90,505	180,823
Capital assets - depreciable, net	968,556	2,520,796	3,489,352
Total noncurrent assets	\$ 1,058,874	\$ 2,734,113	\$ 3,792,987
Total assets	\$ 1,262,379	\$ 2,856,164	\$ 4,118,543
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 11,104	\$ 11,104	\$ 22,208
Total deferred outflows of resources	\$ 11,104	\$ 11,104	\$ 22,208
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	\$ 1,273,483	\$ 2,867,268	\$ 4,140,751
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,607	\$ 874	\$ 2,481
Accrued payroll	1,778	1,778	3,556
Revenues collected in advance	2,977	1,254	4,231
Current portion of long-term capital liabilities	5,928	25,333	31,261
Current portion of compensated absences payable	4,861	4,861	9,722
Total current liabilities	\$ 17,151	\$ 34,100	\$ 51,251
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 13,569	\$ 13,569	\$ 27,138
Noncurrent portion of long-term capital liabilities	57,405	899,342	956,747
Noncurrent portion of compensated absences	2,155	2,155	4,310
Net pension liability	62,856	62,855	125,711
Total noncurrent liabilities	\$ 135,985	\$ 977,921	\$ 1,113,906
Total liabilities	\$ 153,136	\$ 1,012,021	\$ 1,165,157
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 7,947	\$ 7,947	\$ 15,894
Total deferred inflows of resources	\$ 7,947	\$ 7,947	\$ 15,894
 NET POSITION			
Net investment in capital assets	\$ 995,541	\$ 1,734,914	\$ 2,730,455
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	33,024	33,024
Unrestricted	116,859	37,862	154,721
Total net position	\$ 1,112,400	\$ 1,847,300	\$ 2,959,700
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	\$ 1,273,483	\$ 2,867,268	\$ 4,140,751

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 201,045	\$ 137,203	\$ 338,248
Accounts receivable - net	13,921	15,060	28,981
Total current assets	<u>\$ 214,966</u>	<u>\$ 152,263</u>	<u>\$ 367,229</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 78,652	\$ 78,652
Capital assets - land	-	48,288	48,288
Capital assets - depreciable, net	1,027,353	2,543,445	3,570,798
Total noncurrent assets	<u>\$ 1,027,353</u>	<u>\$ 2,670,385</u>	<u>\$ 3,697,738</u>
Total assets	<u>\$ 1,242,319</u>	<u>\$ 2,822,648</u>	<u>\$ 4,064,967</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 19,158	\$ 19,158	\$ 38,316
Deferred outflows of resources - OPEB	618	618	1,236
Total deferred outflows of resources	<u>\$ 19,776</u>	<u>\$ 19,776</u>	<u>\$ 39,552</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,262,095</u>	<u>\$ 2,842,424</u>	<u>\$ 4,104,519</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,308	\$ 859	\$ 4,167
Accrued payables	2,225	2,225	4,450
Revenues collected in advance	2,318	2,625	4,943
Current portion of long-term capital liabilities	8,173	27,971	36,144
Current portion of compensated absences payable	4,379	4,379	8,758
Total current liabilities	<u>\$ 20,403</u>	<u>\$ 38,059</u>	<u>\$ 58,462</u>
Noncurrent liabilities:			
Noncurrent portion of OPEB	\$ 14,043	\$ 14,043	\$ 28,086
Noncurrent portion of long-term capital liabilities	60,055	884,004	944,059
Noncurrent portion of compensated absences	2,027	2,027	4,054
Net pension liability	83,999	83,999	167,998
Total noncurrent liabilities	<u>\$ 160,124</u>	<u>\$ 984,073</u>	<u>\$ 1,144,197</u>
Total liabilities	<u>\$ 180,527</u>	<u>\$ 1,022,132</u>	<u>\$ 1,202,659</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 2,813	\$ 2,813	\$ 5,626
Total deferred inflows of resources	<u>\$ 2,813</u>	<u>\$ 2,813</u>	<u>\$ 5,626</u>
NET POSITION			
Net investment in capital assets	\$ 959,125	\$ 1,679,758	\$ 2,638,883
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	37,152	37,152
Unrestricted	119,630	59,069	178,699
Total net position	<u>\$ 1,078,755</u>	<u>\$ 1,817,479</u>	<u>\$ 2,896,234</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,262,095</u>	<u>\$ 2,842,424</u>	<u>\$ 4,104,519</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 211,855	\$ 196,108	\$ 407,963
Total operating revenues	\$ 211,855	\$ 196,108	\$ 407,963
OPERATING EXPENSES			
Personal services	\$ 87,461	\$ 87,460	\$ 174,921
Supplies	12,312	8,418	20,730
Purchased services	40,828	34,740	75,568
Fixed charges	4,001	4,105	8,106
Loss/bad debt expense	54,466	23,505	77,971
Depreciation	42,979	79,483	122,462
Total operating expenses	\$ 242,047	\$ 237,711	\$ 479,758
Operating income (loss)	\$ (30,192)	\$ (41,603)	\$ (71,795)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 29,055	\$ 1,384	\$ 30,439
Interest revenue	281	263	544
Debt service interest expense	(214)	(17,553)	(17,767)
Total non-operating revenues (expenses)	\$ 29,122	\$ (15,906)	\$ 13,216
Income (loss) before contributions and transfers	\$ (1,070)	\$ (57,509)	\$ (58,579)
Change in net position	\$ (1,070)	\$ (57,509)	\$ (58,579)
Net Position - Beginning of the year	\$ 1,113,470	\$ 1,904,809	\$ 3,018,279
Net Position - End of the year	\$ 1,112,400	\$ 1,847,300	\$ 2,959,700

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 152,237	\$ 189,434	\$ 341,671
Total operating revenues	<u>\$ 152,237</u>	<u>\$ 189,434</u>	<u>\$ 341,671</u>
OPERATING EXPENSES			
Personal services	\$ 89,393	\$ 89,391	\$ 178,784
Supplies	5,407	6,434	11,841
Purchased services	45,254	20,856	66,110
Fixed charges	3,459	5,037	8,496
Depreciation	45,767	82,102	127,869
Total operating expenses	<u>\$ 189,280</u>	<u>\$ 203,820</u>	<u>\$ 393,100</u>
Operating income (loss)	<u>\$ (37,043)</u>	<u>\$ (14,386)</u>	<u>\$ (51,429)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 4,311	\$ 4,311	\$ 8,622
Interest revenue	181	113	294
Debt service interest expense	<u>(1,094)</u>	<u>(19,859)</u>	<u>(20,953)</u>
Total non-operating revenues (expenses)	<u>\$ 3,398</u>	<u>\$ (15,435)</u>	<u>\$ (12,037)</u>
Income (loss) before contributions and transfers	<u>\$ (33,645)</u>	<u>\$ (29,821)</u>	<u>\$ (63,466)</u>
Change in net position	<u>\$ (33,645)</u>	<u>\$ (29,821)</u>	<u>\$ (63,466)</u>
Net Position - Beginning of the year	\$ 1,112,400	\$ 1,847,300	\$ 2,959,700
Net Position - End of the year	<u><u>\$ 1,078,755</u></u>	<u><u>\$ 1,817,479</u></u>	<u><u>\$ 2,896,234</u></u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020

