

TOWN OF TWIN BRIDGES

MADISON COUNTY, MONTANA

Fiscal Years Ended June 30, 2018 and June 30, 2019

**AUDIT REPORT**

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

TOWN OF TWIN BRIDGES

MADISON COUNTY, MONTANA

Fiscal Years Ended June 30, 2018 and June 30, 2019

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TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA

**ORGANIZATION**

Fiscal Years Ended June 30, 2018 and June 30, 2019

**TOWN COUNCIL**

Thomas O. Hyndman  
Matthew Greenmore  
Joe Willauer  
Nolan Frandsen  
Scott Holbrook  
Jim “JB” Klyap

Mayor  
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  
Fiscal Year Ended June 30, 2018**

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, 2018. 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 \$3,144,691 (net position)
- The Town government net position increased by \$57,729
- Business-type net position decreased by \$105,914
- Town governmental funds experienced an increase in revenue over expenses by \$7,858
- Business type fund had an operating decrease of \$112,246

**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 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.

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.

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2018**

**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 2017 to previous Fiscal Year 2016.

**Condensed Financial Statements**

<b>Table 1 - Net Position</b>
-------------------------------

	Governmental Activities			Business-type Activities		
	FY18	FY17	Change Inc (Dec)	FY18	FY17	Change Inc (Dec)
	Current and other assets	\$ 311,940	\$ 253,711	\$ 58,229	\$ 370,520	\$ 357,262
Capital assets	217,335	204,127	13,208	3,432,483	3,529,837	(97,354)
Total assets	\$ 529,275	\$ 457,838	\$ 71,437	\$ 3,803,003	\$ 3,887,099	\$ (84,096)
Long-term debt outstanding	\$ 14,493	\$ 6,654	\$ 7,839	\$ 922,910	\$ 930,008	\$ (7,098)
Other liabilities	91,923	86,054	5,869	158,261	129,345	28,916
Total liabilities	\$ 106,416	\$ 92,708	\$ 13,708	\$ 1,081,171	\$ 1,059,353	\$ 21,818
Net investment in capital assets	\$ 217,335	\$ 204,127	\$ 13,208	\$ 2,533,475	\$ 2,612,553	\$ (79,078)
Restricted	145,531	131,727	13,804	66,268	62,140	4,128
Unrestricted (deficit)	59,993	29,276	30,717	122,089	153,053	(30,964)
Total net position	\$ 422,859	\$ 365,130	\$ 57,729	\$ 2,721,832	\$ 2,827,746	\$ (105,914)

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2018**

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	FY18	FY17	Change Inc (Dec)	FY18	FY17	Change Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,762	\$ 12,037	\$ (10,275)	\$ 261,195	\$ 277,991	\$ (16,796)
Operating grants and contributions	33,607	46,871	(13,264)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	124,156	109,196	14,960	-	-	-
Licenses and permits	4,920	2,934	1,986	-	-	-
Video poker apportionment	-	925	(925)	-	-	-
Miscellaneous	9,871	8,274	1,597	5,836	7,846	(2,010)
Interest/investment earnings	120	495	(375)	276	315	(39)
Local option taxes	21,458	19,411	2,047	-	-	-
Unrestricted federal/state shared revenues	-	365	(365)	-	2,023	(2,023)
State entitlement	41,422	41,186	236	-	-	-
State contributions to retirement	1,074	1,327	(253)	2,232	-	2,232
Contributions & donations	-	215	(215)	-	-	-
Total revenues	\$ 238,390	\$ 243,236	\$ (4,846)	\$ 269,539	\$ 288,175	\$ (18,636)
<b>Program expenses</b>						
General government	\$ 26,695	\$ 23,152	\$ 3,543	\$ -	\$ -	-
Public safety	13,378	14,452	(1,074)	-	-	-
Public works	60,919	84,465	(23,546)	-	-	-
Public health	49	-	49	-	-	-
Culture and recreation	97,421	89,097	8,324	-	-	-
Water	-	-	-	163,061	167,013	(3,952)
Sewer	-	-	-	218,724.00	230,799.00	(12,075)
Total expenses	\$ 198,462	\$ 211,166	\$ (12,704)	\$ 381,785	\$ 397,812	\$ (16,027)
Excess (deficiency) before special items and transfers	39,928	32,070	7,858	(112,246)	(109,637)	(2,609)
<b>Increase (decrease) in net position</b>	\$ 39,928	\$ 32,070	\$ 7,858	\$ (112,246)	\$ (109,637)	\$ (2,609)

**Governmental Activities**

The cost of all Town activities for the year ending June 30, 2018 was \$198,462 compared to \$211,166 for the previous year.

**Business-Type Activities**

The cost of the Town's water/sewer department for the year ending June 30, 2018 was \$381,785 compared to \$397,812 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, 2018, the Town's Governmental Funds reported a combined balance of \$261,347.

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.

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2018**

- General Fund – The General Fund is the primary operating fund for the Town. The general cash balance was \$88,565 at year-end on June 30, 2018.
- Library Fund – The Library Fund is the primary operating fund for the Town Library. The general cash balance was \$65,248 at year-end on June 30, 2018.

**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 2018 amounted to \$2,721,832.

**Capital (Fixed Assets) and Long-Term Debt**

The Town of Twin Bridges' governmental fixed assets increased by \$13,208 from the fiscal year 2017 amount of \$204,127 to the Fiscal Year 2018 amount of \$217,335.

The business-type assets decreased by \$97,354 from the fiscal year 2017 amount of \$3,529,837 to the Fiscal Year 2018 amount of \$3,432,483. The decrease was because of accumulated depreciation.

Long term increased by \$7,839 for a June 30, 2018 balance of \$14,493 in the governmental funds. Long term debt outstanding decreased \$7,098 in the proprietary funds for June 30, 2018 balance of \$930,008.

The Town of Twin Bridges did not have any new long-term debt in Fiscal year 2018. Current long-term debt payments are budgeted within the appropriate fund during the budget process. Long-term debt payments are made on a monthly basis for the sewer system.

**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 2017 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 received one grant in fiscal year 2018. This project will be completed in Fiscal year 2019

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2018**

- **TSEP Grant** – The Town of Twin Bridges was awarded a \$5,000 grant from TSEP and with \$5,000 matching funds to update the Town’s Capital Improvement Plan. The Capital Improvement Plan will guide the Town in upcoming budgets and prioritizing items for the budget.
- **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.

**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  
Fiscal Year Ended June 30, 2019**

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, 2019. 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 \$3,496,111 (net position)
- The Town government net position increased by \$54,973
- Business-type net position increased by \$296,447
- Town governmental funds experienced an increase in revenue over expenses by \$54,973 but a increase from FY 18 of \$15,045
- Business type fund had an increase in revenue over expenses of \$296,447 but an overall increase from FY18 of \$408,693

**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.

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6. Fund Financial Statements
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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  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2019**

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.

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2019**

**Condensed Financial Statements**

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY19</u>	<u>FY18</u>	Change	<u>FY19</u>	<u>FY18</u>	Change
			<u>Inc (Dec)</u>			<u>Inc (Dec)</u>
Current and other assets	\$ 352,913	\$ 311,940	\$ 40,973	\$ 408,385	\$ 370,520	\$ 37,865
Capital assets	260,991	217,335	43,656	3,693,638	3,432,483	261,155
Total assets	<u>\$ 613,904</u>	<u>\$ 529,275</u>	<u>\$ 84,629</u>	<u>\$ 4,102,023</u>	<u>\$ 3,803,003</u>	<u>\$ 299,020</u>
Long-term debt outstanding	\$ 102,700	\$ 86,372	\$ 16,328	\$ 918,301	\$ 922,910	\$ (4,609)
Other liabilities	33,372	20,044	13,328	165,443	158,261	7,182
Total liabilities	<u>\$ 136,072</u>	<u>\$ 106,416</u>	<u>\$ 29,656</u>	<u>\$ 1,083,744</u>	<u>\$ 1,081,171</u>	<u>\$ 2,573</u>
Net investment in capital assets	\$ 247,411	\$ 217,335	\$ 30,076	\$ 2,813,275	\$ 2,533,474	\$ 279,801
Restricted	150,183	145,531	4,652	70,396	66,268	4,128
Unrestricted (deficit)	80,238	59,993	20,245	134,608	122,090	12,518
Total net position	<u>\$ 477,832</u>	<u>\$ 422,859</u>	<u>\$ 54,973</u>	<u>\$ 3,018,279</u>	<u>\$ 2,721,832</u>	<u>\$ 296,447</u>

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	<u>FY19</u>	<u>FY18</u>	Change	<u>FY19</u>	<u>FY18</u>	Change
			<u>Inc (Dec)</u>			<u>Inc (Dec)</u>
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ -	\$ 1,762	\$ (1,762)	\$ 361,802	\$ 261,195	\$ 100,607
Operating grants and contributions	27,243	33,607	(6,364)	1,303	-	1,303
Capital grants and contributions	-	-	-	296,922	-	296,922
<i>General revenues (by major source):</i>						
Property taxes for general purposes	126,294	124,156	2,138	-	-	-
Licenses and permits	4,442	4,920	(478)	-	-	-
Miscellaneous	48,169	9,871	38,298	8	5,836	(5,828)
Interest/investment earnings	124	120	4	401	276	125
Local option taxes	22,682	21,458	1,224	-	-	-
State entitlement	42,266	41,422	844	-	-	-
Contributions & donations	1,268	-	1,268	-	-	-
State contributions to retirement	1,475	1,074	401	-	2,232	(2,232)
Total revenues	<u>\$ 273,963</u>	<u>\$ 238,390</u>	<u>\$ 35,573</u>	<u>\$ 660,436</u>	<u>\$ 269,539</u>	<u>\$ 390,897</u>
<b>Program expenses</b>						
General government	\$ 53,020	\$ 26,695	\$ 26,325	\$ -	\$ -	\$ -
Public safety	13,867	13,378	489	-	-	-
Public works	64,745	60,919	3,826	-	-	-
Public health	-	49	(49)	-	-	-
Culture and recreation	87,358	97,421	(10,063)	-	-	-
Water	-	-	-	147,041	163,061	(16,020)
Sewer	-	-	-	216,948	218,724	(1,776)
Total expenses	<u>\$ 218,990</u>	<u>\$ 198,462</u>	<u>\$ 20,528</u>	<u>\$ 363,989</u>	<u>\$ 381,785</u>	<u>\$ (17,796)</u>
Excess (deficiency) before special items and transfers	54,973	39,928	15,045	296,447	(112,246)	408,693
<b>Increase (decrease) in net position</b>	<u>\$ 54,973</u>	<u>\$ 39,928</u>	<u>\$ 15,045</u>	<u>\$ 296,447</u>	<u>\$ (112,246)</u>	<u>\$ 408,693</u>

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2019**

**Governmental Activities**

The cost of all Town activities for the year ending June 30, 2019 was \$218,990 compared to \$198,462 for the previous year.

