

**CITY OF MILES CITY
CUSTER COUNTY
MILES CITY, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF MILES CITY

ORGANIZATION

June 30, 2023

MAYOR

John Hollowell

COUNCIL

Matthew Regan	Member
Ken Gardner	Member
Pamela Bovee	Member
Kathy Wilcox	Member
Stacy Broell	Member
Rick Huber	Member
Dwayne Andrews	Member
Chris Grenz	Member

CITY OFFICIALS

Daniel Rice	City Attorney
Mary Rowe	City Clerk
John Moorehead	City Treasurer
Kenneth Stein	City Judge
Doug Colombik	Police Chief
Branden Stevens	Fire Chief

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Miles City
Miles City, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Miles City, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the government, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2023, the government adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's 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 government's internal control over financial reporting and compliance.

O'Neal & Associates, PC

Billings, Montana
March 22, 2024

CITY OF MILES CITY
MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the City of Miles City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to portray the City's overall financial performance in an easily understood format. Readers are encouraged to consider this information in conjunction with the accompanying financial statements and the attached notes.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2023, the City of Miles City's net position was \$70,288,197. Of this amount, \$58,242,830 is reported as net investment in capital assets. \$7,595,090 is unrestricted and available for carry-over to the next fiscal year.
- The general fund reported a decrease in fund balance of \$166,438.

USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the finances. For governmental funds, fund statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report net position and changes in it. You can think of net position as one way to measure financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the City's financial health is improving or deteriorating. One must also consider other nonfinancial factors, however, such as changes in the property tax base and the condition of capital assets, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities: Governmental and business-type activities. Governmental activities include basic services, including police, fire, parks and general government administration. Property taxes, along with state and federal grants, finance most of these activities. Business-type activities include those activities that charge fees to cover all or most of the cost of services provided. Water and sanitary sewer services, ambulance and airport are included in this group.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the government as a whole. Some funds are required to be established by State law and by bond covenants. Also, the City Council established many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. The City utilizes the following funds:

Governmental funds - Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method known as modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the City's general operations and its basic services. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities, as reported in the Statement of Net Position and the Statement of Activities and governmental funds.

Proprietary funds - Fees charged to customers, either outside customers or to other units of government are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds, a component of proprietary funds, are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flow, for proprietary funds. Internal service funds, the other component of proprietary funds, report activities that provide supplies and services for other programs and activities.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, net position was \$70,288,197 as of June 30, 2023. Following are schedules of net position and change in net position.

CITY OF MILES CITY
MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental activities net position decreased \$443,606 mainly due to depreciation expense.

For this fiscal year, the business-type activities revenues exceeded expenses by approximately \$1.74 million. The City was a recipient of a capital grant in the amount of \$619,307 for airport runway improvements. Additionally, the City has increased water, sewer and ambulance charges in an effort to improve its financial condition and to fund its investment in infrastructure.

The fund financial statements provide detailed information about the major, or most significant, funds. The general fund is always reported as a major fund. Other governmental or enterprise funds may be selected, even though they may not meet the following two criteria.

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total for all funds of that type that is total governmental or total enterprise funds.

The same element that met the 10 percent criterion is at least 5 percent of the corresponding total for all governmental or enterprise funds combined.

The following are major funds: general, street maintenance district no. 204, federal recovery funds, water, sewer, airport and ambulance.

The year's operations left the general fund with a decrease in fund balance of \$166,438 due to budgeting to spend reserves. The general fund had fund balance of \$358,286 on June 30, 2023, that was available for spending in the next fiscal year. Fund balance for the street maintenance district no. 204 fund decreased \$197,906. Fund balance decreased because we budgeted to spend \$482,938 of our reserves.

The water fund had operating income of \$659,736, with an increase in total net position for the year of \$819,320. The water fund had debt service interest expense of \$101,954. User rates are established to cover operating expenses and to set dollars aside for replacement and depreciation.

The sewer fund had operating income of \$792,756. Net position increased by \$796,485. The sewer fund had debt service interest expense of \$139,880. User rates are established to cover operating expenses and to set dollars aside for replacement and depreciation.

The airport fund had an operating loss of \$451,270, mainly due to depreciation expense. The airport fund had debt service interest expense of \$3,597. Airport runway improvements were completed during fiscal year 2023. The hangar project will be completed in fiscal year 2024. Net position increased \$205,943.

The ambulance fund had an operating loss of \$319,409. Net position decreased \$78,286.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City of Miles City's net investment in capital assets for this year decreased of \$448,931 in the governmental activities for an ending balance of \$23,344,498. For business-type activities, investment in capital assets increased \$808,781 for an ending balance of \$34,898,332. *Outstanding* debt (bonds and notes) of the City is \$9,628,924 with final payment dates ranging from 2024 through 2044.

THE CITY OF MILES CITY'S FUTURE

It is important that the public understand just how hard the City government has worked to get the very best value from our resident's tax dollars. In the last few years, a progressive City Council, Mayor and department heads have taken steps to reverse a downward economic trend that has been experienced by many small, rural towns, since the 1960s. As a result of careful planning, the City has implemented strategies that leverage scarce capital along with state and federal programs and grants that bring new capital into the local economy in many different forms. This capital has been used to offset the cost of regulation, improve and maintain existing infrastructure, revitalize downtown, preserve our local history and character, and provide better municipal services. Their work has laid a foundation that will continue to provide long-term economic benefit to the community in the future.

The Miles City Downtown Urban Renewal Agency is working to bring a renaissance to Historic Downtown Miles City. As the Urban Renewal Plan is implemented and tax increment financing is invested in the district, our Main and 7th Street business corridors will once again become vibrant business centers. There are a number of public and private projects under development that will assist in attracting and retaining talented people and additionally, the companies that want to hire them. Understanding that economic health and "growth" need not equate with sprawl, investing in existing resources is an effective budget management strategy for the City. As the value of creating Tax Increment Finance Districts within the City becomes evident, the City may consider establishing similar districts to incentivize development on Valley Drive East and perhaps the industrial site west of town.

The City of Miles City is in the later stages of design and engineering for the N. 7th St. Project. This project will be in conjunction with MDOT. The City of Miles City and MDOT will begin with the reconstruction project in 2024. The city will be replacing all of the water, sewer, and storm sewer trunk lines, lateral lines, valves and manholes in the intersections from ROW to ROW. This will start on Main St. and continue north on N. 7th St. to Wells St. just south of the 7th St. bridge. The City of Miles City will also be replacing approximately 300 ft. of storm sewer in 7th St., 12 blocks of water lines, 1.5 blocks of sewer and 3 storm sewer culverts. The Parks Department continues to upgrade sprinklers and valves that need improved, along with maintaining over 80 acres of turf.

CITY OF MILES CITY
MANAGEMENT'S DISCUSSION & ANALYSIS

The City Water/Sewer department has completed Preliminary Engineering Reports on the City's water intake structure, distribution system, and the sewer collection system from the Industrial Park to the Montana Street Lift Station. A grant application has been submitted to the EDA for assistance in replacing and upsizing the primary sewer main in Montana Avenue from Gordon St. to the Montana Lift Station. Design engineering is almost complete for rehabilitating the North Haynes sewer line from the intersection of Haynes Avenue and Main Street to the Haynes Avenue Lift station. Engineering is also complete for the North 7th (MT 59 N) project to allow the City to replace the utilities in this street prior to the state's surface rehabilitation project scheduled for 2024.

The City of Miles City in collaboration with Custer County is working on a flood control structure to help protect the community for a potential flood. In 2015, this project was estimated to cost \$42 million. To date, the USACE Tongue River project cost varies from 36 to 64 million, the community has been approved for a Section 205 study with a high potential of approval of a 205-construction project, but with the increased cost of construction the community is looking at moving into a General Investigation which will go before Congress for approval. This will allow the community to receive more federal money than what is available under a Section 205.

The City of Miles City is working with KLJ on a Tongue River "slough" Revitalization Project to bring the slough up to acceptable standards to help remove storm water. The project is being funded by ARPA money totaling just over four million dollars.

The Miles City Airport is in the final stages of completing a 4 million-dollar FAA required runway project, which is fully funded by the FAA. The new surfaces will have LED edge lighting and new paint. The Airport has started the process to build a large heated hangar using Construction Manager at Risk process. Having more airplane storage will increase revenue year-round. \$275,000 has been secured thru a Coal Board grant and other avenues of funding are being explored. Total cost of the hangar is estimated between six and eight hundred thousand dollars.