	Business - Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 157,212	\$ 179,372	\$ 336,584
Cash payments to suppliers	(42,783)	(12,189)	(54,972)
Cash payments for professional services	(40,828)	(34,740)	(75,568)
Cash payments to employees	(79,117)	(79,117)	(158,234)
Net cash provided (used) by operating activities	\$ (5,516)	\$ 53,326	\$ 47,810
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (73,620)	\$ (73,667)	\$ (147,287)
Principal paid on debt	-	(19,021)	(19,021)
Interest paid on debt	(214)	(17,553)	(17,767)
Proceeds from bonds, loans and advances	63,333	63,333	126,666
Net cash provided (used) by capital and related financing activities	\$ (10,501)	\$ (46,908)	\$ (57,409)
Cash flows from non-capital financing activities:			
Cash received from other governments	\$ 29,055	\$ 1,384	\$ 30,439
Net cash provided (used) from non-capital financing activities	\$ 29,055	\$ 1,384	\$ 30,439
Cash flows from investing activities:			
Interest on investments	\$ 281	\$ 263	\$ 544
Net cash provided (used) by investing activities	\$ 281	\$ 263	\$ 544
Net increase (decrease) in cash and cash equivalents	\$ 13,319	\$ 8,065	\$ 21,384
Cash and cash equivalents at beginning	\$ 163,213	\$ 177,151	\$ 340,364
Cash and cash equivalents at end	\$ 176,532	\$ 185,216	\$ 361,748
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (30,192)	\$ (41,603)	\$ (71,795)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	42,979	79,483	122,462
Changes in assets and liabilities:			
Accounts receivable	(2,960)	5,617	2,657
Revenues collected in advance	2,977	1,254	4,231
Deferred assessments	(194)	(102)	(296)
Accounts payable	(26,470)	334	(26,136)
Compensated absences	906	906	1,812
Accrued payroll	913	913	1,826
Other post-employment benefits	710	710	1,420
Net Pension Liability and related deferred inflows and outflows	5,815	5,814	11,629
Net cash provided (used) by operating activities	\$ (5,516)	\$ 53,326	\$ 47,810

See accompanying notes to the financial statements

Town of Twin Bridges, Madison County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2021

	Business - Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 165,736	\$ 186,180	\$ 351,916
Cash payments to suppliers	(9,484)	(12,089)	(21,573)
Cash payments for professional services	(45,254)	(20,856)	(66,110)
Cash payments to employees	(80,532)	(80,215)	(160,747)
Net cash provided (used) by operating activities	<u>\$ 30,466</u>	<u>\$ 73,020</u>	<u>\$ 103,486</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (14,246)	\$ (14,246)	\$ (28,492)
Principal paid on debt	(5,928)	(23,523)	(29,451)
Interest paid on debt	(1,094)	(19,859)	(20,953)
Proceeds from bonds, loans and advances	10,823	10,823	21,646
Net cash provided (used) by capital and related financing activities	<u>\$ (10,445)</u>	<u>\$ (46,805)</u>	<u>\$ (57,250)</u>
Cash flows from non-capital financing activities:			
Cash received from other governments	\$ 4,311	\$ 4,311	\$ 8,622
Net cash provided (used) from non-capital financing activities	<u>\$ 4,311</u>	<u>\$ 4,311</u>	<u>\$ 8,622</u>
Cash flows from investing activities:			
Interest on investments	\$ 181	\$ 113	\$ 294
Net cash provided (used) by investing activities	<u>\$ 181</u>	<u>\$ 113</u>	<u>\$ 294</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,513	\$ 30,639	\$ 55,152
Cash and cash equivalents at beginning	\$ 176,532	\$ 185,216	\$ 361,748
Cash and cash equivalents at end	<u>\$ 201,045</u>	<u>\$ 215,855</u>	<u>\$ 416,900</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (37,043)	\$ (14,386)	\$ (51,429)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	45,767	82,102	127,869
Changes in assets and liabilities:			
Accounts receivable	13,052	(3,701)	9,351
Revenues collected in advance	447	447	894
Accounts payable	(618)	(618)	(1,236)
Compensated absences	1,701	(15)	1,686
Accrued payroll	(610)	(610)	(1,220)
Other post-employment benefits	474	474	948
Net Pension Liability and related deferred inflows and outflows	7,296	9,327	16,623
Net cash provided (used) by operating activities	<u>\$ 30,466</u>	<u>\$ 73,020</u>	<u>\$ 103,486</u>

See accompanying notes to the financial statements

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

		<u>Agency Funds</u>
ASSETS		
Taxes receivable	\$	<u>235</u>
Total assets	\$	<u><u>235</u></u>
 LIABILITIES		
Due to others	\$	<u>235</u>
Total liabilities	\$	<u><u>235</u></u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2021

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Taxes receivable	\$	162
Total assets	\$	<u>162</u>
LIABILITIES		
Due to others	\$	162
Total liabilities	\$	<u>162</u>

See accompanying Notes to the Financial Statements

Town of Twin Bridges, Madison County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Taxes, licenses, and fees collected for other governments	\$	2,824
Total additions	\$	<u>2,824</u>
DEDUCTIONS		
Taxes, licenses, and fees distributed to other governments	\$	2,824
Total deductions	\$	<u>2,824</u>
Change in net position	\$	<u>-</u>

See accompanying Notes to the Financial Statements

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the Town, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the Town disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The Town has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The Town has implemented this pronouncement in the current fiscal year.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the Town appointed a voting majority of the component unit's board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the Town 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 Town.

Primary Government

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose government body is the same or substantially the same as the Town, the component unit provides services entirely to the Town, or the component unit is organized as a not-for-profit corporation in which the Town is the sole corporate member identified in the component unit's articles of incorporation or bylaws. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation. The Town has the following Blended Component Units:

Benefactors of the Twin Bridges Library was created as a not-for-profit corporation, 501(c)3, to expand library services in and around Twin Bridges, education opportunities, sponsor various programs promoting reading and other matter, and promote the Town library to local community. The organization was created for the sole purpose of supporting the Twin Bridges Library, and has been determined to be a blended component unit for this purpose. It was determined the activities if excluded would not be a fair representation of the Towns financial position.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
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June 30, 2020 and June 30, 2021

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 Town except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

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

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 Town generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

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Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting Town 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 Town or meets the following criteria:

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town 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.

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

Major Funds:

The Town reports the following major governmental funds:

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

Library Fund – A special revenue that is used to account for the Madison County levy supporting the Town library, and the costs to operate the library. This fund includes the blended component unit, the Benefactors of the Twin Bridges Library.

Storm Drainage District #1 Fund – A special revenue fund that is used to account \$600,000 bond anticipation notes and special assessment bonds used to fund the construction of Town storm water infrastructure.

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 Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

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June 30, 2020 and June 30, 2021

Major Funds:

The Town reports the following major proprietary funds:

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

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

Fiduciary Funds

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

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the Town as an agent for individuals, private organizations, other local governmental entities for fiscal year ended June 30, 2020.

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 Town in a custodial capacity. This fund primarily consist reporting of resources held by the Town as an agent for individuals, private organizations, other local governmental entities for fiscal year ended June 30, 2021.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2020 and June 30, 2021, are as follows:

	Primary Government <u>June 30, 2020</u>	Primary Government <u>June 30, 2021</u>
<u>Cash on hand and deposits:</u>		
Cash on hand		
Petty Cash	\$ 250	\$ 250
Cash in banks:		
Demand deposits	566,224	718,999
Savings deposits	54,227	55,693
Time deposits	140,029	140,416
Total	<u>\$ 760,730</u>	<u>\$ 915,358</u>

TOWN OF TWIN BRIDGES
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June 30, 2020 and June 30, 2021

Credit Risk

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

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

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

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

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

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

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

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

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

The government has no investments that require credit risk disclosure.