**Business-Type Activities**

The cost of the Town's water/sewer department for the year ending June 30, 2019 was \$363,989 compared to \$381,785 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, 2019, the Town's Governmental Funds reported a combined balance of \$308,372.

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 \$118,897 at year-end on June 30, 2019.
- Library Fund – The Library Fund is the primary operating fund for the Town Library. The general cash balance was \$66,658 at year-end on June 30, 2019.

**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 2019 amounted to \$3,018,279.

**Capital (Fixed Assets) and Long-Term Debt**

The Town of Twin Bridges' governmental fixed assets increased by \$43,656 from the fiscal year 2018 amount of \$217,335 to the Fiscal Year 2019 amount of \$260,991.

The business-type assets increased by \$261,115 from the fiscal year 2018 amount of \$3,432,482 to the Fiscal Year 2019 amount of \$3,693,638. The increase was because of the waterline extension that was replaced/updated across the river to the Madison County Fairgrounds.

Long term debt increased by \$16,328 for a June 30, 2019 balance of \$102,700 in the governmental funds. Long term debt outstanding decreased \$4,609 in the proprietary funds for June 30, 2019 balance of \$918,301.

The Town of Twin Bridges did acquire new long term debt for a Bond Anticipation Note for the Storm water System in Fiscal year 2019. 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.

**Town of Twin Bridges  
Madison County, Montana  
Management Discussion & Analysis  
Fiscal Year Ended June 30, 2019**

**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 2019 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 has not received any new grant funding in FY2019.
- **TSEP Grant** – The Town of Twin Bridges was awarded a \$5,000 grant from TSEP in FY2018 and with \$5,000 matching funds to update the Town's Capital Improvement Plan. The Capital Improvement Plan will guide the Town in upcoming budgets and prioritizing items for the budget. This project was completed in FY20.
- **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.
- **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 beginning in FY20.

**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.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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, 2018 and June 30, 2019 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 the Town of Twin Bridges, Madison County, Montana, as of and for the years ended June 30, 2018 and June 30, 2019, 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 2018, the Town has changed their method of reporting the claims and payroll clearing funds. In past years these clearing funds were reported as Agency Funds. In accordance with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the clearing funds are now combined with the Town General Funds. Our opinion is not modified with respect to this matter. As described in Note 1 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (an amendment of GASB No. 45). 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 11 and 70 through 76, 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 May 29, 2020, 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 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 the Town of Twin Bridges, Madison County, Montana's internal control over financial reporting and compliance.

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

May 29, 2020

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 275,050	\$ 233,490	\$ 508,540
Taxes and assessments receivable, net	9,478	-	9,478
Accounts receivable - net	5,754	25,780	31,534
Total current assets	<u>\$ 290,282</u>	<u>\$ 259,270</u>	<u>\$ 549,552</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 66,268	\$ 66,268
Capital assets - land	81,243	48,288	129,531
Capital assets - construction in progress	21,680	12,170	33,850
Capital assets - depreciable, net	114,412	3,372,025	3,486,437
Total noncurrent assets	<u>\$ 217,335</u>	<u>\$ 3,498,751</u>	<u>\$ 3,716,086</u>
Total assets	<u>\$ 507,617</u>	<u>\$ 3,758,021</u>	<u>\$ 4,265,638</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 21,658	\$ 44,982	\$ 66,640
Total deferred outflows of resources	<u>\$ 21,658</u>	<u>\$ 44,982</u>	<u>\$ 66,640</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 529,275</u>	<u>\$ 3,803,003</u>	<u>\$ 4,332,278</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 12,920	\$ -	\$ 12,920
Accounts payable	4,606	1,654	6,260
Accrued payables	1,301	2,601	3,902
Revenues collected in advance	-	3,502	3,502
Other payroll liabilities	630	-	630
Current portion of long-term capital liabilities	-	18,645	18,645
Current portion of compensated absences payable	5,662	7,678	13,340
Total current liabilities	<u>\$ 25,119</u>	<u>\$ 34,080</u>	<u>\$ 59,199</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 6,655	\$ 11,282	\$ 17,937
Noncurrent portion of long-term capital liabilities	-	880,363	880,363
Noncurrent portion of compensated absences	2,176	4,942	7,118
Net pension liability	71,879	149,286	221,165
Total noncurrent liabilities	<u>\$ 80,710</u>	<u>\$ 1,045,873</u>	<u>\$ 1,126,583</u>
Total liabilities	<u>\$ 105,829</u>	<u>\$ 1,079,953</u>	<u>\$ 1,185,782</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 587	\$ 1,218	\$ 1,805
Total Deferred Inflows of resources	<u>\$ 587</u>	<u>\$ 1,218</u>	<u>\$ 1,805</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 217,335	\$ 2,533,475	\$ 2,750,810
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	24,768	24,768
Restricted for special projects	145,531	-	145,531
Unrestricted	59,993	122,089	182,082
Total net position	<u>\$ 422,859</u>	<u>\$ 2,721,832</u>	<u>\$ 3,144,691</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 529,275</u>	<u>\$ 3,803,003</u>	<u>\$ 4,332,278</u>

See accompanying Notes to the Financial Statements



**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 318,550	\$ 269,968	\$ 588,518
Taxes and assessments receivable, net	5,876	-	5,876
Accounts receivable - net	13,193	40,989	54,182
Total current assets	\$ 337,619	\$ 310,957	\$ 648,576
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 70,396	\$ 70,396
Capital assets - land	81,243	48,288	129,531
Capital assets - construction in progress	65,417	353,893	419,310
Capital assets - depreciable, net	114,331	3,291,457	3,405,788
Total noncurrent assets	\$ 260,991	\$ 3,764,034	\$ 4,025,025
Total assets	\$ 598,610	\$ 4,074,991	\$ 4,673,601
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 15,294	\$ 27,032	\$ 42,326
Total deferred outflows of resources	\$ 15,294	\$ 27,032	\$ 42,326
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 613,904</b>	<b>\$ 4,102,023</b>	<b>\$ 4,715,927</b>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 7,518	\$ -	\$ 7,518
Accounts payable	14,059	28,617	42,676
Accrued payables	1,794	1,730	3,524
Deferred revenues - special assignments	-	296	296
Current portion of long-term capital liabilities	-	19,021	19,021
Current portion of compensated absences payable	5,752	7,914	13,666
Total current liabilities	\$ 29,123	\$ 57,578	\$ 86,701
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 15,002	\$ 25,718	\$ 40,720
Noncurrent portion of long-term capital liabilities	13,580	861,342	874,922
Noncurrent portion of compensated absences	2,102	4,306	6,408
Net pension liability	66,264	117,124	183,388
Total noncurrent liabilities	\$ 96,948	\$ 1,008,490	\$ 1,105,438
Total liabilities	\$ 126,071	\$ 1,066,068	\$ 1,192,139
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 10,001	\$ 17,676	\$ 27,677
Total deferred inflows of resources	\$ 10,001	\$ 17,676	\$ 27,677
<b>NET POSITION</b>			
Net investment in capital assets	\$ 247,411	\$ 2,813,275	\$ 3,060,686
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	28,896	28,896
Restricted for special projects	150,183	-	150,183
Unrestricted	80,238	134,608	214,846
Total net position	\$ 477,832	\$ 3,018,279	\$ 3,496,111
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 613,904</b>	<b>\$ 4,102,023</b>	<b>\$ 4,715,927</b>

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 26,695	\$ -	\$ -	\$ (26,695)	\$ -	\$ (26,695)
Public safety	13,378	-	-	(13,378)	-	(13,378)
Public works	60,919	-	14,845	(46,074)	-	(46,074)
Public health	49	-	-	(49)	-	(49)
Culture and recreation	97,421	1,762	17,398	(78,261)	-	(78,261)
Housing and community development	-	-	1,364	1,364	-	1,364
Total governmental activities	\$ <u>198,462</u>	\$ <u>1,762</u>	\$ <u>33,607</u>	\$ <u>(163,093)</u>	\$ <u>-</u>	\$ <u>(163,093)</u>
Business-type activities:						
Water	\$ 163,061	\$ 135,037	\$ -	\$ -	\$ (28,024)	\$ (28,024)
Sewer	218,724	126,158	-	-	(92,566)	(92,566)
Total business-type activities	\$ <u>381,785</u>	\$ <u>261,195</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(120,590)</u>	\$ <u>(120,590)</u>
Total primary government	\$ <u>580,247</u>	\$ <u>262,957</u>	\$ <u>33,607</u>	\$ <u>(163,093)</u>	\$ <u>(120,590)</u>	\$ <u>(283,683)</u>
General Revenues:						
Property taxes for general purposes				\$ 124,156	\$ -	\$ 124,156
Licenses and permits				4,920	-	4,920
Miscellaneous				9,871	5,836	15,707
Interest/investment earnings				120	276	396
Local option taxes				21,458	-	21,458
State entitlement				41,422	-	41,422
State contributions to retirement				1,074	2,232	3,306
Total general revenues, special items and transfers				\$ <u>203,021</u>	\$ <u>8,344</u>	\$ <u>211,365</u>
Change in net position				\$ <u>39,928</u>	\$ <u>(112,246)</u>	\$ <u>(72,318)</u>
Net position - beginning				\$ 365,130	\$ 2,827,746	\$ 3,192,876
Restatements				17,801	6,332	24,133
Net position - beginning - restated				\$ <u>382,931</u>	\$ <u>2,834,078</u>	\$ <u>3,217,009</u>
Net position - end				\$ <u>422,859</u>	\$ <u>2,721,832</u>	\$ <u>3,144,691</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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 53,020	\$ -	\$ -	\$ -	\$ (53,020)	\$ -	\$ (53,020)
Public safety	13,867	-	-	-	(13,867)	-	(13,867)
Public works	64,745	-	19,707	-	(45,038)	-	(45,038)
Culture and recreation	87,358	-	7,536	-	(79,822)	-	(79,822)
Total governmental activities	\$ <u>218,990</u>	\$ <u>-</u>	\$ <u>27,243</u>	\$ <u>-</u>	\$ <u>(191,747)</u>	\$ <u>-</u>	\$ <u>(191,747)</u>
Business-type activities:							
Water	\$ 147,041	\$ 174,282	\$ -	\$ 296,922	\$ -	\$ 324,163	\$ 324,163
Sewer	216,948	187,520	1,303	-	-	(28,125)	(28,125)
Total business-type activities	\$ <u>363,989</u>	\$ <u>361,802</u>	\$ <u>1,303</u>	\$ <u>296,922</u>	\$ <u>-</u>	\$ <u>296,038</u>	\$ <u>296,038</u>
Total primary government	\$ <u>582,979</u>	\$ <u>361,802</u>	\$ <u>28,546</u>	\$ <u>296,922</u>	\$ <u>(191,747)</u>	\$ <u>296,038</u>	\$ <u>104,291</u>
General Revenues:							
Property taxes for general purposes					\$ 126,294	\$ -	\$ 126,294
Licenses and permits					4,442	-	4,442
Miscellaneous					48,169	8	48,177
Interest/investment earnings					124	401	525
Local option taxes					22,682	-	22,682
State entitlement					42,266	-	42,266
Contributions & donations					1,268	-	1,268
State contributions to retirement					1,475	-	1,475
Total general revenues, special items and transfers					\$ <u>246,720</u>	\$ <u>409</u>	\$ <u>247,129</u>
Change in net position					\$ <u>54,973</u>	\$ <u>296,447</u>	\$ <u>351,420</u>
Net position - beginning					\$ <u>422,859</u>	\$ <u>2,721,832</u>	\$ <u>3,144,691</u>
Net position - end					\$ <u>477,832</u>	\$ <u>3,018,279</u>	\$ <u>3,496,111</u>