The Miles City fire department building is going to need to be rebuilt at a substantial cost to the community. This, along with an aging fleet of fire apparatus and equipment, creates major challenges in the next few years. A number of grants have been applied for to purchase equipment and upgrade apparatus. The fire department will continue to address needs and apply for FEMA Fire Act grants to assist in these challenges.

The Miles City Public Library has received several grants in the last year to update technology, replace windows in the historic section of the building, and fund the summer reading program. Teen programming has been added in response to the school district's move to a 4-day school week. The Library is participating in the Democracy Project, a teen-led civic program funded by Humanities Montana. Authors are continuing to be booked for speaking engagements. The Library is assisting Fort Keogh with a historical celebration and will loan photographs and print materials to the celebration. The Montana Room is being reorganized with the hope of creating a very specific area dedicated solely to Miles City history to assist researchers and the general population. The Library has teamed up with One Health to begin offering a monthly program which may include peer support, community resources, family activities, age-group-specific activities such as yoga, and parenting classes. The Library continues to receive monthly donations from individuals, though the amount varies considerably per month; book sales and fees generate approximately \$700 per month in revenue.

Several factors of the Miles City community will continue to pose challenges to the financial health of the City. Continually increasing regulatory requirements by the State and Federal governments impact nearly every department and program. Minimal, but aging population growth, coupled with fewer available well-paying jobs and temporary housing shortages, place downward pressure on the tax base, while forcing the decision makers to consider a new mix and level of services. The City is facing challenges with a fire hall that will need remodeled at a high cost, the new police department building needs additional construction and remodeling, and City Hall is over one hundred years old and the infrastructure is beginning to fail. Several major infrastructure projects will increase the City's debt, but will also improve the overall asset picture. In summary, the City will continue to provide services to the citizens, while making proactive responses to the enormous challenges of the new year.

CITY OF MILES CITY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 6,345,491	\$ 7,174,521	\$ 13,520,012
Receivables:			
Taxes/assessments	140,273	637	140,910
Governments	221,063	592,641	813,704
Utility	-	433,016	433,016
Ambulance (net of allowance for uncollectibles of \$344,801)	-	240,530	240,530
Leases	206,391	44,016	250,407
Other	38,228	-	38,228
Prepays	60,527	5,917	66,444
Restricted cash and cash equivalents	-	4,892,602	4,892,602
Capital assets:			
Land and construction in progress	791,495	1,545,772	2,337,267
Capital assets, net of accumulated depreciation	23,542,497	41,991,990	65,534,487
Total assets	<u>31,345,965</u>	<u>56,921,642</u>	<u>88,267,607</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	<u>884,737</u>	<u>330,189</u>	<u>1,214,926</u>
LIABILITIES			
Accounts payable-vendors	55,035	508,960	563,995
Unearned revenues	2,073,671	-	2,073,671
Deposits payable	-	122,000	122,000
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	88,503	599,309	687,812
Compensated absences	172,874	97,893	270,767
Due in more than one year:			
Bonds and notes payable	900,991	8,040,121	8,941,112
Total other post-employment benefits liability	363,834	160,196	524,030
Compensated absences	291,059	145,870	436,929
Net pension liability	3,613,425	1,376,492	4,989,917
Total liabilities	<u>7,559,392</u>	<u>11,050,841</u>	<u>18,610,233</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	196,937	42,370	239,307
Unavailable revenue-deferred assessments	20,367	-	20,367
Pension plans	221,424	103,005	324,429
Total deferred outflows of resources	<u>438,728</u>	<u>145,375</u>	<u>584,103</u>
NET POSITION			
Net investment in capital assets	23,344,498	34,898,332	58,242,830
Restricted for:			
General government	6,872	-	6,872
Public safety	702,020	-	702,020
Public works	1,791,393	-	1,791,393
Public health	10,045	-	10,045
Social and economic	167,817	-	167,817
Culture and recreation	250,430	-	250,430
Housing and community development	613,277	-	613,277
Capital projects	294,972	-	294,972
Debt service	10,534	602,917	613,451
Unrestricted (deficit)	<u>(2,959,276)</u>	<u>10,554,366</u>	<u>7,595,090</u>
Total net position	<u>\$ 24,232,582</u>	<u>\$ 46,055,615</u>	<u>\$ 70,288,197</u>

See notes to basic financial statements.

CITY OF MILES CITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 753,509	\$ 430,376	\$ 22,719	\$ -	\$ (300,414)	\$ -	\$ (300,414)
Public safety	4,407,904	58,880	1,019,250	-	(3,329,774)	-	(3,329,774)
Public works	2,215,147	1,364,991	402,229	156,855	(291,072)	-	(291,072)
Public health	111,361	5,316	1,902	-	(104,143)	-	(104,143)
Social and economic services	102,095	-	101,941	-	(154)	-	(154)
Culture and recreation	1,086,596	61,504	43,286	979	(980,827)	-	(980,827)
Housing and community development	5,225	-	-	-	(5,225)	-	(5,225)
Other current charges	1,243	-	-	-	(1,243)	-	(1,243)
Interest on long-term debt	17,325	-	-	-	(17,325)	-	(17,325)
Total governmental activities	8,700,405	1,921,067	1,591,327	157,834	(5,030,177)	-	(5,030,177)
Business-type activities:							
Water	1,814,076	2,371,858	16,928	-	-	574,710	574,710
Sewer	1,538,536	2,191,412	13,566	-	-	666,442	666,442
Ambulance	1,061,064	753,655	223,580	-	-	(83,829)	(83,829)
Airport	1,243,053	776,186	3,714	619,307	-	156,154	156,154
Total business-type activities	5,656,729	6,093,111	257,788	619,307	-	1,313,477	1,313,477
Total	\$ 14,357,134	\$ 8,014,178	\$ 1,849,115	\$ 777,141	(5,030,177)	1,313,477	(3,716,700)
General revenues:							
Property taxes					2,636,978	24,638	2,661,616
Licenses and permits					30,734	-	30,734
Intergovernmental					1,487,793	-	1,487,793
Unrestricted investment earnings					194,370	518,203	712,573
Miscellaneous					82,238	29,656	111,894
Gain on disposal of capital assets					-	11,946	11,946
Transfers					154,458	(154,458)	-
Total general revenues and transfers					4,586,571	429,985	5,016,556
Change in net position					(443,606)	1,743,462	1,299,856
Net position - beginning					24,676,188	44,312,153	68,988,341
Net position - ending					\$ 24,232,582	\$ 46,055,615	\$ 70,288,197

CITY OF MILES CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Street Maintenance District No. 204	Federal Recovery Funds	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 201,251	\$ 941,437	\$ 1,949,502	\$ 3,086,990	\$ 6,179,180
Receivables:					
Taxes/assessments	51,964	39,544	-	48,765	140,273
Governments	96,894	-	124,169	-	221,063
Other	36,878	-	-	1,350	38,228
Leases	206,391	-	-	-	206,391
Prepaid items	43,367	-	-	17,160	60,527
Total assets	\$ 636,745	\$ 980,981	\$ 2,073,671	\$ 3,154,265	\$ 6,845,662
LIABILITIES					
Accounts payable-vendors	\$ 29,558	\$ 1,451	\$ -	\$ 24,026	\$ 55,035
Unearned revenue	-	-	2,073,671	-	2,073,671
Total liabilities	29,558	1,451	2,073,671	24,026	2,128,706
DEFERRED INFLOWS OF RESOURCES					
Leases	196,937	-	-	-	196,937
Unavailable revenue-taxes/special assessments	51,964	39,544	-	48,765	140,273
Total deferred inflows of resources	248,901	39,544	-	48,765	337,210
FUND BALANCES					
Nonspendable:					
Prepaid items	43,367	-	-	17,160	60,527
Restricted for:					
General government	-	-	-	467	467
Public safety	-	-	-	684,860	684,860
Public works	-	939,986	-	796,398	1,736,384
Public health	-	-	-	10,045	10,045
Social and economic	-	-	-	167,817	167,817
Culture and recreation	-	-	-	250,430	250,430
Housing and community development	-	-	-	606,749	606,749
Capital projects	-	-	-	294,972	294,972
Debt service	-	-	-	10,534	10,534
Committed for:					
Culture and recreation	-	-	-	242,042	242,042
Unassigned	314,919	-	-	-	314,919
Total fund balances	358,286	939,986	-	3,081,474	4,379,746
Total liabilities, deferred inflows of resources and fund balances	\$ 636,745	\$ 980,981	\$ 2,073,671	\$ 3,154,265	\$ 6,845,662

See notes to basic financial statements.