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, 2021, the government's bank balance was exposed to custodial credit risk as follows:

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	June 30, 2020	June 30, 2021
	<u>Balance</u>	<u>Balance</u>
<u>Depository Account</u>		
Insured	\$ 451,860	\$ 448,137
- Collateral held by the pledging bank's trust department but not in the County's name	185,237	316,903
- Uninsured and Uncollateralized deposits	113,310	149,572
Total deposits and investments	<u>\$ 750,407</u>	<u>\$ 914,612</u>

Deposit Security

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

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

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

The amount of collateral held for Town deposits at June 30, 2020 and June 30, 2021, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the Town as of June 30, 2020 and June 30, 2021. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	June 30, 2020	June 30, 2021
		<u>Amount</u>	<u>Amount</u>
Sewer	Reserve for debt payments	\$ 33,024	\$ 37,152
Sewer	Short lived asset replacement reserve	41,500	41,500
		<u>\$ 74,524</u>	<u>\$ 78,652</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.

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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.

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 50 years
Improvements	10 – 25 years
Equipment	5 – 30 years
Infrastructure	50 – 65 years

TOWN OF TWIN BRIDGES
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NOTES TO THE FINANCIAL STATEMENTS
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A summary of changes in governmental capital assets was as follows for fiscal year ended June 30, 2020:

Governmental activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:			
Land	\$ 81,243	\$ -	\$ 81,243
Construction in progress	65,417	273,436	338,853
Total capital assets not being depreciated	<u>\$ 146,660</u>	<u>\$ 273,436</u>	<u>\$ 420,096</u>
Other capital assets:			
Buildings	\$ 357,597	\$ -	\$ 357,597
Improvements other than buildings	212,201	-	212,201
Machinery and equipment	73,522	-	73,522
Total other capital assets at historical cost	\$ 643,320	\$ -	\$ 643,320
Less: accumulated depreciation	<u>(528,989)</u>	<u>(10,288)</u>	<u>(539,277)</u>
Total	<u>\$ 260,991</u>	<u>\$ 263,148</u>	<u>\$ 524,139</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 89
Public safety	1,920
Public works	2,778
Culture and recreation	<u>5,501</u>
Total governmental activities depreciation expense	<u>\$ 10,288</u>

A summary of changes in business-type capital assets was as follows for fiscal year ended June 30, 2020:

Business-type activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 48,288	\$ -	\$ -	\$ 48,288
Construction in progress	353,893	147,287	(320,357)	180,823
Total capital assets not being depreciated	<u>\$ 402,181</u>	<u>\$ 147,287</u>	<u>\$ (320,357)</u>	<u>\$ 229,111</u>
Other capital assets:				
Improvements other than buildings	\$ 4,767,009	\$ -	\$ 320,357	\$ 5,087,366
Machinery and equipment	74,241	-	-	74,241
Total other capital assets at historical cost	\$ 4,841,250	\$ -	\$ 320,357	\$ 5,161,607
Less: accumulated depreciation	<u>(1,549,793)</u>	<u>(122,462)</u>	<u>-</u>	<u>(1,672,255)</u>
Total	<u>\$ 3,693,638</u>	<u>\$ 24,825</u>	<u>\$ -</u>	<u>\$ 3,718,463</u>

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
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June 30, 2020 and June 30, 2021

A summary of changes in governmental capital assets was as follows for fiscal year ended June 30, 2021:

Governmental activities:

	Balance July 1, 2020	Additions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 81,243	\$ -	\$ -	\$ 81,243
Construction in progress	338,853	722,125	(842,141)	218,837
Total capital assets not being depreciated	<u>\$ 420,096</u>	<u>\$ 722,125</u>	<u>\$ (842,141)</u>	<u>\$ 300,080</u>
Other capital assets:				
Buildings	\$ 357,597	\$ 38,746	\$ 95,476	\$ 491,819
Improvements other than buildings	212,201	-	746,665	958,866
Machinery and equipment	73,522	28,017	-	101,539
Total other capital assets at historical cost	\$ 643,320	\$ 66,763	\$ 842,141	\$ 1,552,224
Less: accumulated depreciation	(539,277)	(42,837)	-	(582,114)
Total	<u>\$ 524,139</u>	<u>\$ 746,051</u>	<u>\$ -</u>	<u>\$ 1,270,190</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 88
Public safety	32,892
Public works	1,920
Culture and recreation	7,937
Total governmental activities depreciation expense	<u>\$ 42,837</u>

A summary of changes in business-type capital assets was as follows for fiscal year ended June 30, 2021:

Business-type activities:

	Balance July 1, 2020	Additions	Restatements	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 48,288	\$ -	\$ -	\$ 48,288
Construction in progress	180,823	1,446	(182,269)	-
Total capital assets not being depreciated	<u>\$ 229,111</u>	<u>\$ 1,446</u>	<u>\$ (182,269)</u>	<u>\$ 48,288</u>
Other capital assets:				
Improvements other than buildings	\$ 5,087,366	\$ -	\$ 182,269	\$ 5,269,635
Machinery and equipment	74,241	27,046	-	101,287
Total other capital assets at historical cost	\$ 5,161,607	\$ 27,046	\$ 182,269	\$ 5,370,922
Less: accumulated depreciation	(1,672,255)	(127,869)	-	(1,800,124)
Total	<u>\$ 3,718,463</u>	<u>\$ (99,377)</u>	<u>\$ -</u>	<u>\$ 3,619,086</u>

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2019	Additions	Balance June 30, 2020	Due Within One Year
Bond anticipation note	\$ 13,580	\$ 129,602	\$ 143,182	\$ -
Intercap loans	-	63,334	63,334	5,929
Compensated absences	7,854	944	8,798	6,710
Total	<u>\$ 21,434</u>	<u>\$ 193,880</u>	<u>\$ 215,314</u>	<u>\$ 12,639</u>

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Revenue bonds	\$ 880,363	\$ -	\$ (19,021)	\$ 861,342	\$ 19,405
Intercap loans	-	126,666	-	126,666	11,856
Compensated absences	12,220	1,812	-	14,032	9,722
Total	<u>\$ 892,583</u>	<u>\$ 128,478</u>	<u>\$ (19,021)</u>	<u>\$ 1,002,040</u>	<u>\$ 40,983</u>

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance		Due Within
	July 1, 2020	Additions	Deletions	June 30, 2021		One Year
Bonds anticipation note	\$ 143,182	\$ 85,299	\$ -	\$ 228,481	\$	228,481
Intercap loans	63,334	-	(5,928)	57,406		6,009
Loans/ Concentrated debt from direct borrowings	-	14,431	-	14,431		2,886
Compensated absences	8,798	-	(673)	8,125		5,972
Total	\$ 215,314	\$ 99,730	\$ (6,601)	\$ 308,443	\$	243,348

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance			Balance		Due Within
	July 1, 2020	Additions	Deletions	June 30, 2021		One Year
Revenue bonds	\$ 861,342	\$ -	\$ (17,595)	\$ 843,747	\$	19,797
Intercap loans	126,666	-	(11,856)	114,810		12,018
Loans/ Concentrated debt from direct borrowings	-	21,646	-	21,646		4,329
Compensated absences	14,032	-	(1,220)	12,812		8,758
Total	\$ 1,002,040	\$ 21,646	\$ (30,671)	\$ 993,015	\$	44,902

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

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2020	Balance June 30, 2021
FY12 RD Loan Refinancing	5/23/12	2.00%	40yrs	5/23/52	\$1,000,000	Varies	\$ 861,342	\$ 843,747

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:

- 1) The Town is to maintain a reserve account for the outstanding USDA Sewer revenue bonds. The Town is required to accumulate ten percent of the monthly payment over the life of the bond until reserve equals annual installment amount. Ten percent of the monthly bond installments is equal to \$344. As of June 30, 2020 and June 30, 2021 the Town had properly accumulated the required reserves for these years and were in compliance with requirement. The total reserves held for fiscal year 2020 and fiscal year 2021 were equal to \$33,024 and \$37,152.