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 88,565	\$ 65,248	\$ 121,237	\$ 275,050
Taxes and assessments receivable, net	9,273	-	205	9,478
Accounts receivable - net	5,754	-	-	5,754
<b>TOTAL ASSETS</b>	<u>\$ 103,592</u>	<u>\$ 65,248</u>	<u>\$ 121,442</u>	<u>\$ 290,282</u>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable	\$ 12,920	\$ -	\$ -	\$ 12,920
Accounts payable	\$ 3,347	\$ 669	\$ 590	\$ 4,606
Accrued payables	663	638	-	1,301
Other payroll liabilities	630	-	-	630
Total liabilities	<u>\$ 17,560</u>	<u>\$ 1,307</u>	<u>\$ 590</u>	<u>\$ 19,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources	\$ 9,273	\$ -	\$ 205	\$ 9,478
Total deferred inflows of resources	<u>\$ 9,273</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 9,478</u>
<b>FUND BALANCES</b>				
Restricted	\$ -	\$ 63,941	\$ 78,790	\$ 142,731
Committed	-	-	41,857	41,857
Unassigned fund balance	76,759	-	-	76,759
Total fund balance	<u>\$ 76,759</u>	<u>\$ 63,941</u>	<u>\$ 120,647</u>	<u>\$ 261,347</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 103,592</u>	<u>\$ 65,248</u>	<u>\$ 121,442</u>	<u>\$ 290,282</u>

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<b>General</b>	<b>Library</b>	<b>Storm Drainage District #1</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 118,897	\$ 66,658	\$ -	\$ 132,995	\$ 318,550
Taxes and assessments receivable, net	5,744	-	-	132	5,876
Accounts receivable - net	13,193	-	-	-	13,193
Due from other funds	20,554	-	-	-	20,554
<b>TOTAL ASSETS</b>	<b>\$ 158,388</b>	<b>\$ 66,658</b>	<b>\$ -</b>	<b>\$ 133,127</b>	<b>\$ 358,173</b>
<b>LIABILITIES</b>					
Current liabilities:					
Warrants payable	\$ 7,518	\$ -	\$ -	\$ -	\$ 7,518
Accounts payable	8,746	955	4,358	-	14,059
Accrued payables	1,053	741	-	-	1,794
Due to other funds	-	-	20,554	-	20,554
Total liabilities	<b>\$ 17,317</b>	<b>\$ 1,696</b>	<b>\$ 24,912</b>	<b>\$ -</b>	<b>\$ 43,925</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources - taxes	\$ 5,744	\$ -	\$ -	\$ 132	\$ 5,876
Total deferred inflows of resources	<b>\$ 5,744</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 132</b>	<b>\$ 5,876</b>
<b>FUND BALANCES</b>					
Restricted	\$ -	\$ 64,962	\$ -	\$ 85,221	\$ 150,183
Committed	-	-	-	47,774	47,774
Unassigned fund balance	135,327	-	(24,912)	-	110,415
Total fund balance	<b>\$ 135,327</b>	<b>\$ 64,962</b>	<b>\$ (24,912)</b>	<b>\$ 132,995</b>	<b>\$ 308,372</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 158,388</b>	<b>\$ 66,658</b>	<b>\$ -</b>	<b>\$ 133,127</b>	<b>\$ 358,173</b>

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, 2018**

<b>Total fund balances - governmental funds</b>	\$ 261,347
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	217,335
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.	9,478
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(14,493)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(71,879)
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.	21,658
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(587)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>422,859</u></u></b>

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, 2019**

<b>Total fund balances - governmental funds</b>	\$ 308,372
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	260,991
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.	5,876
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(36,436)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(66,264)
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.	15,294
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(10,001)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>477,832</u></u></b>

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, 2018**

	<u>General</u>	<u>Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 89,646	\$ 55,700	\$ 1,426	\$ 146,772
Licenses and permits	3,670	-	-	3,670
Intergovernmental	44,036	1,480	14,845	60,361
Charges for services	1,820	-	-	1,820
Miscellaneous	7,935	3,347	14,449	25,731
Investment earnings	30	74	16	120
Total revenues	<u>\$ 147,137</u>	<u>\$ 60,601</u>	<u>\$ 30,736</u>	<u>\$ 238,474</u>
<b>EXPENDITURES</b>				
General government	\$ 26,917	\$ -	\$ -	\$ 26,917
Public safety	11,458	-	-	11,458
Public works	47,494	-	11,158	58,652
Public health	49	-	-	49
Culture and recreation	21,477	58,158	12,285	91,920
Capital outlay	13,270	-	9,715	22,985
Total expenditures	<u>\$ 120,665</u>	<u>\$ 58,158</u>	<u>\$ 33,158</u>	<u>\$ 211,981</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 26,472</u>	<u>\$ 2,443</u>	<u>\$ (2,422)</u>	<u>\$ 26,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 4,000	\$ 1,710	\$ 5,710
Transfers out	(4,105)	(1,500)	(105)	(5,710)
Total other financing sources (uses)	<u>\$ (4,105)</u>	<u>\$ 2,500</u>	<u>\$ 1,605</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 22,367</u>	<u>\$ 4,943</u>	<u>\$ (817)</u>	<u>\$ 26,493</u>
Fund balances - beginning	\$ 40,285	\$ 58,998	\$ 121,464	\$ 220,747
Restatements	14,107	-	-	14,107
Fund balances - beginning, restated	<u>\$ 54,392</u>	<u>\$ 58,998</u>	<u>\$ 121,464</u>	<u>\$ 234,854</u>
Fund balance - ending	<u>\$ 76,759</u>	<u>\$ 63,941</u>	<u>\$ 120,647</u>	<u>\$ 261,347</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, 2019**

	<u>General</u>	<u>Library</u>	<u>Storm Drainage District #1</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes and assessments	\$ 93,134	\$ 57,920	\$ -	\$ 1,523	\$ 152,577
Licenses and permits	3,442	-	-	-	3,442
Intergovernmental	43,266	1,887	-	19,707	64,860
Charges for services	1,524	-	-	-	1,524
Miscellaneous	46,272	1,541	-	5,674	53,487
Investment earnings	10	102	-	14	126
Total revenues	<u>\$ 187,648</u>	<u>\$ 61,450</u>	<u>\$ -</u>	<u>\$ 26,918</u>	<u>\$ 276,016</u>
<b>EXPENDITURES</b>					
General government	\$ 32,856	\$ -	\$ -	\$ -	\$ 32,856
Public safety	11,947	-	-	-	11,947
Public works	53,116	-	5,670	3,182	61,968
Culture and recreation	17,626	57,429	-	6,802	81,857
Capital outlay	10,915	-	32,822	10,206	53,943
Total expenditures	<u>\$ 126,460</u>	<u>\$ 57,429</u>	<u>\$ 38,492</u>	<u>\$ 20,190</u>	<u>\$ 242,571</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 61,188</u>	<u>\$ 4,021</u>	<u>\$ (38,492)</u>	<u>\$ 6,728</u>	<u>\$ 33,445</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long term debt	\$ -	\$ -	\$ 13,580	\$ -	\$ 13,580
Transfers in	-	2,000	-	6,240	8,240
Transfers out	(2,620)	(5,000)	-	(620)	(8,240)
Total other financing sources (uses)	<u>\$ (2,620)</u>	<u>\$ (3,000)</u>	<u>\$ 13,580</u>	<u>\$ 5,620</u>	<u>\$ 13,580</u>
Net Change in Fund Balance	<u>\$ 58,568</u>	<u>\$ 1,021</u>	<u>\$ (24,912)</u>	<u>\$ 12,348</u>	<u>\$ 47,025</u>
Fund balances - beginning	\$ 76,759	\$ 63,941	\$ -	\$ 120,647	\$ 261,347
Fund balance - ending	<u>\$ 135,327</u>	<u>\$ 64,962</u>	<u>\$ (24,912)</u>	<u>\$ 132,995</u>	<u>\$ 308,372</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, 2018**

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

**Net change in fund balances - total governmental funds** \$ 26,493

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	22,985
- Depreciation expense	(9,777)

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 revenue)	(1,158)
--	---------

The change in compensated absences is shown as an expense in the Statement of Activities

(1,184)

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	708
--	-----

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

(3,197)

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

1,074

Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and show as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.