CITY OF MILES CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances, governmental funds	\$ 4,379,746
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,333,992
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	119,906
Deferred outflows and inflows of resources related applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	884,737
Deferred inflows of resources related to pensions	(221,424)
The assets and liabilities of the internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	145,720
Some liabilities (such as notes payable, the total other post-employment benefits liability, the net pension liability and compensated absences) are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(5,410,095)</u>
Net position of governmental activities	<u><u>\$ 24,232,582</u></u>

CITY OF MILES CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Street Maintenance District No. 204	Federal Recovery Funds	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes/assessments	\$ 2,210,327	\$ 947,392	\$ -	\$ 842,607	\$ 4,000,326
Fines and forfeitures	153,992	-	-	500	154,492
Licenses and permits	79,922	-	-	107,197	187,119
Intergovernmental	2,202,019	-	135,364	869,598	3,206,981
Charges for services	199,049	-	-	57,950	256,999
Investment earnings	54,242	56,804	-	83,324	194,370
Miscellaneous	84,958	-	-	27,253	112,211
Total revenues	4,984,509	1,004,196	135,364	1,988,429	8,112,498
EXPENDITURES					
Current:					
General government	731,427	-	-	-	731,427
Public safety	3,781,809	-	10,913	359,885	4,152,607
Public works	50,813	951,880	-	495,246	1,497,939
Public health	97,697	-	-	9,745	107,442
Social and economic services	1,831	-	-	94,215	96,046
Culture and recreation	546,799	-	-	382,781	929,580
Housing and community development	5,225	-	-	-	5,225
Other current charges	-	-	-	1,243	1,243
Debt service:					
Principal	89,555	-	-	3,951	93,506
Interest and other charges	16,804	-	-	521	17,325
Capital outlay	50,927	90,140	124,451	216,369	481,887
Total expenditures	5,372,887	1,042,020	135,364	1,563,956	8,114,227
Excess (deficiency) of revenues over expenditures	(388,378)	(37,824)	-	424,473	(1,729)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	12,085	-	-	-	12,085
Insurance recoveries	4,138	-	-	3,290	7,428
Transfers in	565,840	132,004	-	674,424	1,372,268
Transfers out	(360,123)	(292,086)	-	(576,601)	(1,228,810)
Total other financing sources (uses)	221,940	(160,082)	-	101,113	162,971
Net change in fund balances	(166,438)	(197,906)	-	525,586	161,242
Fund balances - beginning	524,724	1,137,892	-	2,555,888	4,218,504
Fund balances - ending	\$ 358,286	\$ 939,986	\$ -	\$ 3,081,474	\$ 4,379,746

See notes to basic financial statements.

CITY OF MILES CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds	\$ 161,242
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
<p style="padding-left: 40px;">This is the amount by which depreciation (\$975,239) exceeded capital outlay (\$481,887) in the current period.</p>	(493,352)
<p>The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	(37,000)
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	(10,157)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.</p>	(180,364)
<p>Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt service principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt principal borrowed and repaid.</p>	81,421
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:</p>	
Compensated absences	657
Other post-employment benefits	3,300
<p>The internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.</p>	30,647
Change in net position of governmental activities	\$ (443,606)

CITY OF MILES CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities				Governmental Activities	
	Water	Sewer	Airport	Ambulance	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,394,532	\$ 3,774,513	\$ 320	\$ 5,156	\$ 7,174,521	\$ 166,311
Receivables:						
Taxes	-	-	383	254	637	-
Utility	215,473	217,543	-	-	433,016	-
Ambulance (net of allowance for uncollectibles of \$344,801)	-	-	-	240,530	240,530	-
Governments	-	-	561,771	30,870	592,641	-
Leases	-	-	44,016	-	44,016	-
Due from other funds	150,000	-	-	-	150,000	-
Prepaid items	-	-	5,917	-	5,917	-
Total current assets	3,760,005	3,992,056	612,407	276,810	8,641,278	166,311
Non-current assets:						
Restricted cash and cash equivalents	3,498,347	1,316,327	77,928	-	4,892,602	-
Capital assets:						
Land and construction in progress	244,655	376,874	924,243	-	1,545,772	-
Utility system	23,717,864	16,546,725	-	-	40,264,589	-
Buildings and improvements	22,997	-	18,254,811	-	18,277,808	-
Equipment and furniture	894,545	1,225,281	1,356,197	1,120,265	4,596,288	-
Less accumulated depreciation	(9,509,522)	(5,267,327)	(5,799,561)	(570,285)	(21,146,695)	-
Capital assets, net	15,370,539	12,881,553	14,735,690	549,980	43,537,762	-
Total non-current assets	18,868,886	14,197,880	14,813,618	549,980	48,430,364	-
Total assets	22,628,891	18,189,936	15,426,025	826,790	57,071,642	166,311
DEFERRED OUTFLOWS OF RESOURCES						
Pension plans	83,061	67,161	18,388	161,579	330,189	-
LIABILITIES						
Current liabilities:						
Accounts payable-vendors	6,440	17,792	479,928	4,800	508,960	-
Due to other funds	-	-	-	150,000	150,000	-
Deposits payable	122,000	-	-	-	122,000	-
Compensated absences	42,100	31,238	2,170	22,385	97,893	6,177
Bonds and notes	202,000	366,000	31,309	-	599,309	-
Total current liabilities	372,540	415,030	513,407	177,185	1,478,162	6,177
Non-current liabilities:						
Compensated absences	53,675	43,182	5,064	43,949	145,870	14,414
Total other post-employment benefits liability	60,159	49,521	11,319	39,197	160,196	-
Net pension liability	542,547	438,689	120,106	275,150	1,376,492	-
Bonds and notes	3,192,000	4,792,000	56,121	-	8,040,121	-
Total non-current liabilities	3,848,381	5,323,392	192,610	358,296	9,722,679	14,414
Total liabilities	4,220,921	5,738,422	706,017	535,481	11,200,841	20,591
DEFERRED INFLOWS OF RESOURCES						
Leases	-	-	42,370	-	42,370	-
Pension plans	49,989	40,420	11,066	1,530	103,005	-
Total deferred outflows of resources	49,989	40,420	53,436	1,530	145,375	-
NET POSITION						
Net investment in capital assets	11,976,539	7,723,553	14,648,260	549,980	34,898,332	-
Restricted for debt service	299,907	303,010	-	-	602,917	-
Unrestricted (deficit)	6,164,596	4,451,692	36,700	(98,622)	10,554,366	145,720
Total net position	\$ 18,441,042	\$ 12,478,255	\$ 14,684,960	\$ 451,358	\$ 46,055,615	\$ 145,720

See notes to basic financial statements.

CITY OF MILES CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities				Governmental Activities	
	Water	Sewer	Airport	Ambulance	Total Enterprise Funds	Internal Service Funds
REVENUES						
Charges for services	\$ 2,371,858	\$ 2,191,412	\$ 788,186	\$ 741,655	\$ 6,093,111	\$ 158,404
OPERATING EXPENSES						
Personal services	633,860	511,419	153,855	763,234	2,062,368	147,311
Supplies	260,942	119,476	501,979	91,894	974,291	8,421
Building materials	127	127	-	763	1,017	-
Other purchased services	265,801	280,829	111,288	116,617	774,535	17,648
Fixed charges	60,541	127,780	15,229	15,529	219,079	2,377
Depreciation	490,851	359,025	457,105	73,027	1,380,008	-
Total operating expenses	1,712,122	1,398,656	1,239,456	1,061,064	5,411,298	175,757
Operating income (loss)	659,736	792,756	(451,270)	(319,409)	681,813	(17,353)
NON-OPERATING REVENUES (EXPENSES)						
Property taxes	-	-	14,784	9,854	24,638	-
Interest earnings	311,945	187,865	18,393	-	518,203	-
Operating grants and contributions	16,928	13,566	3,714	223,580	257,788	-
Miscellaneous	-	2,677	20,716	6,263	29,656	-
Gain on disposal of capital assets	-	-	11,946	-	11,946	-
Interest expense	(101,954)	(139,880)	(3,597)	-	(245,431)	-
Total non-operating revenues (expenses)	226,919	64,228	65,956	239,697	596,800	-
Income (loss) before transfers and capital contributions	886,655	856,984	(385,314)	(79,712)	1,278,613	(17,353)
Capital contributions	-	-	619,307	37,000	656,307	-
Transfers in	-	-	-	-	-	48,000
Transfers out	(67,335)	(60,499)	(28,050)	(35,574)	(191,458)	-
Change in net position	819,320	796,485	205,943	(78,286)	1,743,462	30,647
Total net position - beginning	17,621,722	11,681,770	14,479,017	529,644	44,312,153	115,073
Total net position - ending	\$ 18,441,042	\$ 12,478,255	\$ 14,684,960	\$ 451,358	\$ 46,055,615	\$ 145,720