TOWN OF TWIN BRIDGES
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

- 2) The Town is to maintain a fully funded short lived asset replacement reserve for the USDA Sewer revenue bonds. This funded reserve is required to equal \$41,500. The Town held reserves equal to the requirement amount for both fiscal year ending June 30, 2020 and June 30, 2021 and was in compliance.

Annual requirement to amortize debt for fiscal year June 30, 2020:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 19,405	\$ 16,955
2022	19,797	16,563
2023	20,197	16,163
2024	20,604	15,756
2025	21,020	15,340
2026	21,444	14,916
2027	21,877	14,483
2028	22,319	14,041
2029	22,769	13,591
2030	23,229	13,131
2031	23,698	12,662
2032	24,176	12,184
2033	24,664	11,696
2034	25,162	11,198
2035	25,670	10,690
2036	26,188	10,172
2037	26,716	9,644
2038	27,256	9,104
2039	27,806	8,554
2040	28,367	7,993
2041	28,940	7,420
2042	29,524	6,836
2043	30,120	6,240
2044	30,728	5,632
2045	31,348	5,012
2046	31,981	4,379
2047	32,626	3,734
2048	33,285	3,075
2049	33,957	2,403
2050	34,642	1,718
2051	35,341	1,019
2052	36,486	308
Total	<u>\$ 861,342</u>	<u>\$ 302,612</u>

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June 30, 2020 and June 30, 2021

Annual requirement to amortize debt for fiscal year June 30, 2021:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 19,797	\$ 16,563
2023	20,197	16,163
2024	20,604	15,756
2025	21,020	15,340
2026	21,444	14,916
2027	21,877	14,483
2028	22,319	14,041
2029	22,769	13,591
2030	23,229	13,131
2031	23,698	12,662
2032	24,176	12,184
2033	24,664	11,696
2034	25,162	11,198
2035	25,670	10,690
2036	26,188	10,172
2037	26,716	9,644
2038	27,256	9,104
2039	27,806	8,554
2040	28,367	7,993
2041	28,940	7,420
2042	29,524	6,836
2043	30,120	6,240
2044	30,728	5,632
2045	31,348	5,012
2046	31,981	4,379
2047	32,626	3,734
2048	33,285	3,075
2049	33,957	2,403
2050	34,642	1,718
2051	35,341	1,019
2052	38,296	308
Total	<u>\$ 843,747</u>	<u>\$ 285,657</u>

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
John Deer 3039 R Compact Utility Tractor with Blades (1)	3/8/21	0.00%	5yrs	3/8/26	\$14,431	Varies	\$ 14,431

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John Deer 3039 R Compact Utility Tractor with Blades (2)	3/8/21	0.00%	5yrs	3/8/26	<u>10,823</u>	Varies	<u>21,646</u>
Total					<u>\$ 36,077</u>		<u>\$ 36,077</u>

(1) Reported in the governmental activities.
(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal
2022	\$ 7,215
2023	7,216
2024	7,215
2025	7,216
2026	<u>7,215</u>
Total	<u>\$ 36,077</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2020 and June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2021</u>
Town Shop (split with General Fund, Water & Sewer) (1)	11/2/18	1.00- 3.37%	9yrs	8/15/29	\$63,333	Varies	\$ 63,334	\$ 57,406
Town Shop (split with General Fund, Water & Sewer) (2)	11/2/18	1.00- 3.37%	9yrs	8/15/29	<u>\$ 63,333</u>	Varies	<u>63,333</u>	<u>114,810</u>
Total					<u>\$189,999</u>		<u>\$ 190,000</u>	<u>\$ 172,216</u>

(1) Reported in the governmental activities.
(2) Reported in business-type activities.

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Annual requirement to amortize debt for fiscal year June 30, 2020:

For Fiscal			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 17,785	\$ 3,134	
2022	18,027	4,305	
2023	18,595	3,855	
2024	19,180	3,390	
2025	19,784	2,910	
2026	20,408	2,416	
2027	21,052	1,906	
2028	21,715	1,379	
2029	22,401	836	
2030	11,053	276	
Total	<u>\$ 190,000</u>	<u>\$ 24,407</u>	

Annual requirement to amortize debt for fiscal year June 30, 2021:

For Fiscal			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 18,027	\$ 3,037	
2023	18,595	2,544	
2024	19,180	2,237	
2025	19,784	1,921	
2026	20,408	1,594	
2027	21,052	1,258	
2028	21,715	910	
2029	22,401	552	
2030	11,054	182	
Total	<u>\$ 172,216</u>	<u>\$ 14,235</u>	

Bond Anticipation Note - The Town obtained a bond anticipation note from direct borrowings for their storm water improvement district project. Bond anticipation note debt outstanding as of June 30, 2021 was as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2021</u>
Storm Water SID series 2019R-1	5/29/19	1.75%	2.5yrs	1/1/22	\$250,000	Varies	\$ <u>143,182</u>	\$ <u>228,481</u>
Reported in the governmental activities.								

Annual requirement to amortize debt for fiscal year June 30, 2020:

For Fiscal		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 143,182	\$ 6,473
Total	<u>\$ 143,182</u>	<u>\$ 6,473</u>

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Annual requirement to amortize debt for fiscal year June 30, 2021:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2022	\$ 228,481	\$ 9,458
Total	<u>\$ 228,481</u>	<u>\$ 9,458</u>

Compensated Absences

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

NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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Employees covered by benefit terms. At June 30, 2020 and June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	4
Total employees	4

Total OPEB Liability

The Town's total OPEB liability of \$43,075 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020.