3,984

**Change in net position - Statement of Activities** \$ 39,928

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, 2019**

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

<b>Net change in fund balances - total governmental funds</b>	\$ 47,025
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	53,943
- Depreciation expense	(10,287)
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 revenue)	(3,602)
The change in compensated absences is shown as an expense in the Statement of Activities	
	(16)
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	(13,580)
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	(8,421)
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	
	(16,184)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	1,475
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and show as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	
	4,620
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>54,973</u></b>

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 145,910	\$ 87,580	\$ 233,490
Accounts receivable - net	13,496	12,284	25,780
Total current assets	<u>\$ 159,406</u>	<u>\$ 99,864</u>	<u>\$ 259,270</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 66,268	\$ 66,268
Capital assets - land	-	48,288	48,288
Capital assets - construction in progress	6,085	6,085	12,170
Capital assets - depreciable, net	692,262	2,679,763	3,372,025
Total noncurrent assets	<u>\$ 698,347</u>	<u>\$ 2,800,404</u>	<u>\$ 3,498,751</u>
Total assets	<u>\$ 857,753</u>	<u>\$ 2,900,268</u>	<u>\$ 3,758,021</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	22,491	22,491	44,982
Total deferred outflows of resources	<u>\$ 22,491</u>	<u>\$ 22,491</u>	<u>\$ 44,982</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 880,244</u>	<u>\$ 2,922,759</u>	<u>\$ 3,803,003</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 484	\$ 1,170	\$ 1,654
Accrued payables	1,306	1,295	2,601
Revenues collected in advance	2,144	1,358	3,502
Current portion of long-term capital liabilities	-	18,645	18,645
Current portion of compensated absences payable	3,839	3,839	7,678
Total current liabilities	<u>\$ 7,773</u>	<u>\$ 26,307</u>	<u>\$ 34,080</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 5,641	\$ 5,641	\$ 11,282
Noncurrent portion of long-term capital liabilities	-	880,363	880,363
Noncurrent portion of compensated absences	2,471	2,471	4,942
Net pension liability	74,643	74,643	149,286
Total noncurrent liabilities	<u>\$ 82,755</u>	<u>\$ 963,118</u>	<u>\$ 1,045,873</u>
Total liabilities	<u>\$ 90,528</u>	<u>\$ 989,425</u>	<u>\$ 1,079,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	609	609	1,218
Total deferred inflows of resources	<u>\$ 609</u>	<u>\$ 609</u>	<u>\$ 1,218</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 698,347	\$ 1,835,128	\$ 2,533,475
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	24,768	24,768
Unrestricted	90,760	31,329	122,089
Total net position	<u>\$ 789,107</u>	<u>\$ 1,932,725</u>	<u>\$ 2,721,832</u>
Total liabilities and net position	<u>\$ 879,635</u>	<u>\$ 2,922,150</u>	<u>\$ 3,801,785</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 880,244</u>	<u>\$ 2,922,759</u>	<u>\$ 3,803,003</u>

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 163,213	\$ 106,755	\$ 269,968
Accounts receivable - net	24,013	16,976	40,989
Total current assets	<u>\$ 187,226</u>	<u>\$ 123,731</u>	<u>\$ 310,957</u>
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ 70,396	\$ 70,396
Capital assets - land	-	48,288	48,288
Capital assets - construction in progress	337,055	16,838	353,893
Capital assets - depreciable, net	691,178	2,600,279	3,291,457
Total noncurrent assets	<u>\$ 1,028,233</u>	<u>\$ 2,735,801</u>	<u>\$ 3,764,034</u>
Total assets	<u>\$ 1,215,459</u>	<u>\$ 2,859,532</u>	<u>\$ 4,074,991</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 13,516	\$ 13,516	\$ 27,032
Total deferred outflows of resources	<u>\$ 13,516</u>	<u>\$ 13,516</u>	<u>\$ 27,032</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,228,975</u>	<u>\$ 2,873,048</u>	<u>\$ 4,102,023</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 28,077	\$ 540	\$ 28,617
Accrued payables	865	865	1,730
Deferred revenues - special assignments	194	102	296
Current portion of long-term capital liabilities	-	19,021	19,021
Current portion of compensated absences payable	3,957	3,957	7,914
Total current liabilities	<u>\$ 33,093</u>	<u>\$ 24,485</u>	<u>\$ 57,578</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ 12,859	\$ 12,859	\$ 25,718
Noncurrent portion of long-term capital liabilities	-	861,342	861,342
Noncurrent portion of compensated absences	2,153	2,153	4,306
Net pension liability	58,562	58,562	117,124
Total noncurrent liabilities	<u>\$ 73,574</u>	<u>\$ 934,916</u>	<u>\$ 1,008,490</u>
Total liabilities	<u>\$ 106,667</u>	<u>\$ 959,401</u>	<u>\$ 1,066,068</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 8,838	\$ 8,838	\$ 17,676
Total deferred inflows of resources	<u>\$ 8,838</u>	<u>\$ 8,838</u>	<u>\$ 17,676</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,028,233	\$ 1,785,042	\$ 2,813,275
Restricted for capital projects	-	41,500	41,500
Restricted for debt service	-	28,896	28,896
Unrestricted	85,237	49,371	134,608
Total net position	<u>\$ 1,113,470</u>	<u>\$ 1,904,809</u>	<u>\$ 3,018,279</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 1,228,975</u>	<u>\$ 2,873,048</u>	<u>\$ 4,102,023</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, 2018**

**Business-Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 135,037	\$ 129,578	\$ 264,615
Miscellaneous revenues	1,587	829	2,416
Total operating revenues	<u>\$ 136,624</u>	<u>\$ 130,407</u>	<u>\$ 267,031</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 85,913	\$ 87,243	\$ 173,156
Supplies	5,456	9,463	14,919
Purchased services	33,523	21,522	55,045
Fixed charges	3,024	2,950	5,974
Depreciation	35,145	79,482	114,627
Total operating expenses	<u>\$ 163,061</u>	<u>\$ 200,660</u>	<u>\$ 363,721</u>
Operating income (loss)	<u>\$ (26,437)</u>	<u>\$ (70,253)</u>	<u>\$ (96,690)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	\$ 1,116	\$ 1,116	\$ 2,232
Interest revenue	165	111	276
Debt service interest expense	-	(18,064)	(18,064)
Total non-operating revenues (expenses)	<u>\$ 1,281</u>	<u>\$ (16,837)</u>	<u>\$ (15,556)</u>
Change in net position	<u>\$ (25,156)</u>	<u>\$ (87,090)</u>	<u>\$ (112,246)</u>
Net Position - Beginning of the year	\$ 811,097	\$ 2,016,649	\$ 2,827,746
Restatements	3,166	3,166	6,332
Net Position - Beginning of the year - Restated	<u>\$ 814,263</u>	<u>\$ 2,019,815</u>	<u>\$ 2,834,078</u>
Net Position - End of the year	<u>\$ 789,107</u>	<u>\$ 1,932,725</u>	<u>\$ 2,721,832</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, 2019**

**Business-Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 174,282	\$ 187,520	\$ 361,802
Miscellaneous revenues	4	4	8
Total operating revenues	<u>\$ 174,286</u>	<u>\$ 187,524</u>	<u>\$ 361,810</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 81,713	\$ 81,711	\$ 163,424
Supplies	10,822	6,692	17,514
Purchased services	34,756	21,385	56,141
Fixed charges	3,176	3,102	6,278
Loss/bad debt expense	15,491	6,859	22,350
Depreciation	1,083	79,484	80,567
Total operating expenses	<u>\$ 147,041</u>	<u>\$ 199,233</u>	<u>\$ 346,274</u>
Operating income (loss)	<u>\$ 27,245</u>	<u>\$ (11,709)</u>	<u>\$ 15,536</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	\$ 296,922	\$ 1,303	\$ 298,225
Interest revenue	196	205	401
Debt service interest expense	-	(17,715)	(17,715)
Total non-operating revenues (expenses)	<u>\$ 297,118</u>	<u>\$ (16,207)</u>	<u>\$ 280,911</u>
Change in net position	<u>\$ 324,363</u>	<u>\$ (27,916)</u>	<u>\$ 296,447</u>
Net Position - Beginning of the year	<u>\$ 789,107</u>	<u>\$ 1,932,725</u>	<u>\$ 2,721,832</u>
Net Position - End of the year	<u>\$ 1,113,470</u>	<u>\$ 1,904,809</u>	<u>\$ 3,018,279</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, 2018**

**Business - Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>			
Cash received from providing services	\$ 135,064	\$ 136,353	\$ 271,417
Cash received from miscellaneous sources	1,587	829	2,416
Cash payments to suppliers	(5,317)	(8,933)	(14,250)
Cash payments for professional services	(36,547)	(24,472)	(61,019)
Cash payments to employees	(71,017)	(71,036)	(142,053)
Net cash provided (used) by operating activities	<u>\$ 23,770</u>	<u>\$ 32,741</u>	<u>\$ 56,511</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	\$ (8,636)	\$ (8,636)	\$ (17,272)
Principal paid on debt	-	(18,276)	(18,276)
Interest paid on debt	-	(18,064)	(18,064)
Net cash provided (used) by capital and related financing activities	<u>\$ (8,636)</u>	<u>\$ (44,976)</u>	<u>\$ (53,612)</u>
<b>Cash flows from non-capital financing activities:</b>			
Cash received from other sources	\$ 1,116	\$ 1,116	\$ 2,232
Net cash provided (used) from non-capital financing activities	<u>\$ 1,116</u>	<u>\$ 1,116</u>	<u>\$ 2,232</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	\$ 165	\$ 111	\$ 276
Net cash provided (used) by investing activities	<u>\$ 165</u>	<u>\$ 111</u>	<u>\$ 276</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 16,415</u>	<u>\$ (11,008)</u>	<u>\$ 5,407</u>
<b>Cash and cash equivalents at beginning</b>	<u>129,495</u>	<u>164,856</u>	<u>294,351</u>
<b>Cash and cash equivalents at end</b>	<u><u>\$ 145,910</u></u>	<u><u>\$ 153,848</u></u>	<u><u>\$ 299,758</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (26,437)	\$ (70,253)	\$ (96,690)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	35,145	79,482	114,627
Changes in assets and liabilities:			
Accounts receivable	(138)	7,832	7,694
Revenues collected in advance	111	(1,057)	(946)
Other post-employment benefits	2,834	2,888	5,722
Net pension liability and related deferreds	12,054	13,234	25,288
Accounts payable	139	530	669
Compensated absences payable	(52)	(52)	(104)
Accrued payroll payable	114	137	251
Net cash provided (used) by operating activities	<u><u>\$ 23,770</u></u>	<u><u>\$ 32,741</u></u>	<u><u>\$ 56,511</u></u>