CITY OF MILES CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities				Governmental Activities	
	Water	Sewer	Airport	Ambulance	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 2,346,060	\$ 2,175,965	\$ 788,186	\$ 639,653	\$ 5,949,864	\$ 158,404
Cash paid to suppliers for goods and services	(561,096)	(494,334)	(636,870)	(225,753)	(1,918,053)	(28,446)
Cash paid to employees	(677,617)	(548,272)	(178,479)	(624,108)	(2,028,476)	(146,705)
Net cash provided (used) by operating activities	<u>1,107,347</u>	<u>1,133,359</u>	<u>(27,163)</u>	<u>(210,208)</u>	<u>2,003,335</u>	<u>(16,747)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Intergovernmental revenues	150	-	-	115,150	115,300	-
Property taxes	-	-	14,758	9,838	24,596	-
Increase in deposits payable	4,500	-	-	-	4,500	-
Miscellaneous cash receipts	-	3,060	20,716	6,263	30,039	-
Net interfund loan activity	80,313	-	-	119,687	200,000	-
Transfers from other funds	-	-	-	-	-	48,000
Transfers to other funds	(67,335)	(60,499)	(28,050)	(35,574)	(191,458)	-
Net cash provided (used) by noncapital financing activities	<u>17,628</u>	<u>(57,439)</u>	<u>7,424</u>	<u>215,364</u>	<u>182,977</u>	<u>48,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(182,969)	(448,470)	(439,002)	-	(1,070,441)	-
Cash received for sale of capital assets	-	-	11,946	-	11,946	-
Capital contributions	-	-	269,813	-	269,813	-
Principal payments on bonds	(198,000)	(356,000)	(30,688)	-	(584,688)	-
Interest paid	(101,954)	(139,880)	(3,597)	-	(245,431)	-
Net cash used by capital and related financing activities	<u>(482,923)</u>	<u>(944,350)</u>	<u>(191,528)</u>	<u>-</u>	<u>(1,618,801)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	311,945	187,865	18,393	-	518,203	-
Net cash provided by investing activities	<u>311,945</u>	<u>187,865</u>	<u>18,393</u>	<u>-</u>	<u>518,203</u>	<u>-</u>
Change in cash and cash equivalents	953,997	319,435	(192,874)	5,156	1,085,714	31,253
Cash and cash equivalents - beginning	5,938,882	4,771,405	271,122	-	10,981,409	135,058
Cash and cash equivalents - ending	<u>\$ 6,892,879</u>	<u>\$ 5,090,840</u>	<u>\$ 78,248</u>	<u>\$ 5,156</u>	<u>\$ 12,067,123</u>	<u>\$ 166,311</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 659,736	\$ 792,756	\$ (451,270)	\$ (319,409)	\$ 681,813	\$ (17,353)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	490,851	359,025	457,105	73,027	1,380,008	-
Other post-employment benefits	(3,691)	(3,687)	677	1,951	(4,750)	-
Pension expense	(46,604)	(38,786)	(480)	135,809	49,939	-
(Increase) decrease in accounts receivable	(25,798)	(12,782)	8,415	(102,002)	(132,167)	-
Increase in prepaid items	26,315	26,315	-	-	52,630	-
Decrease in accounts payable	-	4,898	(36,771)	(950)	(32,823)	-
Increase (decrease) in compensated absences	6,538	5,620	(4,839)	1,366	8,685	606
Net cash provided (used) by operating activities	<u>\$ 1,107,347</u>	<u>\$ 1,133,359</u>	<u>\$ (27,163)</u>	<u>\$ (210,208)</u>	<u>\$ 2,003,335</u>	<u>\$ (16,747)</u>

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets on account	\$ 6,440	\$ 10,292	\$ 479,928	\$ -	\$ 496,660	\$ -
Operating grants and contributions	-	-	561,771	-	561,771	-
Capital contributions	-	-	-	37,000	37,000	-

See notes to basic financial statements.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2023, the government implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The City Council is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Fiduciary activities, if applicable, are only reported in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major:

The street maintenance district no. 204 fund is used to account for the proceeds and costs associated with street improvements and repairs that are assessed to property owners.

The federal recovery funds fund is used to account for American Rescue Plan Act (ARPA) revenue and related expenditures.

The government reports the following major proprietary funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

The airport fund accounts for the activities of the government's airport services.

The ambulance fund accounts for the activities of the government's ambulance services.

Additionally, the government reports the following fund type:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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 governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The City maintains and controls a cash and investment portfolio for all funds. The investments portfolio is managed by the City Treasurer and overseen by the Mayor and City Council. The City Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the City's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost. Investment income is allocated to individual funds owning the investment. At year-end, the net change in fair value is allocated to individual funds owning the investments.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

Ambulance receivables are shown net of an allowance for uncollectibles. The ambulance accounts receivable allowance for uncollectibles is determined through past collection history. Bad debts for all other receivable accounts, including taxes, are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Additionally, other assets have been restricted for future replacement of the enterprise systems and equipment, water deposits and system development fees.

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Infrastructure	75-85
Buildings, improvements and systems	20-105
Machinery and equipment	7-40
Right to use leased equipment	7-40

Lease and subscription-based information technology arrangements assets are amortized over the life of the associated contracts.

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pension plans.

In addition to liabilities, the statements of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has three items that qualify for reporting in this category: leases, pension plans and long-term special assessments.

In the governmental funds, deferred inflow of resources consists of tax revenues that are not considered available and leases. The government will not recognize tax revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

revenues from property taxes are reported in the governmental funds balance sheet. Lease revenue will be recognized over the life of the related leases.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the city clerk to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$10,000 or more. At the commencement

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NOTES TO BASIC FINANCIAL STATEMENTS

of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 6,345,491
Business-type activities	<u>12,067,123</u>
	<u><u>\$ 18,412,614</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2023, consisted of the following:

Cash on hand	\$ 1,005
Cash in banks:	
Demand	(591,683)
Savings deposits	23,757
Repurchase agreements	<u>18,979,535</u>
	<u><u>\$ 18,412,614</u></u>

Custodial Credit Risk - Deposits. 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. As of June 30, 2023, the government was not exposed to custodial credit risk.

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. Collateral was not required as of June 30, 2023.

The government had no investments categorized as Level 1, 2 or 3 inputs.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1- Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name. In accordance with GASB, the City's investment in repurchase agreements is categorized in Category 3. The carrying value approximates fair value.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 596,598	\$ -	\$ -	\$ 596,598
Construction-in-progress	42,724	171,573	(19,400)	194,897
Total capital assets, not being depreciated	<u>639,322</u>	<u>171,573</u>	<u>(19,400)</u>	<u>791,495</u>
Capital assets, being depreciated				
Buildings/improvements	4,722,801	25,225	-	4,748,026
Machinery and equipment	6,529,346	267,489	-	6,796,835
Infrastructure	39,825,405	-	-	39,825,405
Total capital assets, being depreciated	<u>51,077,552</u>	<u>292,714</u>	<u>-</u>	<u>51,370,266</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,487,840)	(114,449)	-	(1,602,289)
Machinery and equipment	(3,546,054)	(348,827)	-	(3,894,881)
Infrastructure	(21,818,636)	(511,963)	-	(22,330,599)
Total accumulated depreciation	<u>(26,852,530)</u>	<u>(975,239)</u>	<u>-</u>	<u>(27,827,769)</u>
Total capital assets, being depreciated, net	<u>24,225,022</u>	<u>(682,525)</u>	<u>-</u>	<u>23,542,497</u>
Governmental activities capital assets, net	<u>\$ 24,864,344</u>	<u>\$ (510,952)</u>	<u>\$ (19,400)</u>	<u>\$ 24,333,992</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 4,575
Public safety	171,192
Public works	664,564
Public health	389
Culture and recreation	<u>134,519</u>
Total depreciation-governmental activities	<u>\$ 975,239</u>