The Town's total OPEB liability of \$45,296 at June 30, 2021, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2021.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2020 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)	59.8
Discount rate (average anticipated rate)	2.53%
Average salary increase (Consumer Price Index)	4.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Years</u>	<u>% Increase</u>
2020-2021	7.98%
2021-2022	6.50%
2022-2023	6.00%
2023-2024	5.90%
2024-2025	5.70%
2025-2026	5.60%
2026-2027	5.50%
2027-2028	5.30%
2028-2045	5.20%
2045-2046	5.10%
2046-2048	5.00%
2048-2051	4.90%
2051-2055	4.80%
2055-2060	4.70%
2060-2067	4.60%
2067-2068	4.50%

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2068-2069	4.40%
2069-2070	4.30%
2070-2072	4.20%
2072-2073	4.10%
2073-2075	4.00%
2075-2076	3.90%
2076+	3.80%

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2021 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)	60.0
Discount rate (average anticipated rate)	2.27%
Average salary increase (Consumer Price Index)	4.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Years</u>	<u>% Increase</u>
2021-2022	0.00%
2022-2023	6.50%
2023-2024	6.00%
2024-2025	5.90%
2025-2026	5.70%
2026-2027	5.60%
2027-2028	5.50%
2028-2029	5.30%
2029-2046	5.20%
2046-2047	5.10%
2047-2049	5.00%
2049-2052	4.90%
2052-2056	4.80%
2056-2061	4.70%
2061-2068	4.60%
2068-2069	4.50%
2069-2070	4.40%
2070-2071	4.30%
2071-2073	4.20%
2073-2074	4.10%
2074-2076	4.00%
2076-2077	3.90%
2077+	3.80%

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

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

Changes in the Total OPEB Liability

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Balance at	\$ 40,702	\$ 43,075
Changes for the year:		
Service Cost	\$ 1,501	\$ 2,899
Interest	1,068	-
Differences in experience	1,179	-
Change in assumptions	(624)	-
Benefit payments	<u>(769)</u>	<u>(678)</u>
Net Changes	\$ 2,355	\$ 2,221
Balance at yearend	<u>\$ 43,075</u>	<u>\$ 45,296</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%:

Fiscal year ended June 30, 2020

	1% Decrease 1.53%	Discount Rate 2.53%	1% Increase 3.53%
Total OPEB liability	\$ 48,389	\$ 43,075	\$ 38,532

Fiscal year ended June 30, 2021

	1% Decrease 1.27%	Discount Rate 2.27%	1% Increase 3.27%
Total OPEB liability	\$ 50,599	\$ 45,296	\$ 40,707

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%:

Fiscal year ended June 30, 2020

	1% Decrease*	Healthcare Cost Trends*	1% Increase*
Total OPEB liability	\$37,285	\$43,075	\$50,061

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Fiscal year ended June 30, 2021

	1% Decrease*	Healthcare Cost Trends*	1% Increase*
Total OPEB liability	\$39,681	\$45,296	\$52,009

**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, 2020 and June 30, 2021, the Town recognized an OPEB expense of \$2,355 and \$2,221.

At June 30, 2021, the Town 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	\$ 791	\$ -
Changes in actuarial assumptions	1,202	-
Total	\$ 1,993	\$ -

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
2021	\$ 1,993
2022	\$ -
2023	\$ -
2024	\$ -
Thereafter	\$ -

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NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balance	General – Major Governmental	Storm drainage District #1 – Nonmajor Governmental	<u>\$11,346</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer to support street maintenance	Gas Tax – Nonmajor Governmental	General – Major Governmental	\$ 634
Operating transfer to support street maintenance	Gas Tax - Nonmajor Governmental	Capital projects – Nonmajor Governmental	634
Operating transfer to fund future capital improvements	Library Capital Improvements – Nonmajor Governmental	Library – Nonmajor Governmental	<u>10,000</u>
			<u>\$11,268</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer to support street maintenance	Gas Tax – Nonmajor Governmental	General – Major Governmental	\$ 309
Operating transfer to support street maintenance	Gas Tax - Nonmajor Governmental	Capital projects – Nonmajor Governmental	308
Operating transfer to fund future capital improvements	Library Capital Improvements – Nonmajor Governmental	Library – Nonmajor Governmental	<u>5,000</u>
			<u>\$ 5,617</u>

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NOTE 9. NET PENSION LIABILITY

As of June 30, 2020, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

		PERS
Net Pension Liability	\$	189,392
Deferred outflows of resources*	\$	33,458
Deferred inflows of resources	\$	25,300
Pension expense	\$	29,521

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$14,141 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2019.

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

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

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;

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- c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

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.

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

1. Rates are specified by state law and are a percentage of the member's compensation.

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- a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
- a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is 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.
3. 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.
4. 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 \$33,454,182.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

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The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana NPLS for June 30, 2020, and 2019 the reporting periods, are displayed below. The Town 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 Town recorded a liability of \$189,392 and the Town's proportionate share was 0.009060 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 189,392	\$ 183,388	0.009060%	0.008787%	-0.000068%
State of Montana Proportionate Share associated with Employer	612,412	61,145	0.002938%	0.002930%	-0.000730%
Total	<u>\$ 801,804</u>	<u>\$ 244,533</u>	<u>0.011998%</u>	<u>0.011717%</u>	<u>-0.000798%</u>

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

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

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense:

At June 30, 2020, the Town recognized a Pension Expense of \$25,352 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$140 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town. Additionally, the Town recognized grant revenue of \$4,030 from the State Statutory Appropriation from the General Fund.

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		Pension Expense as of 6/30/20		Pension Expense as of 6/30/19
Employer Proportionate Share	\$	25,352	\$	25,174
State of Montana Proportionate Share associated with the Employer		140		4,081
State of Montana State Appropriation for the Employer		4,030		-
Total	\$	29,522	\$	29,255

Recognition of Beginning Deferred Outflow

At June 30, 2020, the Town recognized a beginning deferred outflow of resources for the employer's fiscal year 2019 contributions of \$12,787.

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	8,981	\$	8,912
Actual vs. Expected Investment Earnings		2,296		-
Changes in Assumptions		8,040		-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions		-		16,388
Employer contributions subsequent to the measurement date - FY20*		14,141		-
Total	\$	33,458	\$	25,300

*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
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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
2020	\$ 4,921
2021	\$ (12,464)
2022	\$ 854
2023	\$ 2,061
Thereafter	\$ -

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
 *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
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June 30, 2020 and June 30, 2021

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, 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 Equivalents	3.0%	4.09%
Domestic Equity	36.0%	6.05%
Foreign Equity	18.0%	7.01%
Fixed Income	23.0%	2.17%
Private Equity	12.0%	10.53%
Real Estate	8.0%	5.65%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. 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 (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 272,102	\$ 189,392	\$ 119,884

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In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2018, 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 316 employers that have participants in the PERS-DCRP totaled \$746,144.

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

TOWN OF TWIN BRIDGES
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

As of June 30, 2021, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

		PERS
Net Pension Liability	\$	254,493
Deferred outflows of resources*	\$	58,043
Deferred inflows of resources	\$	8,523
Pension expense	\$	39,410

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$14,276 respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2020.

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 Town'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).

TOWN OF TWIN BRIDGES
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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 third option to join the university system's Montana University System Retirement Program (MUS-RP).

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;

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- c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

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.