See accompanying notes to the financial statements



**Town of Twin Bridges, Madison County Montana**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**Fiscal Year Ended June 30, 2019**

	<b>Business - Type Activities</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from providing services	\$ 146,324	\$ 174,713	\$ 321,037
Cash received from miscellaneous sources	4	4	8
Cash payments to suppliers	(1,884)	(10,424)	(12,308)
Cash payments for professional services	(34,756)	(21,385)	(56,141)
Cash payments to employees	(74,013)	(74,000)	(148,013)
Net cash provided (used) by operating activities	\$ 35,675	\$ 68,908	\$ 104,583
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	\$ (315,490)	\$ (9,450)	\$ (324,940)
Cash received from capital grants and contributions	296,922	-	296,922
Principal paid on debt	-	(18,645)	(18,645)
Interest paid on debt	-	(17,715)	(17,715)
Net cash provided (used) by capital and related financing activities	\$ (18,568)	\$ (45,810)	\$ (64,378)
<b>Cash flows from investing activities:</b>			
Interest on investments	\$ 196	\$ 205	\$ 401
Net cash provided (used) by investing activities	\$ 196	\$ 205	\$ 401
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 17,303	\$ 23,303	\$ 40,606
<b>Cash and cash equivalents at beginning</b>	145,910	153,848	299,758
<b>Cash and cash equivalents at end</b>	\$ 163,213	\$ 177,151	\$ 340,364
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 27,245	\$ (11,709)	\$ 15,536
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,083	79,484	80,567
Changes in assets and liabilities:			
Accounts receivable - net	(10,517)	(4,692)	(15,209)
Accounts payable	12,114	(630)	11,484
Accrued payables	(441)	(430)	(871)
Revenues collected in advance	(1,950)	(1,256)	(3,206)
Compensated absence liability	(200)	(200)	(400)
Net pension liability and related deferreds	1,123	1,123	2,246
Other post-employment benefits	7,218	7,218	14,436
Net cash provided (used) by operating activities	\$ 35,675	\$ 68,908	\$ 104,583

See accompanying notes to the financial statements

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$	379
Taxes receivable		205
Total assets	\$	<u>584</u>
<b>LIABILITIES</b>		
Due to others		584
Total liabilities	\$	<u>584</u>

**NET POSITION**

See accompanying Notes to the Financial Statements

**Town of Twin Bridges, Madison County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

		<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$	504
Taxes receivable		132
Total assets	\$	<u>636</u>
<b>LIABILITIES</b>		
Due to others	\$	636
Total liabilities	\$	<u>636</u>

See accompanying Notes to the Financial Statements

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**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. 75 *Accounting and Financial Report for Postemployment Benefits Other than Pension (OPEB)*, is effective for years beginning after June 15, 2017 with early implementation encouraged. The statement fully amends the previously issued GASB No. 45 *Accounting and Financial Report for Postemployment Benefits Other than Pension*. GASB 75 established standards for recognition and measurement of the liabilities, deferred outflows and inflows of resources, and expense/expenditures related to OPEB. Different distinctions are made regarding the particular requirements depending upon whether the OPEB plans are administered through a trust that meets criteria identified in the statement. The statement also identifies the methods and assumptions required in projecting benefit payments, discounting those payments to actuarial present value, and applying that present value to periods of employee service in the Town. The disclosure requirements for OPEB plans is defined in this statement, that includes further detail on the Town's plan and benefits provided, the assumptions used in the valuations, sensitivity analysis, and number of employees in the plan. Lastly, it increased the required supplementary information requiring 10 most recent fiscal years summarizing sources of change in OPEB liability, its components, and other related ratios. These changes are similar to pension GASB No. 68 that became effective in the prior fiscal year.

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 amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as 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 current fiscal year and is related in the debt footnotes below if applicable.

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**Change in Accounting Principle**

Beginning in fiscal year 2018, the Town changed the method of reporting its clearing funds, claims and payroll clearing. Previously, these funds were reported as agency funds, but it was determined in the current year that these funds did not meet the definition of an agency fund as outlined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as the resources are not being held by the Town in a custodial capacity. As explained further in the major fund descriptions, these funds were combined with the General Funds of the Town for reporting purposes.

**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 units' 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.

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**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 and 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 assets 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 separate accounting entities. 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 is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is 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.

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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.

*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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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 consist of assets held by the Town as an agent for individuals, private organizations, other local governmental entities.

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

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2018 and June 30, 2019, are as follows:

	Primary Government <u>June 30, 2018</u>	Primary Government <u>June 30, 2019</u>
<u>Cash on hand and deposits:</u>		
Petty Cash	\$ 250	\$ 250
Cash in banks:		
Demand deposits	406,573	486,226
Savings deposits	29,533	33,603
Time deposits	138,831	139,339
Total	\$ 575,187	\$ 659,418

**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 MCA:

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

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(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 authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

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, 2018 and June 30, 2019, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2018	June 30, 2019
	<u>Balance</u>	<u>Balance</u>
<u>Depository Account</u>		
Insured	\$ 428,955	\$ 433,250
- Collateral held by the pledging bank's trust department but not in the County's name	145,715	164,337
-Uninsured and uncollateralized deposits	-	64,526
Total deposits and investments	<u>\$ 574,670</u>	<u>\$ 662,113</u>

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Deposit Security

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

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

The amount of collateral held for Town deposits at June 30, 2018 and June 30, 2019, 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, 2018 and June 30, 2019. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	June 30, 2018	June 30, 2019
		<u>Amount</u>	<u>Amount</u>
Sewer	Future Debt Service	\$ 24,768	\$ 28,896
Sewer	Repair and Replacement	<u>41,500</u>	<u>41,500</u>
	Total	<u>\$ 66,268</u>	<u>\$ 70,396</u>

**NOTE 4. RECEIVABLES**

**Tax Receivables**

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

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

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

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	20 – 40 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Town has included the value of all infrastructure into the 2018-19 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows for fiscal year ended June 30, 2018:

Governmental activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:			
Land	\$ 81,243	\$ -	\$ 81,243
Construction in progress	2,097	19,583	21,680
Total capital assets not being depreciated	\$ 83,340	\$ 19,583	\$ 102,923
Other capital assets:			
Buildings	\$ 357,597	\$ -	\$ 357,597
Improvements other than buildings	201,995	-	201,995
Machinery and equipment	70,120	3,402	73,522
Total other capital assets at historical cost	\$ 629,712	\$ 3,402	\$ 633,114
Less: accumulated depreciation	\$ (508,925)	\$ (9,777)	\$ (518,702)
Total	\$ 204,127	\$ 13,208	\$ 217,335

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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 89
Public safety	1,920
Public works	2,267
Culture and recreation	<u>5,501</u>
Total governmental activities depreciation expense	<u>\$9,777</u>

A summary of changes in business-type capital assets was as follows for fiscal year ended June 30, 2018:

Business-type activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:			
Land	\$ 48,288	\$ -	\$ 48,288
Construction in progress	-	12,170	12,170
Total capital assets not being depreciated	<u>\$ 48,288</u>	<u>\$ 12,170</u>	<u>\$ 60,458</u>
Other capital assets:			
Improvements other than buildings	\$ 4,767,009	\$ -	\$ 4,767,009
Machinery and equipment	69,139	5,103	74,242
Total other capital assets at historical cost	<u>\$ 4,836,148</u>	<u>\$ 5,103</u>	<u>\$ 4,841,251</u>
Less: accumulated depreciation	<u>\$ (1,354,599)</u>	<u>\$ (114,627)</u>	<u>\$ (1,469,226)</u>
Total	<u><u>\$ 3,529,837</u></u>	<u><u>\$ (97,354)</u></u>	<u><u>\$ 3,432,483</u></u>

A summary of changes in governmental capital assets was as follows for fiscal year ended June 30, 2019:

Governmental activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 81,243	\$ -	\$ 81,243
Construction in progress	21,680	43,737	65,417
Total capital assets not being depreciated	<u>\$ 102,923</u>	<u>\$ 43,737</u>	<u>\$ 146,660</u>
Other capital assets:			
Buildings	\$ 357,597	\$ -	\$ 357,597
Improvements other than buildings	201,995	10,206	212,201
Machinery and equipment	73,522	-	73,522
Total other capital assets at historical cost	<u>\$ 633,114</u>	<u>\$ 10,206</u>	<u>\$ 643,320</u>
Less: accumulated depreciation	<u>\$ (518,702)</u>	<u>\$ (10,287)</u>	<u>\$ (528,989)</u>
Total	<u><u>\$ 217,335</u></u>	<u><u>\$ 43,656</u></u>	<u><u>\$ 260,991</u></u>

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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 89
Public safety	1,920
Public works	2,777
Culture and recreation	<u>5,501</u>
Total governmental activities depreciation expense	<u>\$10,287</u>

A summary of changes in business-type capital assets was as follows for fiscal year ended June 30, 2019:

Business-type activities:

	Balance <u>July 1, 2018</u>	Additions	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:			
Land	\$ 48,288	\$ -	\$ 48,288
Construction in progress	12,170	341,723	353,893
Total capital assets not being depreciated	<u>\$ 60,458</u>	<u>\$ 341,723</u>	<u>\$ 402,181</u>
Other capital assets:			
Improvements other than buildings	\$ 4,767,009	\$ -	\$ 4,767,009
Machinery and equipment	74,241	-	74,241
Total other capital assets at historical cost	<u>\$ 4,841,250</u>	<u>\$ -</u>	<u>\$ 4,841,250</u>
Less: accumulated depreciation	<u>\$ (1,469,226)</u>	<u>\$ (80,567)</u>	<u>\$ (1,549,793)</u>
Total	<u><u>\$ 3,432,482</u></u>	<u><u>\$ 261,156</u></u>	<u><u>\$ 3,693,638</u></u>

**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.

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Changes in Long-Term Debt Liabilities - During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Restatements</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Compensated absences	\$ 6,654	\$ 1,184	\$ -	\$ 7,838	\$ 5,662
Net pension liability*	71,574	305	-	71,879	-
Other post-employment benefits**	11,057	(708)	(3,694)	6,655	-
Total	<u>\$ 89,285</u>	<u>\$ 781</u>	<u>\$ (3,694)</u>	<u>\$ 86,372</u>	<u>\$ 5,662</u>