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 61,824	\$ -	\$ -	\$ 61,824
Construction-in-progress	4,692,247	1,222,749	(4,431,048)	1,483,948
Total capital assets, not being depreciated	<u>4,754,071</u>	<u>1,222,749</u>	<u>(4,431,048)</u>	<u>1,545,772</u>
Capital assets, being depreciated				
Buildings and systems	41,053,271	14,000	-	41,067,271
Improvements other than buildings	13,017,833	4,457,293	-	17,475,126
Machinery and equipment	4,308,181	341,107	(53,000)	4,596,288
Total capital assets, being depreciated	<u>58,379,285</u>	<u>4,812,400</u>	<u>(53,000)</u>	<u>63,138,685</u>
Less accumulated depreciation for:				
Buildings and systems	(13,272,337)	(745,371)	-	(14,017,708)
Improvements other than buildings	(4,288,576)	(369,924)	-	(4,658,500)
Machinery and equipment	(2,258,774)	(264,713)	53,000	(2,470,487)
Total accumulated depreciation	<u>(19,819,687)</u>	<u>(1,380,008)</u>	<u>53,000</u>	<u>(21,146,695)</u>
Total capital assets, being depreciated, net	<u>38,559,598</u>	<u>3,432,392</u>	<u>-</u>	<u>41,991,990</u>
Business-type activities capital assets, net	<u>\$ 43,313,669</u>	<u>\$ 4,655,141</u>	<u>\$ (4,431,048)</u>	<u>\$ 43,537,762</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 490,851
Sewer	359,025
Ambulance	73,027
Airport	457,105
Total depreciation-business-type activities	<u>\$ 1,380,008</u>

Interfund Receivables, Payables and Transfers

At year end, the ambulance fund owed the water fund \$150,000. The loan was made to eliminate a deficit cash balance in the ambulance fund. The loan will be repaid in fiscal year 2024.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out	Total
Governmental activities:			
General	\$ 565,840	\$ (360,123)	\$ 205,717
Street Maintenance District No. 204	132,004	(292,086)	(160,082)
Internal service	48,000	-	48,000
Nonmajor governmental funds	674,424	(576,601)	97,823
	<u>\$ 1,420,268</u>	<u>\$ (1,228,810)</u>	<u>\$ 191,458</u>
Business-type activities:			
Water	\$ -	\$ (67,335)	\$ (67,335)
Sewer	-	(60,499)	(60,499)
Airport	-	(28,050)	(28,050)
Ambulance	-	(35,574)	(35,574)
	<u>\$ -</u>	<u>\$ (191,458)</u>	<u>\$ (191,458)</u>

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

Transfers are used to fund budgetary authorizations, library operations, health insurance and grant contributions.

Leases

The government leases land and buildings to several lessors. The leases range in duration from two to twenty years. The government recognized \$86,546 in lease revenue and \$15,136 in interest revenue during the year related to these leases. As of June 30, 2023, the government's receivable for lease payments was \$250,407. Also, the government has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$239,307.

Long-Term Debt

Notes from direct borrowing are as follows:

Notes Payable	Original Loan	Maturity Date	Term	Interest Rate	Balance June 30, 2023
Governmental activities:					
2016-SID No. 211 (1)	59,703	8/15/2030	15 yrs	5.75%	\$ 31,172
2022-Police building remodel (1)	480,000	8/15/2036	15 yrs	5.75%	450,441
2022-Fire truck (1)	302,142	2/15/2029	7 yrs	5.75%	279,947
2023 Fire truck (1)	12,085	2/15/2029	6 yrs	5.75%	12,085
2019-Fire training center	245,100	4/15/2044	25 yrs	3.00%	215,849
					<u>\$ 989,494</u>
Business-type activities:					
2021 Hanger	\$ 15,000	3/1/2030	10 yrs	2.38%	\$ 33,906
2016-Airport improvements	169,530	3/1/2025	10 yrs	1.63%	10,500
2021-Fuel truck	65,000	8/1/2026	5 yrs	5.00%	43,024
					<u>\$ 87,430</u>

(1) Loan through Montana Board of Investments

Notes from direct borrowings (INTERCAP) include a provision that interest is adjusted each February 1st, up to a maximum of 15 percent. The loans are general obligation that requires backing by the full faith and credit of the government and obligates the government to levy a tax sufficient to repay the obligation. Airport notes from direct borrowings include a provision that require the government to budget sufficiently for repayment of the principal and interest on an annual basis. The fire training center note is secured by a lien on the equipment.

Annual debt service requirements to maturity for notes from direct borrowings are as follows:

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 88,503	\$ 49,688	\$ 138,191	\$ 31,309	\$ 2,365	\$ 33,674
2025	89,986	44,896	134,882	31,972	1,691	33,663
2026	91,498	39,804	131,302	15,710	688	16,398
2027	93,038	34,743	127,781	3,939	158	4,097
2028	94,602	29,600	124,202	1,500	107	1,607
2029-2033	276,596	89,485	366,081	3,000	107	3,107
2034-2038	180,901	30,056	210,957	-	-	-
2039-2043	63,163	6,614	69,777	-	-	-
2044	11,207	152	11,359	-	-	-
	<u>\$ 989,494</u>	<u>\$ 325,038</u>	<u>\$ 1,314,532</u>	<u>\$ 87,430</u>	<u>\$ 5,116</u>	<u>\$ 92,546</u>

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

The government issued water system revenue bonds through the Department of Natural Resources and Conservation (DNRC). The government pledges income derived from the acquired or constructed assets to pay debt service. During 2014, the City refinanced the 2008B and 2008D wastewater bonds through the Montana Department of Natural Resources and Conservation DNRC. Revenue bonds currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Balance June 30, 2023
2008A Revenue bonds	\$ 500,000	30 yr	2.75%	\$ 303,000
2014 Revenue bonds	1,924,000	24 yr	3.00%	1,321,000
2008C Revenue bonds	500,000	30 yr	2.75%	303,000
2014 Revenue bonds	1,977,000	24 yr	3.00%	1,358,000
2009B Revenue bonds	333,700	20 yr	0.75%	109,000
2017B Revenue bonds	6,296,000	20 yr	2.50%	4,366,000
2012B Revenue bonds	1,510,000	20 yr	3.00%	792,000
				<u>\$ 8,552,000</u>

The government is in substantial compliance with all of the water and sewer system revenue bond covenants.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 568,000	\$ 227,011	\$ 795,011
2025	584,000	211,779	795,779
2026	599,000	196,151	795,151
2027	615,000	180,091	795,091
2028	629,000	163,596	792,596
2029-2033	3,246,000	555,921	3,801,921
2034-2038	2,311,000	138,721	2,449,721
	<u>\$ 8,552,000</u>	<u>\$ 1,673,270</u>	<u>\$ 10,225,270</u>

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Notes payable	\$ 1,070,915	\$ 12,085	\$ (93,506)	\$ 989,494	\$ 88,503
Compensated absences	463,984	-	(51)	463,933	172,874
Governmental activity long-term liabilities	<u>\$ 1,534,899</u>	<u>\$ 12,085</u>	<u>\$ (93,557)</u>	<u>\$ 1,453,427</u>	<u>\$ 261,377</u>
Business-type activities:					
Revenue bonds	\$ 9,106,000	\$ -	\$ (554,000)	\$ 8,552,000	\$ 568,000
Notes payable	118,118	-	(30,688)	87,430	31,309
Compensated absences	235,078	8,685	-	243,763	97,893
Business-type activity long-term liabilities	<u>\$ 9,459,196</u>	<u>\$ 8,685</u>	<u>\$ (584,688)</u>	<u>\$ 8,883,193</u>	<u>\$ 697,202</u>

The internal service funds predominantly serve the governmental funds. Accordingly, internal service fund long-term liabilities are included as part of the above totals for governmental activities. At year end, \$20,591 of internal service funds compensated absences is included in the above amounts. Compensated absences and notes payable are liquidated with general fund resources.

CITY OF MILES CITY
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 125,150
Revenue bond-reserve	602,917
Revenue bond-replacement/depreciation	3,674,299
System development fees	<u>490,236</u>
	<u>\$ 4,892,602</u>

NOTE 3. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Subsequent Events

In September 2024, the city borrowed \$330,000 from the Montana Board of Investments for three years at 5.75%. The proceeds were used to build a hangar at the airport.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$550,000, primarily for construction projects.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), 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 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first-and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Additional information pertaining to membership, benefit structure, and prior

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years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1). if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2). if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3). if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who 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 receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Municipal Police Officers' Retirement System

Members with 20 years of service credit or age 50 with 5 years of service credit are eligible to retire. Retirement benefits are determined as 2.5 % of the final highest average (FAC) multiplied by years of service credit. For plan members hired prior to July 1, 1977, FAC is determined on the average monthly compensation of final year of service. Plan members hired on or after July 1, 1977, FAC is determined on the final average compensation (FAC) for last consecutive 36 months. For plan members hired on or after July 1, 2013, FAC is determined on 110% annual cap on compensation considered as a part of a member's final average compensation.