<u>Fiscal Year</u>	<u>Member</u>		<u>Local Government</u>	
	<u>Hired<07/01/11</u>	<u>Hired>07/01/11</u>	<u>Employer</u>	<u>State</u>
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%

TOWN OF TWIN BRIDGES
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1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is 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.
3. 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.
4. Non-Employer Contributions
 - a. Special Funding
 - iv. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - v. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - vi. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

TOWN OF TWIN BRIDGES
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020 the reporting periods, are displayed below. The Town 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 Town recorded a liability of \$254,493 and the Town's proportionate share was 0.009646 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 254,493	\$ 189,392	0.009646%	0.009060%	0.000586%
State of Montana Proportionate Share associated with Employer	79,860	61,412	0.003027%	0.002938%	0.000089%
Total	\$ 334,353	\$ 250,804	0.012673%	0.011998%	0.000675%

Changes in actuarial assumptions and methods:

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

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

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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, 2021, the Town recognized a Pension Expense of \$39,410 for its proportionate share of the pension expense. The Town also recognized grant revenue of \$13,060 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Town.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 39,410	\$ 25,352
State of Montana Proportionate Share associated with the Employer	13,060	4,169
Total	\$ 52,470	\$ 29,521

Recognition of Beginning Deferred Outflow

At June 30, 2021, the Town recognized a beginning deferred outflow of resources for the Town's fiscal year 2020 contributions of \$14,141.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

Recognition of Deferred Inflows and Outflows:

At June 30, 2021, the Town reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,108	\$ 7,275
Actual vs. Expected Investment Earnings	22,036	-
Changes in Assumptions	17,623	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	1,248
Employer contributions subsequent to the measurement date - FY21*	14,276	-
Total	<u>\$ 58,043</u>	<u>\$ 8,523</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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
2021	\$ 4,219
2022	\$ 17,819
2023	\$ 7,700
2024	\$ 5,506
Thereafter	\$ -

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth* 3.50%
*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

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

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. 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 (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ <u>350,294</u>	\$ 254,493	\$ <u>174,020</u>

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

PERS Disclosure for the defined contribution plan

Madison County 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.

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

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

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

At the plan level for the measurement period ended June 30, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

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

Restricted Fund Balance for Fiscal year ended June 30, 2020

<u>Major Fund</u>	<u>Amount</u>	<u>Reason of Restriction</u>
Library	\$ 93,838	Culture and recreation
All Other Aggregate	<u>68,112</u>	Road Repair, maintenance and supplies
	<u>\$ 161,950</u>	

Restricted Fund Balance for Fiscal year ended June 30, 0221

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Library	\$ 87,352	Culture and recreation
All Other Aggregate	<u>75,105</u>	Road Repair, maintenance and supplies
	<u>\$ 162,457</u>	

Committed Fund Balance for Fiscal year ended June 30, 2020

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 66,786</u>	Constructions and/or capital asset purchases

Committed Fund Balance for Fiscal year ended June 30, 2021

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$ 55,778</u>	Constructions and/or capital asset purchases

NOTE 11. DEFICIT FUND BALANCES/NET POSITION

For Fiscal year ended June 30, 2020:

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Storm Drain District #1	<u>\$ (25,360)</u>	Insufficient resources to cover current outstanding payables	Future bond anticipation note disbursements

NOTE 12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

Library Services

The operations of the Library are included in the financial statements of the Town. The Library is operated under an interlocal agreement between Madison County and the Town of Twin Bridges. The Library operates under the supervision and control of the Library Board. The Board consists of five members who are appointed by the Town Council. The County provides 0.5 mills or \$13,355 per year whichever is more to the Library. For June 30, 2020, the County contributed \$73,479. For June 30, 2021, the County contributed \$79,848.

NOTE 13. SERVICES PROVIDED FROM OTHER GOVERNMENTS

County Provided Services

The Town is provided various financial services by Madison County. The County also serves as cashier and treasurer for the Town 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 Town are accounted for in an agency fund in the Town's name and are periodically remitted to the Town by the County Treasurer. No service charges have been recorded by the Town or the County.

NOTE 14. RISK MANAGEMENT

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

Insurance Pools:

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

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

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

TOWN OF TWIN BRIDGES
MADISON COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and June 30, 2021

NOTE 15. SUBSEQUENT EVENTS

In March 2021, Congress Passed the American Rescue Plan (ARPA). This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, Town of Twin Bridges is expected receive a total in direct allocation of \$55,258. The eligible use of the funds includes investments in water, sewer or broadband infrastructure, premium pay to essential workers or providing grants to local employers for premium pay, respond to public health emergency with respect to COVID-19 or its negative economic impacts, and to backfill reduced or lost revenues. Of the \$100,963 in direct allocation funds from the ARPA program, the Town received \$53,259 during fiscal year 2021.

The Town is currently trying to secure additional funding for sewer system improvements that will include the ARPA funding directly allocated to the Town. The estimated project cost for these improvements is expect to be \$825,000. As of May 2022, the project is in the early planning stages with its engineer, with the focus being on where the additional funds will come from. The Town has received commitments from the County to use \$100,000 of its direct allocation ARPA funding. The remaining funds that the Town is apply for include ARPA minimum allocation grant equal to \$100,000 and SRF bonds equal to \$600,000.

The stormwater project of the Town continued in the subsequent periods to fiscal year 2021. Through the end May 2022 the Town had incurred an addition \$294,215 in costs on the project. In October 2021, the Town secured the special assessment bonds equal to \$600,000 and paid of the bond anticipation note equal to \$228,480. The remainder of the project will be fund by the special assessment bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 98,895	\$ 98,895	\$ 87,728	\$ (11,167)
Licenses and permits	3,100	3,100	4,991	1,891
Intergovernmental	50,023	50,023	50,753	730
Charges for services	1,500	1,500	2,321	821
Miscellaneous	34,750	34,750	28,046	(6,704)
Investment earnings	5	5	2	(3)
Amounts available for appropriation	\$ 188,273	\$ 188,273	\$ 173,841	\$ (14,432)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 52,099	\$ 43,611	\$ 38,889	\$ 4,722
Public safety	11,980	10,180	6,026	4,154
Public works	90,744	105,192	49,079	56,113
Public health	100	100	57	43
Culture and recreation	24,917	25,902	25,313	589
Debt service - principal	5,300	940	-	940
Debt service - interest	2,217	1,432	214	1,218
Capital outlay	87,920	87,920	128,442	(40,522)
Total charges to appropriations	\$ 275,277	\$ 275,277	\$ 248,020	\$ 27,257
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 63,334	\$ 63,334	\$ 63,334	\$ -
Transfers out	(2,620)	(2,620)	(634)	1,986
Total other financing sources (uses)	\$ 60,714	\$ 60,714	\$ 62,700	\$ 1,986
Net change in fund balance			\$ (11,479)	
Fund balance - beginning of the year			\$ 135,327	
Fund balance - end of the year			\$ 123,848	

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 92,912	\$ 97,050	\$ 100,853	\$ 3,803
Licenses and permits	5,350	5,350	3,610	(1,740)
Intergovernmental	125,714	125,714	708,450	582,736
Charges for services	1,305	1,305	505	(800)
Miscellaneous	9,845	9,845	8,721	(1,124)
Investment earnings	1	1	12	11
Amounts available for appropriation	\$ 235,127	\$ 239,265	\$ 822,151	\$ 582,886
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 49,778	\$ 49,778	\$ 25,027	\$ 24,751
Public safety	12,000	12,000	8,290	3,710
Public works	134,281	133,491	54,009	79,482
Public health	110	110	72	38
Culture and recreation	23,588	23,588	17,914	5,674
Debt service - principal	5,930	5,930	5,928	2
Debt service - interest	1,045	1,045	1,149	(104)
Capital outlay	14,900	15,690	658,852	(643,162)
Total charges to appropriations	\$ 241,632	\$ 241,632	\$ 771,241	\$ (529,609)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,650)	\$ (2,650)	\$ (309)	\$ 2,341
Total other financing sources (uses)	\$ (2,650)	\$ (2,650)	\$ (309)	\$ 2,341
Net change in fund balance			\$ 50,601	
Fund balance - beginning of the year			\$ 123,848	
Fund balance - end of the year			\$ 174,449	

Town of Twin Bridges, Madison County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