\*See Note 9

\*\*See Note 7

The general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 917,284	\$ -	\$ (18,276)	\$ -	\$ 899,008	\$ 18,645
Compensated absences	12,724	-	(104)	-	12,620	7,678
Net pension liability*	109,034	40,252	-	-	149,286	-
Other post-employment benefits**	11,945	5,669	-	(6,332)	11,282	-
Total	<u>\$ 1,050,987</u>	<u>\$ 45,921</u>	<u>\$ (18,380)</u>	<u>\$ (6,332)</u>	<u>\$ 1,072,196</u>	<u>\$ 26,323</u>

\*See Note 9

\*\*See Note 7

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Compensated absences	\$ 7,838	\$ 16	\$ -	\$ 7,854	\$ 5,752
Bond anticipation note	-	13,580	-	13,580	-
Net pension liability*	71,879	-	(5,615)	66,264	-
Other post-employment benefits**	6,655	8,347	-	15,002	-
Total	<u>\$ 86,372</u>	<u>\$ 21,943</u>	<u>\$ (5,615)</u>	<u>\$ 102,700</u>	<u>\$ 5,752</u>

\*See Note 9

\*\*See Note 7

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The general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance			Balance	Due Within
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>One Year</u>
Revenue bonds	\$ 899,008	\$ -	\$ (18,645)	\$ 880,363	\$ 19,021
Compensated absences	12,620	-	(400)	12,220	7,914
Net pension liability*	149,286	-	(32,162)	117,124	-
Other post-employment benefits**	11,282	14,436	-	25,718	-
Total	<u>\$ 1,072,196</u>	<u>\$ 14,436</u>	<u>\$ (51,207)</u>	<u>\$ 1,035,425</u>	<u>\$ 26,935</u>

\*See Note 9

\*\*See Note 7

*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:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2019</u>
FY12 RD Loan Refinancing	5/23/12	2.00%	40yrs	5/23/52	\$ <u>1,000,000</u>	Varies	\$ <u>899,008</u>	\$ <u>880,363</u>

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

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, 2018 and June 30, 2019 the Town had properly accumulated the required reserves for these years and were in compliance with requirement. The total reserves held for fiscal year 2018 and fiscal year 2019 were equal to \$24,768 and \$28,896.

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, 2018 and June 30, 2019 and was in compliance.



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Annual requirement to amortize debt for fiscal year June 30, 2018:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 18,645	\$ 17,715
2020	19,021	17,339
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
	<u>\$ 899,008</u>	<u>\$ 337,666</u>

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Annual requirement to amortize debt for fiscal year June 30, 2019:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 19,021	\$ 17,339
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
	<u>\$ 880,363</u>	<u>\$ 319,951</u>

*Bond Anticipation Note* - The Town obtained a bond anticipation note for their storm water improvement district project. Bond anticipation note debt outstanding as of June 30, 2019 was as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Balance June 30, 2019</u>
Storm Water SID – series 2019						
R-1 bond anticipation note	5/29/19	1.75%	2.5yrs	1/1/22	\$ <u>25,000</u>	\$ <u>13,580</u>

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -
2021	-	-
2022	13,580	614
Total	<u>\$ 13,580</u>	<u>\$ 614</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 no 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, and Montana State Law (2-18-704) requires local governments to allow 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 MCA 2-18-704. 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	0
Active employees	4
Total employees	4

*Employees covered by benefit terms.* At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	0
Active employees	4
Total employees	4

Total OPEB Liability

The Town's total OPEB liability of \$17,937 at June 30, 2018, and was determined by using the alternative measurement method as of June 30, 2017 with a roll-forward estimate as of June 30, 2018.

Total OPEB Liability

The Town's total OPEB liability of \$40,720 at June 30, 2019, and was determined by using the alternative measurement method as of June 30, 2019.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2017 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)	3.87%
Average salary increase (Consumer Price Index)	4.00%

Health care cost rate trend

<u>Year</u>	<u>% Increase</u>
2018	3.77%
2019	6.50%
2020	6.00%
2021	5.90%
2022	5.70%
2023	5.60%
2024	5.50%
2025	5.30%
2026 through 2042	5.20%
2043 and after	5.00%

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

Life expectancy of employees was based on the United States Life Tables, 2011 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 64, No. 4, August 14, 2017.

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.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2019 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)	3.50%
Average salary increase (Consumer Price Index)	4.00%
<u>Health care cost rate trend</u>	

<u>Year</u>	<u>% Increase</u>
2020	7.98%
2021	6.50%
2022	6.00%
2023	5.90%
2024	5.70%
2025	5.60%
2026	5.50%
2027	5.30%
2027 through 2044	5.20%
2044 and after	5.00%

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

Life expectancy of employees was based on the United States Life Tables, 2011 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 64, No. 4, August 14, 2017.

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.

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Changes in the Total OPEB Liability

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Beginning Balance	\$ <u>23,002</u>	\$ <u>17,937</u>
Changes for the year:		
Service Cost	\$ 5,295	\$ 19,976
Interest	707	1,327
Differences in experience	-	914
Change in assumptions	(124)	1,338
Benefit payments	(917)	(772)
Restatement	<u>(10,026)</u>	<u>-</u>
Net Changes	\$ <u>(5,065)</u>	\$ <u>22,783</u>
Ending Balance	\$ <u><u>17,937</u></u>	\$ <u><u>40,720</u></u>

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

Fiscal year ended June 30, 2018

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Total OPEB Liability	\$ 18,114	\$ 17,937	\$ 17,660

Fiscal year ended June 30, 2019

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
Total OPEB Liability	\$ 44,923	\$ 40,720	\$ 37,074

*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, 2018

	<u>1% Decrease</u>	<u>Healthcare Cost Trends*</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 16,612	\$ 17,937	\$ 19,396

Fiscal year ended June 30, 2019

	<u>1% Decrease</u>	<u>Healthcare Cost Trends*</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 35,668	\$ 40,720	\$ 46,779

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

TOWN OF TWIN BRIDGES  
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*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018 and June 30, 2019, the Town recognized an OPEB expense of \$4,961 and \$22,783. The Town does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since Town records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2018 and June 30, 2019, was as follows:

**Due to/from other funds**

The following is the analysis of the interfund receivable and payables at June 30, 2019:

<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 - Non – Major Governmental	\$ <u>20,554</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2018:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer to support Town library	Library – Non-Major Governmental	General – Major Governmental	\$ 4,000
Operating transfer to fund future capital improvements	Library Capital Projects – Non-Major Governmental	Library – Non-Major Governmental	1,500
Operating transfer to support street maintenance	Gas Tax – Non-Major Governmental	General – Major Governmental	<u>210</u> \$ <u>5,710</u>

The following is an analysis of operating transfers in and out during fiscal year 2019:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer to support Town library	Library – Non-Major Governmental	General – Major Governmental	\$ 2,000
Operating transfer to support street maintenance	Gas Tax – Non-Major Governmental	General – Major Governmental	620
Operating transfer to fund future capital improvements	Library Capital Improvements – Non-Major Governmental	Library – Non-Major Governmental	5,000
Capital improvement transfer to streets	Gas Tax – Non-Major Governmental	Capital projects – Non- Major Governmental	<u>620</u> \$ <u>8,240</u>

TOWN OF TWIN BRIDGES  
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**NOTE 9. NET PENSION LIABILITY**

**Summary of Significant Accounting Policies**

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

**Plan Descriptions**

**PERS**

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.



TOWN OF TWIN BRIDGES  
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**Summary of Benefits**

**PERS**

**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;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

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

**Vesting**

- 5 years of membership service

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**Member's highest average compensation (HAC)**

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

**Compensation Cap**

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

**Monthly benefit formula**

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

**Guaranteed Annual Benefit Adjustment (GABA)**

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

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

**Overview of Contributions**

**PERS**

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.

TOWN OF TWIN BRIDGES  
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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.

Stand-Alone Statements

The PERS's financial statements 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 the MPERA website at <http://mpera.mt.gov>.

TOWN OF TWIN BRIDGES  
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**Net Pension Liability**

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System(PERS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2018 (reporting dates).

	PERS NPL as of <u>6/30/2017</u>	PERS NPL as of <u>6/30/2018</u>	Percent of Collective NPL as of <u>6/30/2017</u>	Percent of Collective NPL as of <u>6/30/2018</u>
Employer Proportionate Share	\$ 180,608	\$ 221,165	0.0106%	0.0114%
State of Montana Proportionate Share associated with Employer	2,207	2,644	0.0136%	0.0135%
Total	<u>\$ 182,815</u>	<u>\$ 223,809</u>	<u>0.0242%</u>	<u>0.0249%</u>

At June 30, 2018, the employer recorded a liability of \$221,165 for its proportionate share of the net pension liability of .0114 percent. The net pension liability of PERS reported was determined by taking the result of the June 30, 2016 actuarial valuation and applying roll forward procedures to the June 30, 2017 measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS participating employers.

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*Changes in actuarial assumptions and methods:*

**PERS**

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

*Changes in benefit terms:*

**PERS**

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2018 and June 30, 2019 (reporting dates).

	PERS NPL as of <u>6/30/2018</u>	PERS NPL as of <u>6/30/2019</u>	Percent of Collective NPL as of <u>6/30/2018</u>	Percent of Collective NPL as of <u>6/30/2019</u>
Employer				
Proportionate Share	\$ 221,165	\$ 183,388	0.0114%	0.0088%
State of Montana				
Proportionate Share associated with Employer	2,644	61,145	0.0135%	0.0118%
Total	<u>\$ 223,809</u>	<u>\$ 244,533</u>	<u>0.0249%</u>	<u>0.0206%</u>

At June 30, 2019, the employer recorded a liability of \$183,388 for its proportionate share of the net pension liability of 0.0088 percent. The net pension liability of PERS reported was determined by taking the results of the June 30, 2017 actuarial valuation and applying roll forward procedures to the June 30, 2018 measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS participating employers.

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*Changes in actuarial assumptions and methods:*

**PERS**

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

*Changes in benefit terms:*

**PERS**

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 as of 6/30/18**

	PERS
Employer Proportionate Share	\$ 35,918
State of Montana Proportionate Share associated with the Employer	3,164
Total	\$ 39,082

At June 30, 2018, the employer recognized a Pension Expense of \$35,918 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$3,164 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

**Recognition of Beginning Deferred Outflow**

At June 30, 2018, the employer recognized a beginning deferred outflow of resources for the employers FY 2017 contributions of \$11,559.