Second retirement is recalculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017: 1). less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service or 2). more than 20 years of membership service, upon re-employment, receives initial benefit and a new retirement benefit based on additional service credit and FAC after re-employment. This applies to retirement system members re-employed in a MPORS position on or after July 1, 2017: 1). If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service

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credit before terminating again, the member: a). is not awarded service credit for the period of reemployment; b). is refunded the accumulated contributions associated with the period of reemployment; c). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and d). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member: 1). is awarded service credit for the period of reemployment; 2). starting the first month following termination of service, receives: a). the same retirement benefit previously paid to the member, and b). a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date; and 3). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA: a). on the initial retirement benefit in January immediately following second retirement, and b). on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

The Guaranteed Annual Benefit Adjustment (GABA) applies to members hired on or after July 1, 1997, or those electing GABA, and have been retired for at least 12 months, a GABA will be made each year in January equal to 3%. The minimum benefit adjustment (non-GABA) may not be less than 50% of the compensation paid to a newly confirmed police officer of the employer that last employed the member as a police officer in the current fiscal year.

Firefighters' Unified Retirement System

Members with 20 years of service credit are eligible to retire. Retirement benefits are determined as follows: 1). for a member hired on or after July 1, 1981, or a member who has elected to be covered by GABA: 2.5% of highest average compensation (HAC) multiplied by years of service credit or 2). for a member hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of 1). above, or a). if membership service is less than 20 years: 2% of highest monthly compensation (HMC) multiplied by years of service credit or b). if membership service is greater or equal to 20 years: 50% of HMC plus 2% of HMC multiplied by years of service credit in excess of 20. A part-time firefighter will receive 15% of the regular compensation of a newly confirmed full-time firefighter. For a member hired on or after July 1, 2013, compensation is determined on 110% annual cap on compensation considered as a part of a member's HAC. Members age 50 with 5 years of service credit are eligible for early retirement. Retirement benefits are determined using HAC and service credit at early retirement.

Second retirement applies to retirement system members re-employed in a FURS position on or after July 1, 2017 if the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member: 1). is not awarded service credit for the period of reemployment; 2). is refunded the accumulated contributions associated with the period of reemployment; 3). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and 4). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member 1). is awarded service credit for the period of reemployment; 2). starting the first month following termination of service, receives: a). the same retirement benefit previously paid to the member; and b). a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members' rehire date; and 3). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA: a). on the initial retirement benefit in January immediately following second retirement, and b). on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

The Guaranteed Annual Benefit Adjustment (GABA) applies to members hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months-the member's benefit increases by 3.0% each January. The minimum benefit adjustment (non-GABA) applies to a member with 10 or more years of membership service who has not elected to be covered under GABA-the minimum benefit provided may not be less than 50% of the monthly compensation paid to a newly confirmed active firefighter of the employer that last employed the member as a firefighter in the current fiscal year.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.97% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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Municipal Police Officers' Retirement System

Members' contributions depend upon date of hire and whether the member has elected to be covered by a Guaranteed Annual Benefit Adjustment (GABA). For members who have not elected GABA, the rates of contribution are as follows: 1). hired after June 30, 1975, but on or before June 30, 1979: 7.0%, 2), hired after June 30, 1979, but before July 1, 1997: 8.5% or 3). hired on or after July 1, 1997: 9%. For all members who have elected GABA, the rate is 9.0% of compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 14.41% of each member's compensation. The State contributes 29.37% of each member's compensation.

Firefighters' Unified Retirement System

For members not electing a Guaranteed Annual Benefit Adjustment (GABA), the contribution is 9.5% of their compensation. For members electing GABA, the contribution is 10.7% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. The employer contributes 14.36% of each member's compensation. The State contributes 32.61% of each member's compensation.

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

At June 30, 2023, the government recorded a liability of \$3,185,833 (PERS), \$1,105,378 (MPORS) and \$698,706 (FURS) for its proportionate share of the net pension liability.

PERS, MPORS and FURS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS, MPORS and FURS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2023		
	PERS	MPORS	FURS
Employer proportionate share	\$ 3,185,833	\$ 1,105,378	\$ 698,706
State of Montana proportionate share associated with employer	950,523	2,246,642	1,580,781
Total	\$ 4,136,356	\$ 3,352,020	\$ 2,279,487

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 for PERS, MPORS and FURS. The government's proportion of the net pension liability was based on the government's contributions received by PERS, MPORS and FURS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all PERS, MPORS and FURS participating employers. At June 30, 2023, the government's proportion was .1340, .4680 and .4398 percent for PERS, MPORS and FURS, respectively.

For the year ended June 30, 2023, the government recognized \$219,275 (PERS), \$190,763 (MPORS) and \$142,819 (FURS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$98,522 (PERS), \$385,183 (MPORS) and \$323,461 (FURS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$317,797, \$575,946 and \$466,280 for PERS, MPORS and FURS, respectively.

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At June 30, 2023, the government reported its proportionate share of PERS, MPORS and FURS deferred outflows and inflows of resources from the following sources:

	PERS		MPORS		FURS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,614	\$ -	\$ 4,916	\$ 5,791	\$ 60,938	\$ 1,365
Changes in assumptions	118,723	233,232	97,549	21,217	181,577	-
Net difference between projected and actual earnings on pension plan investments	93,630	-	40,262	-	43,883	-
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	-	60,304	48,843	-	-	2,520
Employer contributions subsequent to measurement date	234,766	-	125,315	-	123,910	-
	<u>\$ 487,733</u>	<u>\$ 293,536</u>	<u>\$ 316,885</u>	<u>\$ 27,008</u>	<u>\$ 410,308</u>	<u>\$ 3,885</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	MPORS	FURS
2024	\$ (23,933)	\$ 74,128	\$ 70,095
2025	128,828	37,189	45,184
2026	(100,985)	(6,580)	27,849
2027	213,177	59,825	110,911
Thereafter	-	-	28,474

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MPORS	FURS
Investment rate of return, net of investment and administrative expenses	7.30%	7.30%	7.30%
Salary increases	3.50%	3.50%	3.50%
Inflation	2.75%	2.75%	2.75%

Mortality rates for the PERS, MPORS and FURS retirement plans are based on the PUB-2010 general amount weighted employer mortality projected to 2021 for males and females and projected generationally using MP-2021.

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

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asset class as of the most recent experience study, are summarized in the following table.

Asset Class	PERS, MPORS & FURS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	<u>100.0%</u>	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Municipal Police Officers' Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 29.37% of salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Firefighters' Unified Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 32.61% of salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2133. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS, MPORS and FURS net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability-PERS	\$ 4,592,526	\$ 3,185,833	\$ 2,005,633
Net pension liability-MPORS	1,665,650	1,105,378	660,411
Net pension liability-FURS	1,210,971	698,706	289,666

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PERS Disclosure for the Defined Contribution Plan

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

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

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

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

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

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan description: The healthcare plan provides for and Section 2-18-704, MCA, 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 government. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these costs 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 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums.

Employees Covered by Benefit Terms. As of June 30, 2023, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	80
	80

Total OPEB Liability

The total OPEB liability of \$524,030 was measured as of June 30, 2023, and was determined by using the alternative measurement method as of June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Valuation date	June 30, 2023
Actuarial cost method	Entry age normal funding
Salary increases	3.5%
Discount rate	4.11% (based on the 20 year municipal bond index)
Healthcare costs trend rates	7.0% in 2023. Thereafter, decreasing each year to an ultimate rate of 3.8% for 2079 and years later
Participation	45% of future retirees are assumed to elect medical coverage
Mortality	RP 2000 Healthy combined Mortality Table projected to 2015 using Scale AA

The actuarial assumptions used in the June 20, 2023 valuation were based on the health care premium rates and medical and prescription drug costs in effect as of June 30, 2023.

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$ 91,611
Interest on the total OPEB liability	25,634
Difference in experience	(125,598)
Changes in assumptions or other inputs	303
Benefits payments	-
Net change in total OPEB liability	(8,050)
Total OPEB liability - beginning of year	532,080
Total OPEB liability - end of year	\$ 524,030

Changes of benefit terms reflect revised health care trend rates and retiree contribution increases based on revised projects and future increases to retirees contributions to match health care cost trend rates.