		Library			
		BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
		ORIGINAL	FINAL		
RESOURCES (INFLOWS):					
Intergovernmental	\$	2,400	\$ 2,400	\$ 3,169	\$ 769
Charges for services		73,000	73,000	73,479	479
Miscellaneous		1,100	1,100	1,517	417
Investment earnings		100	100	129	29
Amounts available for appropriation	\$	76,600	\$ 76,600	\$ 78,294	\$ 1,694
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Culture and recreation	\$	82,150	\$ 82,150	\$ 67,466	\$ 14,684
Total charges to appropriations	\$	82,150	\$ 82,150	\$ 67,466	\$ 14,684
OTHER FINANCING SOURCES (USES)					
Transfers in	\$	4,000	\$ 4,000	-	\$ (4,000)
Transfers out		-	-	(10,000)	(10,000)
Total other financing sources (uses)	\$	4,000	\$ 4,000	\$ (10,000)	\$ (14,000)
Net change in fund balance				\$ 828	
Fund balance - beginning of the year				\$ 81,587	
Fund balance - end of the year				\$ 82,415	

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

		Library			
		BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
		ORIGINAL	FINAL		
RESOURCES (INFLOWS):					
Taxes and assessments	\$	-	\$ -	\$ 79,848	\$ 79,848
Intergovernmental		2,900	2,900	5,691	2,791
Charges for services		73,000	73,000	-	(73,000)
Miscellaneous		16,001	16,001	16,754	753
Investment earnings		100	100	76	(24)
Amounts available for appropriation	\$	92,001	\$ 92,001	\$ 102,369	\$ 10,368
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Culture and recreation	\$	130,001	\$ 76,000	\$ 76,044	\$ (44)
Capital outlay		-	27,000	24,960	2,040
Total charges to appropriations	\$	130,001	\$ 103,000	\$ 101,004	\$ 1,996
OTHER FINANCING SOURCES (USES)					
Transfers out	\$	-	-	(5,000)	(5,000)
Total other financing sources (uses)	\$	-	-	(5,000)	(5,000)
Net change in fund balance				\$ (3,635)	
Fund balance - beginning of the year				\$ 93,838	
Fund balance - end of the year				\$ 90,203	

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Storm Drain District #1				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Intergovernmental	600,000	-	-	-
Amounts available for appropriation	\$ 630,000	\$ 30,000	\$ -	\$ (30,000)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Public works	100,100	100,100	15,470	84,630
Capital outlay	427,275	427,275	114,580	312,695
Total charges to appropriations	\$ 542,375	\$ 542,375	\$ 130,050	\$ 412,325
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ 600,000	\$ 129,602	\$ (470,398)
Transfers out	(49,158)	(49,158)	-	49,158
Total other financing sources (uses)	\$ (49,158)	\$ 550,842	\$ 129,602	\$ (421,240)
Net change in fund balance			\$ (448)	
Fund balance - beginning of the year			\$ (24,912)	
Fund balance - end of the year			\$ (25,360)	

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For Fiscal Year Ended June 30, 2020

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

	<u>General</u>	<u>Library</u>	<u>Storm Drain District #1</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 173,841	\$ 78,294	\$ -
Combined funds (GASBS 54) revenues	-	21,842	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 173,841</u>	<u>\$ 100,136</u>	<u>\$ -</u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 248,020	\$ 67,466	\$ 130,050
Combined funds (GASBS 54) expenditures	-	10,419	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 248,020</u>	<u>\$ 77,885</u>	<u>\$ 130,050</u>

Town of Twin Bridges, Madison County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For Fiscal Year Ended June 30, 2021

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

	General	Library
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 822,151	\$ 102,369
Combined funds (GASBS 54) revenues	-	34,030
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 822,151	\$ 136,399
Uses/Outflows of resources		
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 771,241	\$ 101,004
Combined funds (GASBS 54) expenditures	-	36,881
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 771,241	\$ 137,885

Town of Twin Bridges, Madison County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2020 and June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service Cost	\$ 2,899	\$ 1,501	\$ 19,976	\$ 5,295
Interest	-	1,068	1,327	707
Differences in experience	-	1,179	914	-
Change in assumptions and inputs	-	(624)	1,338	(124)
Benefit payments	<u>(678)</u>	<u>(769)</u>	<u>(772)</u>	<u>(917)</u>
Net change in total OPEB liability	2,221	2,355	22,783	4,961
Total OPEB Liability - beginning	43,075	40,702	17,937	23,002
Restatement	-	-	-	(10,026)
Total OPEB Liability - ending	<u>\$ 45,296</u>	<u>\$ 43,057</u>	<u>\$ 40,720</u>	<u>\$ 17,937</u>
Covered-employee payroll	<u>\$ 165,487</u>	<u>\$ 152,723</u>	<u>\$ 150,340</u>	<u>\$ 152,030</u>
 Total OPEB liability as a percentage of covered -employee payroll	 27%	 28%	 27%	 12%

**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.*

Town of Twin Bridges, Madison County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020 and June 30, 2021

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	\$ 254,493	\$ 189,392	\$ 183,388	\$ 221,165	\$ 180,608	\$ 143,666	\$ 103,184
Employer's proportionate share of the net pension liability associated with the Employer	0.0096946%	0.0090600%	0.0087870%	0.0113560%	0.0106030%	0.0102780%	0.0082810%
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 79,860	\$ 61,412	\$ 61,145	\$ 2,644	\$ 2,207	\$ 1,765	\$ 1,260
Total	\$ 334,353	\$ 250,804	\$ 244,533	\$ 223,809	\$ 182,815	\$ 145,431	\$ 104,444
Employer's covered payroll	\$ 161,849	\$ 149,496	\$ 144,654	\$ 140,869	\$ 127,007	\$ 119,941	\$ 93,742
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.24%	126.69%	126.78%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

Town of Twin Bridges, Madison County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020 and June 30, 2021

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 14,276	\$ 14,180	\$ 12,858	\$ 12,239	\$ 11,791	\$ 10,616	\$ 9,884
Contributions in relation to the contractually required contributions	\$ 14,276	\$ 14,180	\$ 12,858	\$ 12,239	\$ 11,791	\$ 10,616	\$ 9,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 162,782	\$ 161,849	\$ 149,496	\$ 144,654	\$ 140,869	\$ 127,007	\$ 119,941
Contributions as a percentage of covered payroll	8.77%	8.76%	8.60%	8.46%	8.37%	8.36%	8.24%

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

Town of Twin Bridges, Madison 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, 2020 and June 30, 2021

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.
- 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:

Town of Twin Bridges, Madison 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, 2020 and June 30, 2021

- 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.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

Town of Twin Bridges, Madison 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, 2020 and June 30, 2021

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

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

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

Town Council
Town of Twin Bridges
Madison County
Twin Bridges, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Twin Bridges, Madison County, Montana, as of and for the years ended June 30, 2020 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Twin Bridges's basic financial statements and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Twin Bridges, Madison 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 Town of Twin Bridges, Madison County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Twin Bridges' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2021-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies as identified as item(s) 2021-002 and 2021-003.

2021-001 Benefactors of the Twin Bridges Library Controls

Condition:

We noted the following weaknesses in the internal controls systems of the Benefactors of the Twin Bridges Library, a blended component unit of the Town of Twin Bridges:

1. The processes for receipting, recording, depositing, and reconciliation of the bank accounts is not segregated.
2. There is no receipting system in place to document when collections were received.
3. Supporting documentation is not maintained to support the deposits of collections from miscellaneous donors
4. No authorization process to document the use of the debit card and ensure support is maintained
5. The checks do not always have two signers
6. There are no processes in place to identify how costs should be coded

Context:

The auditor completed a control walkthrough of the receipting and disbursing systems using inquiry, observation, and inspection of documentation.