**Pension Expense as of 6/30/19**

	PERS
Employer Proportionate Share	\$ 25,174
State of Montana Proportionate Share associated with the Employer	4,081
Total	\$ 29,255

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At June 30, 2019, the employer recognized a Pension Expense of \$25,174 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$4,081 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of \$12,259.

Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of PERS deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,447	\$ 320
Actual vs. Expected Investment Earnings	-	1,485
Changes in Assumptions	30,231	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	18,703	-
Employer contributions subsequent to the measurement date - FY18	12,259	-
Total	\$ 66,640	\$ 1,805

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**Deferred Inflows and Outflows for fiscal year ended June 30, 2018**

PERS: Year ended June 30, 2018	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2018	\$ 7,834
2019	\$ 17,294
2020	\$ 13,451
2021	\$ (4,707)
2022	\$ -
Thereafter	\$ -

At June 30, 2019, the employer reported its proportionate share of PERS deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,945	\$ -
Actual vs. Expected Investment Earnings	-	2,848
Changes in Assumptions	15,594	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	24,829
Employer contributions subsequent to the measurement date - FY19	12,787	-
Total	<u>\$ 42,326</u>	<u>\$ 27,677</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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



TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**Deferred Inflows and Outflows for fiscal year ended June 30, 2019**

PERS: Year ended June 30, 2019	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ 9,414
2021	\$ 5,283
2022	\$ (11,664)
2023	\$ (1,170)
2024	\$ -
Thereafter	\$ -

**Actuarial Assumptions**

**PERS**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- 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 Increases:

**PERS**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- 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:

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**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.

**Discount Rate**

**PERS**

The discount rate used to measure the Total Pension Liability 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 will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for 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.

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**Target Allocations – 2018**

PERS

<u>Asset Class</u>	Target Asset <u>Allocation</u>	Real Rate of Return Arithmetic <u>Basis</u>	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		2.75%
	Portfolio Return Expectation		7.12%

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

**Target Allocations – 2019**

PERS

<u>Asset Class</u>	Target Asset <u>Allocation</u>	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100.00%</u>	

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, 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 inflation) 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. The above table outlines the best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018.

**Sensitivity Analysis**

For fiscal year ended June 30, 2018

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
PERS	\$ 322,109	\$ 221,165	\$ 136,431

For fiscal year ended June 30, 2019

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
PERS	\$ 265,222	\$ 183,388	\$ 116,190

**PERS**

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.

**NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. The Town of Twin Bridges, 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 purpose 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.

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

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

The government 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 government 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, 2018**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Library	\$ 63,941	Operations of public library
All Other Aggregate	17,753	Operations of public library
	<u>61,037</u>	Repair and maintenance of Town streets
	<u>\$142,731</u>	

**Restricted Fund Balance for Fiscal year ended June 30, 2019**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Library	\$ 64,962	Operations of public library
All Other Aggregate	16,625	Operations of public library
	<u>68,596</u>	Repair and maintenance of Town streets
	<u>\$150,183</u>	

**Committed Fund Balance for Fiscal year ended June 30, 2018**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$41,857</u>	Future capital improvements

**Committed Fund Balance for Fiscal year ended June 30, 2019**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	<u>\$47,774</u>	Future capital improvements

**NOTE 11. RESTATEMENTS**

During the fiscal year ending June 30, 2018, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Water	\$ 3,166	Recognition of total OPEB liability with implementation of GASB 75
Sewer	3,166	Recognition of total OPEB liability with implementation of GASB 75
General	9,703	Unrecorded due from other government in prior period

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

General	4,404	Unrecorded accounts receivable in prior period
Government-wide		Recognition of total OPEB liability with
Governmental	<u>3,694</u>	implementation of GASB 75
	<u>\$ 24,133</u>	

**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.

**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, 2018, the County contributed \$55,700 and the Town contributed the \$4,000 transfer. For June 30, 2019, the County contributed \$57,920 and the Town contributed \$2,000 in transfer.

**Law Enforcement Services**

The Town participated in a law enforcement service agreement with Madison County for the fiscal year ended June 30, 2018 and June 30, 2019. The Town did not make a payment for Law Enforcement services during the fiscal year. Payment of \$8,100 was made during each fiscal year for services.

**Maintenance and Operation of Machinery, Equipment, and Services**

The Town entered into an interlocal agreement with other towns in the area commencing July 1, 1994 for the purpose of acquiring, maintaining and operating machinery, equipment and services which may not be practical for one of the Towns to obtain by itself and which may be mutually advantageous for the Towns as a group. The Town paid \$1,500 in membership dues for fiscal year-end June 30, 2019.

**NOTE 13. SERVICES PROVIDED TO OTHER GOVERNMENTS**

**County Provided Services**

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

TOWN OF TWIN BRIDGES  
MADISON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and June 30, 2019

**NOTE 14. RISK MANAGEMENT**

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.

**NOTE 15. SUBSEQUENT EVENTS**

In the subsequent summer, the Town began the construction of the new Town shop. The Town determined to general the construction themselves, and Great West is providing the engineering services. The project is being funded by an intercap loan equal to \$190,000 and Town sources. Through the end of April 2020, the total costs incurred were \$215,874, and the intercap loan had been fully drawn.

The Town is continuing to work on the design and planning for the stormwater drain projects. Construction is expected to begin at the end of fiscal year 2020. In the subsequent months, the Town had spent an additional \$27,875 for storm drain materials, and drew down an additional \$30,624 on the bond anticipation note.

**Covid 19 Virus fiscal year ended June 30, 2019**

The government, like all governments in the United States is dealing with the effects of the Covid 19 virus. Possible government operational changes or even shutdowns may occur. Additionally, the financial effects to the government are equally as uncertain.

**REQUIRED SUPPLEMENTAL  
INFORMATION**



**Town of Twin Bridges, Madison County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 86,838	\$ 86,838	\$ 89,646	\$ 2,808
Licenses and permits	2,350	2,350	3,670	1,320
Intergovernmental	68,428	68,428	44,036	(24,392)
Charges for services	1,500	1,500	1,820	320
Miscellaneous	36,461	36,461	7,935	(28,526)
Investment earnings	25	25	30	5
Amounts available for appropriation	<u>\$ 195,602</u>	<u>\$ 195,602</u>	<u>\$ 147,137</u>	<u>\$ (48,465)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 48,971	\$ 48,971	\$ 26,917	\$ 22,054
Public safety	13,300	13,300	11,458	1,842
Public works	57,815	57,815	47,494	10,321
Public health	100	100	49	51
Culture and recreation	26,555	22,555	21,477	1,078
Debt service - principal	2,500	2,500	-	2,500
Debt service - interest	1,000	1,000	-	1,000
Capital outlay	45,000	45,000	13,270	31,730
Total charges to appropriations	<u>\$ 195,241</u>	<u>\$ 191,241</u>	<u>\$ 120,665</u>	<u>\$ 70,576</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	<u>\$ (105)</u>	<u>\$ (4,105)</u>	<u>\$ (4,105)</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 22,367</u>	
Fund balance - beginning of the year			\$ 40,285	
Restatements			14,107	
Fund balance - beginning of the year - restated			<u>\$ 54,392</u>	
Fund balance - end of the year			<u>\$ 76,759</u>	

**Town of Twin Bridges, Madison County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2019**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>(BUDGETARY</b>	<b>WITH FINAL</b>
			<b>BASIS) See Note A</b>	<b>BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 86,569	\$ 86,569	\$ 93,134	\$ 6,565
Licenses and permits	3,400	3,400	3,442	42
Intergovernmental	48,190	48,190	43,266	(4,924)
Charges for services	1,600	1,600	1,524	(76)
Miscellaneous	61,461	61,461	46,272	(15,189)
Investment earnings	-	-	10	10
Amounts available for appropriation	<u>\$ 201,220</u>	<u>\$ 201,220</u>	<u>\$ 187,648</u>	<u>\$ (13,572)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 54,775	\$ 54,775	\$ 32,856	\$ 21,919
Public safety	14,700	14,700	11,947	2,753
Public works	66,515	66,515	53,116	13,399
Public health	100	100	-	100
Culture and recreation	27,100	27,100	17,626	9,474
Debt service - principal	5,300	5,300	-	5,300
Debt service - interest	2,217	2,217	-	2,217
Capital outlay	98,834	98,834	10,915	87,919
Total charges to appropriations	<u>\$ 269,541</u>	<u>\$ 269,541</u>	<u>\$ 126,460</u>	<u>\$ 143,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 63,333	\$ 63,333	\$ -	\$ (63,333)
Transfers out	(2,620)	(2,620)	(2,620)	-
Total other financing sources (uses)	<u>\$ 60,713</u>	<u>\$ 60,713</u>	<u>\$ (2,620)</u>	<u>\$ (63,333)</u>
Net change in fund balance			<u>\$ 58,568</u>	
Fund balance - beginning of the year			<u>\$ 76,759</u>	
Fund balance - end of the year			<u><u>\$ 135,327</u></u>	

**Town of Twin Bridges, Madison County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

Library				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ 55,700	\$ 55,700
Intergovernmental	1,845	1,845	1,480	(365)
Charges for services	43,080	43,080	-	(43,080)
Miscellaneous	5,500	5,500	3,347	(2,153)
Investment earnings	100	100	74	(26)
Amounts available for appropriation	\$ 50,525	\$ 50,525	\$ 60,601	\$ 10,076
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Culture and recreation	\$ 58,690	\$ 58,690	\$ 58,158	\$ 532
Total charges to appropriations	\$ 58,690	\$ 58,690	\$ 58,158	\$ 532
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Transfers out	-	-	(1,500)	(1,500)
Total other financing sources (uses)	\$ 4,000	\$ 4,000	\$ 2,500	\$ (1,500)
Net change in fund balance			\$ 4,943	
Fund balance - beginning of the year			\$ 58,998	
Restatements			-	
Fund balance - beginning of the year - restated			\$ 58,998	
Fund balance - end of the year			\$ 63,941	

**Town of Twin Bridges, Madison County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Library</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ 57,920	\$ 57,920
Intergovernmental	1,481	1,481	1,887	406
Charges for services	55,700	55,700	-	(55,700)
Miscellaneous	2,550	2,550	1,541	(1,009)
Investment earnings	100	100	102	2
Amounts available for appropriation	\$ 59,831	\$ 59,831	\$ 61,450	\$ 1,619
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Culture and recreation	\$ 61,950	\$ 61,950	\$ 57,429	\$ 4,521
Total charges to appropriations	\$ 61,950	\$ 61,950	\$ 57,429	\$ 4,521
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 4,000	\$ 4,000	\$ 2,000	\$ (2,000)
Transfers out	-	-	(5,000)	(5,000)
Total other financing sources (uses)	\$ 4,000	\$ 4,000	\$ (3,000)	\$ (7,000)
Net change in fund balance			\$ 1,021	
Fund balance - beginning of the year			\$ 63,941	
Fund balance - end of the year			\$ 64,962	