Changes of assumptions and other inputs reflect a change in status, trend, discount and other inputs.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the employer's total OPEB liability calculated using the discount rate of 4.11%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.11%) or 1.00% higher (5.11%) than the current rate.

	1% Decrease (3.11%)	Current Discount Rate (4.11%)	1% Increase (5.11%)
Total OPEB liability	\$ 545,365	\$ 524,030	\$ 498,844

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 2.8%) or 1-percentage-point higher (8.0% decreasing to 4.8%) than the current healthcare cost trend rates:

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	1% Decrease (6.0% decreasing to 2.8%)	Healthcare Cost Trend Rates (7.0% decreasing to 3.8%)	1% Increase (8.0% decreasing to 4.8%)
Total OPEB liability	\$ 587,778	\$ 524,030	\$ 587,778

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

For the year ended June 30, 2023, the government recognized OPEB recovery of (\$8,050). As of June 30, 2023, the government expensed deferred outflows of resources and deferred inflows of resources related to OPEB as required by the "alternative measurement method".

Future Implementation of GASB Pronouncements

GASB Statement No. 99, Omnibus 2022. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILES CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 2,209,944	\$ 2,209,944	\$ 2,210,327	\$ -	\$ 2,210,327
Fines and forfeitures	169,600	169,600	153,992	-	153,992
Licenses and permits	128,288	128,288	79,922	-	79,922
Intergovernmental	2,224,246	2,224,246	1,556,290	645,729	2,202,019
Charges for services	346,280	346,280	199,049	-	199,049
Investment earnings	10,000	10,000	54,242	-	54,242
Miscellaneous	102,110	102,110	84,958	-	84,958
Total revenues	<u>5,190,468</u>	<u>5,190,468</u>	<u>4,338,780</u>	<u>645,729</u>	<u>4,984,509</u>
EXPENDITURES					
Current:					
General government	863,887	863,887	719,927	11,500	731,427
Public safety	3,711,659	3,711,659	3,185,285	596,524	3,781,809
Public works	326,959	326,959	32,467	18,346	50,813
Public health	106,285	106,285	95,795	1,902	97,697
Social and economic services	25,000	25,000	-	1,831	1,831
Culture and recreation	547,884	547,884	531,173	15,626	546,799
Housing and community development	5,225	5,225	5,225	-	5,225
Debt service:					
Principal	89,429	89,429	89,555	-	89,555
Interest and other charges	17,033	17,033	16,804	-	16,804
Capital outlay	8,750	8,750	50,927	-	50,927
Total expenditures	<u>5,702,111</u>	<u>5,702,111</u>	<u>4,727,158</u>	<u>645,729</u>	<u>5,372,887</u>
Excess (deficiency) of revenues over expenditures	<u>(511,643)</u>	<u>(511,643)</u>	<u>(388,378)</u>	<u>-</u>	<u>(388,378)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	250,000	250,000	12,085	-	12,085
Insurance recoveries	-	-	4,138	-	4,138
Transfers in	575,840	575,840	565,840	-	565,840
Transfers out	(446,373)	(446,373)	(360,123)	-	(360,123)
Total other financing sources (uses)	<u>379,467</u>	<u>379,467</u>	<u>221,940</u>	<u>-</u>	<u>221,940</u>
Net change in fund balance	<u>\$ (132,176)</u>	<u>\$ (132,176)</u>	<u>(166,438)</u>	<u>-</u>	<u>(166,438)</u>
Fund balance - beginning			<u>524,724</u>	<u>-</u>	<u>524,724</u>
Fund balance - ending			<u>\$ 358,286</u>	<u>\$ -</u>	<u>\$ 358,286</u>

See notes to required supplementary information-budgetary comparison information.

CITY OF MILES CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Street Maintenance District No. 204 Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 2,273,175	\$ 2,273,175	\$ 947,392
Investment earnings	1,000	1,000	56,804
Miscellaneous	200	200	-
Total revenues	<u>2,274,375</u>	<u>2,274,375</u>	<u>1,004,196</u>
EXPENDITURES			
Current:			
Public works	1,427,754	1,427,754	951,880
Capital outlay	-	-	90,140
Total expenditures	<u>1,427,754</u>	<u>1,427,754</u>	<u>1,042,020</u>
Excess (deficiency) of revenues over expenditures	<u>846,621</u>	<u>846,621</u>	<u>(37,824)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	132,004	132,004	132,004
Transfers out	<u>(495,687)</u>	<u>(495,687)</u>	<u>(292,086)</u>
Total other financing sources (uses)	<u>(363,683)</u>	<u>(363,683)</u>	<u>(160,082)</u>
Net change in fund balance	<u>\$ 482,938</u>	<u>\$ 482,938</u>	(197,906)
Fund balance - beginning			<u>1,137,892</u>
Fund balance - ending			<u>\$ 939,986</u>

CITY OF MILES CITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Federal Recovery Funds Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 3,445,873	\$ 3,445,873	\$ 135,364
Total revenues	<u>3,445,873</u>	<u>3,445,873</u>	<u>135,364</u>
EXPENDITURES			
Current:			
Public safety	-	-	10,913
Public works	990,000	990,000	-
Capital outlay	<u>1,569,130</u>	<u>1,569,130</u>	<u>124,451</u>
Total expenditures	<u>2,559,130</u>	<u>2,559,130</u>	<u>135,364</u>
Net change in fund balance	<u>\$ 886,743</u>	<u>\$ 886,743</u>	-
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ -</u>

CITY OF MILES CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY COMPARISON INFORMATION
For the Year Ended June 30, 2023

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

Budget to actual differences for the General fund are state support revenues and expenditures related to pensions.

Expenditures exceeded appropriations for the following funds: Lighting Maintenance District No. 172 (\$1,639) and Lighting Maintenance District No. 195 (\$324).

CITY OF MILES CITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES, MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.1340%	0.1342%	0.1418%	0.1496%	0.1520%	0.1918%	0.1880%	0.1856%	0.1881%
Employer's proportionate share of the net pension liability associated with the employer	\$ 3,185,833	\$ 2,432,946	\$ 3,740,474	\$ 3,127,453	\$ 3,173,011	\$ 3,735,477	\$ 3,201,773	\$ 2,593,785	\$ 2,343,806
State of Montana's proportionate share of the net pension liability associated with the employer	950,523	715,915	1,176,036	1,015,820	1,060,474	47,913	39,122	31,860	28,621
Total	\$ 4,136,356	\$ 3,148,861	\$ 4,916,510	\$ 4,143,273	\$ 4,233,485	\$ 3,783,390	\$ 3,240,895	\$ 2,625,645	\$ 2,372,427
Employer's covered payroll	\$ 2,354,510	\$ 2,370,096	\$ 2,385,188	\$ 2,468,657	\$ 2,500,162	\$ 2,379,090	\$ 2,251,547	\$ 2,165,434	\$ 2,372,427
Employer's proportionate share of the net pension liability as a percentage of its covered Plan fiduciary net position as a percentage of the total pension liability	135.31%	102.65%	156.82%	126.69%	126.91%	157.01%	142.20%	119.78%	98.79%
	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
Municipal Police Officers' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.4680%	0.4236%	0.4386%	0.4454%	0.4687%	0.4615%	0.4989%	0.5156%	0.5338%
Employer's proportionate share of the net pension liability associated with the employer	\$ 1,105,378	\$ 770,106	\$ 1,072,679	\$ 886,605	\$ 802,716	\$ 821,159	\$ 898,119	\$ 852,911	\$ 838,807
State of Montana's proportionate share of the net pension liability associated with the employer	2,246,642	1,565,284	2,163,486	1,805,437	1,640,909	1,673,658	1,782,806	1,728,080	1,694,490
Total	\$ 3,352,020	\$ 2,335,390	\$ 3,236,165	\$ 2,692,042	\$ 2,443,625	\$ 2,494,817	\$ 2,680,925	\$ 2,580,991	\$ 2,533,297
Employer's covered payroll	\$ 872,958	\$ 766,693	\$ 751,277	\$ 734,121	\$ 739,840	\$ 690,213	\$ 704,307	\$ 713,602	\$ 716,232
Employer's proportionate share of the net pension liability as a percentage of its covered Plan fiduciary net position as a percentage of the total pension liability	126.62%	100.45%	142.78%	120.77%	108.50%	118.97%	127.52%	119.52%	117.11%
	69.67%	75.76%	64.84%	68.84%	70.95%	68.34%	65.62%	66.90%	67.01%
Firefighters' Unified Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.4398%	0.4567%	0.4611%	0.4379%	0.4534%	0.4194%	0.4338%	0.4313%	0.4649%
Employer's proportionate share of the net pension liability associated with the employer	\$ 698,706	\$ 390,865	\$ 721,482	\$ 502,385	\$ 522,244	\$ 474,106	\$ 495,410	\$ 441,077	\$ 453,804
State of Montana's proportionate share of the net pension liability associated with the employer	1,580,781	887,121	1,626,465	1,215,021	1,194,144	1,076,641	1,122,444	982,395	1,023,761
Total	\$ 2,279,487	\$ 1,277,986	\$ 2,347,947	\$ 1,717,406	\$ 1,716,388	\$ 1,550,747	\$ 1,617,854	\$ 1,423,472	\$ 1,477,565
Employer's covered payroll	\$ 852,294	\$ 840,506	\$ 804,892	\$ 759,441	\$ 714,156	\$ 627,026	\$ 610,810	\$ 579,545	\$ 603,871
Employer's proportionate share of the net pension liability as a percentage of its covered Plan fiduciary net position as a percentage of the total pension liability	81.98%	46.50%	89.64%	66.15%	73.13%	75.61%	81.11%	76.11%	75.15%
	78.76%	87.72%	75.34%	80.08%	79.03%	77.77%	75.48%	76.90%	76.71%