Criteria:

1. An adequate internal control system requires that there be adequate segregation of duties of cash receipting, recording, depositing, and reconciling to the extent possible.
2. An adequate internal control system requires that all collections received by the Benefactors be receipted in to create record of the date of receipt, amount of cash and checks being collected, and source.
3. An adequate internal control system requires that adequate supporting documentation be provided to support the collections for all revenues received in order to ensure all money collected is accounted for.
4. An adequate internal control system should require authorization to use debit cards and document this authorization.
5. An adequate internal control system should require that two authorized signers sign the disbursements.
6. An adequate internal control system should require a process to review the claim invoices to identify the proper coding based on the goods and services provided.

Effect:

- 1 through 5. The internal control procedures are weakened increasing the risk of error or misappropriation of assets.
6. The capital outlay costs in Library Fund were materially understated in both fiscal year 2020 and 2021 equal to \$8,164 and \$18,398. These misclassifications were corrected by audit adjustment are reflected in the financial statements.

Cause:

1. The Treasurer is the only individual involved in the receipting process and completes all receipting, recording, depositing, and the reconciliation of the accounts.
2. The only form of receipt is the entry of the bank activity in the Benefactors checkbook ledgers.
3. The Benefactors only keep supporting documentation to large donations or grants that may have come with letter of intent.
4. The debit card is maintained in the custody of the Treasurer, but no authorization documentation is maintained for when it is used.
5. The Benefactors did not always follow its policy of requiring two signatures on the checks.
6. The Benefactors do not have a system in place to account for the activity of the organization for reporting, and only keeps a checkbook ledger of the bank activity.

Recommendation:

1. We recommend that the Benefactors implement segregation of duties to the extent possible.
2. We recommend that the Benefactors review its collection process, and implement receipting procedures requiring all collections be receipted in the day of collection and require that those receipts be balanced to collections to use as support to deposits.
3. We recommended that the Benefactors review its processes and determine what additional documentation needs to be maintained, and very least maintain deposit documentation with receipts.
4. We recommend that the Benefactors implement policies and procedures requiring the use of the debit card be authorized and this authorization be documented with supporting receipts and invoices.
5. We recommend that the Benefactors review its check signing process and implement additional procedures to ensure that two signatures are always on the checks.
6. We recommend that the Benefactors begin using an accounting system to account for the activity of the organization, and implement procedures to determine how transactions should be recorded in the accounting system to best report that activity.

2021-002 Segregation of duties (Repeated 2014-005, 2015-005, 2016-001, and 2019-004)

Condition:

During our review of Town Hall internal controls, we noted in the small office collection location; there is an absence of segregation of duties due to the size and resources available to allow segregation of duties.

Context:

We performed an internal control review of the Town Clerk offices using inquiry, observation, and documentation.

Criteria:

An adequate internal control system requires the duties of receipting, depositing, and recording to be segregated.

Effect:

The town's internal controls are weakened due to the segregation of duties issue inherent in having only one office employee for each receipting location.

Cause:

The Town does not have adequate resources to properly segregate duties for the cash receipting and accounting functions of the Town office.

Recommendation:

We recommend that the Town continue to take a proactive approach in monitoring the controls related to the Town Clerk.

2021-003 Pledged Security Controls (Repeated 2019-005)

Condition:

The Town had uninsured and uncollateralized deposits equal to \$113,310 at the end of June 30, 2020 and \$149,572 at the end of June 30, 2021. This is a repeat finding from prior year audit.

Context:

We analyzed Town deposits with banks to ensure the Town has adequate security and insurance backing those deposits in event of bank failing.

Criteria:

The Town should have adequate internal control procedures to analyze its bank deposits to ensure they are adequately insured and collateralized.

Effect:

The Town has uninsured and uncollateralized bank deposits of \$113,310 at June 30, 2020 and \$149,572 at June 30, 2021, which is 15% and 16% of total cash deposits during these periods.

Cause:

The Town does not have procedures to periodically review its bank deposits to ensure they are adequately protected.

Recommendation:

We recommend the Town implement policies and procedures to review bank deposits on a quarterly basis to ensure they Town deposits are 100% insured and collateralized.

Compliance and Other Matters

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

Town of Twin Bridges's Response to Findings

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

Purpose of this Report

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

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

June 29, 2022

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Town Council
Town of Twin Bridges
Madison County
Twin Bridges, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2019-001 Understated Accounts Payable	Implemented
2019-002 Understated Accounts Receivable	Implemented
2019-003 Grant reimbursement requests	Implemented
2019-004 Segregation of duties	Repeated
2019-005 Pledged Security Controls	Repeated

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

June 29, 2022

WHERE THE RIVERS MEET: RUBY, BEAVERHEAD, BIG HOLE, AND JEFFERSON

Town of Twin Bridges

The Town of Twin Bridges is an equal opportunity employer.
PO BOX 307/104 E. 6th Avenue, Twin Bridges, MT 59754
Phone: 406-684-5243 Fax: 406-684-5299

Contact Person:

Kristi Millhouse, Town Clerk/Treasurer

Expected Completion Date of Corrective Action Plan:

As soon as possible.

CORRECTIVE ACTION PLAN

FINDING 2021-001: Benefactors of the Twin Bridges Library Controls

Response: The Town of Twin Bridges has discussed the issues of the Benefactors of the Twin Bridges Library, with the Library Board.

FINDING 2021-002: Segregation of Duties (Repeated 2014-005, 2015-005, 2016-001, and 2019-004)

Response: The Town of Twin Bridges will continue to work as they are and implement as many internal controls as possible to help with the segregation of duties issue and the possibility of theft. The segregation of duties finding can only be eliminated by hiring additional staff which is not financially feasible at this time.

FINDING 2021-003: Pledged Security Controls (Repeated 2019-005)

Response: The Town of Twin Bridges will amend their procedures for the pledged securities watching them on a quarterly basis. We will explore different options to help with this situation. The pledged securities was fixed after the previous audit (FY18-19), our revenue increased causing us to need an additional increase in pledged securities.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2019-001: Understated Accounts Payable

Response: Implemented

FINDING 2019-002: Understated Accounts Receivable

Response: Implemented

FINDING 2019-003: Grant reimbursement requests

Response: Implemented

FINDING 2019-004: Segregation of duties

Town Council: President- Matt Greemore, Nolan Frandsen, Scott Holbrook, Jim Klyap, and Jordan High
Mayor: Patty Hayes Town Clerk/Treasurer: Kristi Millhouse
Maintenance Supervisor: Sam Novich Maintenance: Rick Zahn

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FINDING 2019-005: Pledged Security Controls

Response: The Town of Twin Bridges will amend their procedures for the pledged securities watching them on a quarterly basis. We will explore different options to help with this situation. The pledged securities was fixed after the previous audit (FY18-19), our revenue increased causing us to need an additional increase in pledged securities.

Town Council: President- Matt Greemore, Nolan Frandsen, Scott Holbrook, Jim Klyap, and Jordan High
Mayor: Patty Hayes Town Clerk/Treasurer: Kristi Millhouse
Maintenance Supervisor: Sam Novich Maintenance: Rick Zahn