**Town of Twin Bridges, Madison County, Montana**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's Total OPEB Liability**  
**and Related Ratios**  
**For the Year Ended June 30, 2018 and June 30, 2019**

	2019	2018
<b>Total OPEB liability</b>		
Service Cost	\$ 19,976	\$ 5,295
Interest	1,327	707
Changes of benefit terms	-	-
Differences between expected and actual experience	914	-
Changes of assumptions or other inputs	1,338	(124)
Benefit payments	<u>(772)</u>	<u>(917)</u>
Net Change in Total OPEB Liability	22,783	4,961
Total OPEB Liability - beginning	17,937	23,002
Restatement	-	(10,026)
Total OPEB Liability - ending	<u>\$ 40,720</u>	<u>\$ 17,937</u>
Covered-employee payroll	<u>\$ 150,340</u>	<u>\$ 152,030</u>
Total OPEB liability as a percentage of covered -employee payroll	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 reported 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, 2018 and June 30, 2019**

	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.0088%	0.0114%	0.0106%	0.0103%	0.0083%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 183,388	\$ 221,165	\$ 180,608	\$ 143,666	\$ 103,184
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 61,145	\$ 2,644	\$ 2,207	\$ 1,765	\$ 1,260
Total	<u>\$ 244,533</u>	<u>\$ 223,809</u>	<u>\$ 182,815</u>	<u>\$ 145,431</u>	<u>\$ 104,444</u>
Employer's covered payroll	<u>\$ 144,654</u>	<u>\$ 140,869</u>	<u>\$ 127,007</u>	<u>\$ 119,941</u>	<u>\$ 93,742</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.78%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018**  
**and June 30, 2019**

	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 12,786	\$ 12,239	\$ 11,791	\$ 10,616	\$ 9,884
Contributions in relation to the contractually required contributions	\$ 12,786	\$ 12,239	\$ 11,791	\$ 10,616	\$ 9,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 147,474	\$ 144,654	\$ 140,869	\$ 127,007	\$ 119,941
Contributions as a percentage of covered payroll	8.67%	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 Years ended June 30, 2018**

**PERS**

**Changes of Benefit Terms**

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

**2015 Legislative Changes:**

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

Second Retirement Benefit – for PERS

1) 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 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

1) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months.

2) 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 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

3) 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 the 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%, .47% and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.



**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 Years ended June 30, 2018**

**2017 Legislative Changes:**

General Revisions – House Bill 101, effective July 1, 2017

**Working Retiree Limitations** – for PERS

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

**Terminating Employers – Recovery of actuary costs** – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

**Refunds**

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

**Family Law Orders**

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

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

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

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
  - a. FY2020 - \$32.277 million
  - b. FY2021 - \$32.6 million

**Town of Twin Bridges, Madison County, Montana**  
**Notes to Required Supplementary Information**  
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**For the Years ended June 30, 2018**

- c. FY2022 - \$32.926 million
- d. FY2023 - \$33.255 million
- e. FY2024 - \$33.588 million
- f. FY2025 - \$33.924 million

**Changes in Actuarial Assumptions and Methods**

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

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation: General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

**Town of Twin Bridges, Madison County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
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**For the Years ended June 30, 2019**

**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.

**Town of Twin Bridges, Madison County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
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**For the Years ended June 30, 2019**

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

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

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

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

**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%
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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**  
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**For the Years ended June 30, 2019**

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

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

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, and the aggregate remaining fund information of the Town of Twin Bridges, Madison County, Montana, as of and for the years ended June 30, 2018 and June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 29, 2020.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2019-001 through 2019-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies as identified as item(s) 2019-004 and 2019-005.

**2019-001      Understated Accounts Payables**

**Condition:**

The Town materially understated accounts payables by \$4,244 in the Storm Drainage District #1 Fund, and understated accounts payables in the Water fund \$15,479 at the end of June 30, 2019.

**Context:**

We selected a sample of claims paid in July and August 2019, and observed the supporting invoices to determine if the services or goods incurred prior to the end of the fiscal year requiring there to be accounts payable accrual.

**Criteria:**

GASB states “the measurement focus of governmental fund financial statements on expenditures – decreases in net financial resources – rather than expense. Most expenditures and transfer out are measureable and should be reported when the related liability is incurred”

**Effect:**

The accounts payable liability and related expenditures of the Storm Drainage District #1 are materially understated \$4,244, and accounts payable liability and related construction in progress assets of the Water Fund are understated \$15,479. This has been corrected for the audit, and the financial statements determined to be fairly stated.

**Cause:**

The Town does not have process to review claims processed and paid in subsequent months to determine if other accounts payable liabilities exist outside claims already recorded as accounts payable through Town claims process.

**Recommendation:**

We recommend the Town implement year end closing procedures to review subsequent claims and warrant process to determine if the expenditures/expenses were incurred in reporting fiscal year requiring accounts payable be recognized.

**2019-002      Understated Accounts Receivables**

**Condition:**

The Town materially understated accounts receivables in fiscal year ending June 30, 2018 and June 30, 2019.

**Context:**

We completed detailed testing of reimbursement revenues received by the Town through analysis and observation of supporting documents.

**Criteria:**

Generally accepted accounting principles requires that revenues and related receivables be recognized in the period the service is incurred.

**Effect:**

In fiscal year ending June 30, 2018, the General Fund materially understated accounts receivables \$5,754, restatements \$4,404, and revenues \$1,350. In fiscal year ending June 30, 2019, the General Fund materially understated accounts receivables \$13,193, restatements \$5,734, and revenues \$7,459. This has been corrected for the audit, and the financial statements determined to be fairly stated.

**Cause:**

The Town does not have process to identify services that have been billed and are still outstanding at end of fiscal year.

**Recommendation:**

We recommend the Town implement year end closing procedures to identify contracts and other services that have been billed or will be billed for services provided in fiscal year. In addition, we recommend the Town analyze subsequent revenue vouchers for services that are related to the reporting fiscal year.

**2019-003      Grant reimbursement requests****Condition:**

The Town materially overstated the intergovernmental revenues and understated restatement in the General Fund in the fiscal year ended June 30, 2018.

**Context:**

We completed detailed testing of CDBG grant revenues received by the Town during fiscal year 2018 using inspection and documentation of grant requests and support.

**Criteria:**

Under GASB 33, expenditure-driven grants are to recognize revenues when the Town has incurred allowable costs and the revenues are measureable and available.

**Effect:**

In fiscal year ending June 30, 2018, the General Fund materially overstated intergovernmental revenues and understated restatements \$9,703. This has been corrected for the audit, and the financial statements determined to be fairly stated.

**Cause:**

The Town does not have adequate internal control procedures to ensure grant reimbursement requests are being made timely, and only made one request at the end of the CDBG performance period.



**Recommendation:**

We recommend the Town implement monitoring procedures of the grant programs to ensure reimbursement requests are being made periodically throughout the grant period. In addition, implement year end procedures to analyze grant programs with expenditures that have been incurred, but not yet requested to ensure the appropriate receivables and revenues are recognized.

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

**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.

**2019-005      Pledged Security Controls**

**Condition:**

The Town had uninsured and uncollateralized deposits equal to \$64,526 at the end of June 30, 2019

**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 \$64,526 at June 30, 2019, which is 10% of total cash deposits.

**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 the Town deposits are 100% insured and collateralized.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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*.

**The Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the Town's Corrective Action Plan. The Town'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.

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

May 29, 2020

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
2016-001 Segregation of duties	Repeated

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

May 29, 2020

## *Town of Twin Bridges*

*The Town of Twin Bridges is an equal opportunity employer.*

PO BOX 307/104 E. 6<sup>th</sup> Avenue, Twin Bridges, MT 59754

Phone: 406-684-5243

Fax: 406-684-5299

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Contact Person:

Kristi Millhouse, Matt Greemore, and Joe Willauer  
406-684-5243

Expected Completion Date of Corrective Action Plan:

Immediately

CORRECTIVE ACTION PLAN

FINDING 2019-001: Understated Accounts Payable

Response:

The Town will review all Accounts Payable through the month of August that are over \$1,500 that may fall in the previous fiscal year.

FINDING 2019-002: Understated Accounts Receivable

Response:

The Town will set up a spreadsheet of anything that needs to be billed out for services rendered during the year and keep track of when those expenses have been reimbursed. Anything that comes in after June 30 will be adjusted with a journal voucher.

FINDING 2019-003: Grant Reimbursement Requests

Response:

The Town will set up a tracking system for all projects and grant funding that keeps track of the grant amount, what has been received from the grant and all expenses related to the project. The Town will make sure that all draws that relate to those projects and are related to the current fiscal year are requested by June 1<sup>st</sup> and they will be monitored on a quarterly basis.

FINDING 2019-004: Segregation of Duties

Response:

The Town will continue to monitor the segregation of duties and find ways to help with this issue. The Mayor and the Council President will continue to approve the bank deposits and payroll. Reconciliation to the cash, water and sewer, taxes, and payroll will continue to occur on a monthly basis and will be shared with the Council for their review. All UB adjustments and claims shall continue to be approved by the Town Council on a monthly basis.

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## *Town of Twin Bridges*

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PO BOX 307/104 E. 6<sup>th</sup> Avenue, Twin Bridges, MT 59754

Phone: 406-684-5243

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### FINDING 2019-005: Pledged Security Controls

Response:

The Town will request the bank to increase the pledged securities by \$75,000 for a total of \$250,000.

### **STATUS OF PRIOR AUDIT FINDINGS**

### FINDING 2016-001: Segregation of Duties

Response:

The Town continues to monitor the segregation of duties and find ways to help with this issue. The Mayor and the Council President continue to approve the bank deposits and payroll. Reconciliation to the cash, water and sewer, taxes, and payroll occur on a monthly basis and are shared with the Council for their review. All UB adjustments and claims are approved by the Town Council on a monthly basis. All cash receipts are posted in a triplicate receipt book with a copy to the customer and two copies for the Town. One is attached to the deposit.