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

CITY OF MILES CITY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES, MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 234,766	\$ 209,401	\$ 210,036	\$ 208,418	\$ 212,321	\$ 211,764	\$ 199,146	\$ 192,152	\$ 185,078
Contributions in relation to the contractually required contributions	234,766	209,401	210,036	208,418	212,321	211,764	199,146	192,152	185,078
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,617,231	\$ 2,354,510	\$ 2,370,096	\$ 2,385,188	\$ 2,468,657	\$ 2,500,162	\$ 2,379,090	\$ 2,251,547	\$ 2,165,434
Contributions as a percentage of covered payroll	8.97%	8.89%	8.86%	8.74%	8.60%	8.47%	8.37%	8.53%	8.55%
Municipal Police Officers' Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 125,315	\$ 126,719	\$ 110,333	\$ 109,457	\$ 106,208	\$ 110,656	\$ 99,460	\$ 103,172	\$ 103,444
Contributions in relation to the contractually required contributions	125,315	126,719	110,333	109,457	106,208	110,656	99,460	103,172	103,444
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 869,639	\$ 872,958	\$ 766,693	\$ 751,277	\$ 734,121	\$ 739,840	\$ 690,213	\$ 704,307	\$ 713,602
Contributions as a percentage of covered payroll	14.41%	14.52%	14.39%	14.57%	14.47%	14.96%	14.41%	14.65%	14.50%
Firefighters' Unified Retirement System:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 123,910	\$ 123,276	\$ 120,696	\$ 118,473	\$ 104,660	\$ 105,112	\$ 90,041	\$ 87,329	\$ 84,842
Contributions in relation to the contractually required contributions	123,910	123,276	120,696	118,473	104,660	105,112	90,041	87,329	84,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 862,883	\$ 852,294	\$ 840,506	\$ 804,892	\$ 759,441	\$ 714,156	\$ 627,026	\$ 610,810	\$ 579,545
Contributions as a percentage of covered payroll	14.36%	14.46%	14.36%	14.72%	13.78%	14.72%	14.36%	14.30%	14.64%

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

CITY OF MILES CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations-for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

- The interest credited to member accounts increased from 0.25% to 0.77%.

Lump-sum Payouts:

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

Disabled PERS Defined Contribution (DC) Members:

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

Municipal Police Officers' Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations-for MPORS

Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

- Members who return for less than 480 hours in a calendar year:
 - may not become an active member in the system; and
 - are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.

CITY OF MILES CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

- Members who return for 480 or more hours in a calendar year:
 - must become an active member of the system;
 - will stop receiving a retirement benefit from the system; and
 - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions, if any, apply as follows:
 - employer contributions and state contributions (if any) must be paid on all working retirees;
 - employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit-for MPORS:

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - i) the same retirement benefit previously paid to the member, and
 - ii) a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i) on the initial retirement benefit in January immediately following second retirement, and
 - ii) on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
 - A member who returns to covered service is not eligible for a disability benefit.

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

CITY OF MILES CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2023

Firefighters Unified Retirement System:

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations-for FURS:

Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

- Members who return for less than 480 hours in a calendar year:
 - may not become an active member in the system; and
 - are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.

- Members who return for 480 or more hours in a calendar year:
 - must become an active member of the system;
 - will stop receiving a retirement benefit from the system; and
 - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
 - employee, employer and state contributions, if any, apply as follows:
 - employer contributions and state contributions (if any) must be paid on all working retirees;
 - employee contributions must be paid in working retirees who return to covered employment for 480 or more hours in a calendar year.

- Employee, employer and state contributions apply as follows:
 - employer contributions and state contributions (if any) must be paid on all working retirees;
 - employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit-for FURS:

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - i) the same retirement benefit previously paid to the member, and
 - ii) a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i) on the initial retirement benefit in January immediately following second retirement, and
 - ii) on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
 - A member who returns to covered service is not eligible for a disability benefit.

CITY OF MILES CITY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2023

Refunds:

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

Interest credited to member accounts:

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

Lump-sum payouts:

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

Changes in actuarial assumptions and other inputs:

Method and assumptions used in the PERS, MPORS and FURS calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years (PERS), 20 years (MPORS) and 10 years (FURS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

CITY OF MILES CITY
SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 532,080	\$ 850,066	\$ 1,202,747	\$ 978,383	\$ 561,274	\$ 531,184
Service cost	91,611	200,193	296,524	169,792	102,477	70,459
Interest cost	25,634	42,220	34,033	40,186	23,231	23,284
Differences in experience	(125,598)	(519,764)	(673,262)	-	288,777	-
Change in assumptions or other inputs	303	(16,083)	11,830	48,252	30,853	(11,893)
Benefit payments	-	(24,552)	(21,806)	(33,866)	(28,229)	(51,760)
Total OPEB liability - end of year	<u>\$ 524,030</u>	<u>\$ 532,080</u>	<u>\$ 850,066</u>	<u>\$ 1,202,747</u>	<u>\$ 978,383</u>	<u>\$ 561,274</u>
Covered-employee payroll	\$ 4,048,554	\$ 4,001,283	\$ 3,801,271	\$ 3,839,923	\$ 3,719,054	\$ 3,603,600
Total OPEB liability as a percentage of covered-employee payroll	12.94%	13.30%	22.36%	31.32%	26.31%	15.58%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

4.11%	4.02%	2.27%	3.50%	3.50%	3.87%
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Differences in experience measure the expected versus actual claims experience.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

SUPPLEMENTARY INFORMATION

CITY OF MILES CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2022	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2023
U.S. Department of Transportation:								
Direct Program:								
Airport Improvement Program	20.106	3-30-0055-018-2019	\$ 363,015	\$ (18,855)	\$ 18,855	\$ -	\$ -	\$ -
Airport Improvement Program	20.106	3-30-0055-025-2023	270,000	-	-	38,884	-	(38,884)
Airport Improvement Program	20.106	3-30-0055-023-2023	304,000	-	-	211,754	-	(211,754)
Airport Improvement Program	20.106	3-30-0055-024-2023	330,000	-	-	229,769	-	(229,769)
Airport Improvement Program	20.106	3-30-0055-020-2021	4,303,267	(152,981)	179,226	26,245	-	-
Subtotal				(171,836)	198,081	506,652	-	(480,407)
Passed through the Montana Department of Transportation:								
State and Community Highway Safety	20.600	111930	10,000	-	1,196	1,196	-	-
State and Community Highway Safety	20.600	112346	10,000	-	1,644	1,644	-	-
Subtotal				-	2,840	2,840	-	-
Total U.S. Department of Transportation				(171,836)	200,921	509,492	-	(480,407)
U.S. Department of Justice:								
Direct Program:								
Public Safety Partnership and Community Policing Grants	16.710	2020UMWX0476	125,000	4,931	-	-	(4,931)	-
Total U.S. Department of Justice				4,931	-	-	(4,931)	-
U.S. Department of Health and Human Services:								
Direct Program:								
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93 243	1H79T1083837-01	192,199	(17,234)	64,233	51,799	-	(4,800)
Total U.S. Department of Health and Human Services				(17,234)	64,233	51,799	-	(4,800)
U.S. Department of the Treasury:								
Direct Program:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	N/A	2,120,474	2,084,866	-	11,196	-	2,073,670
Passed through the Montana Department of Natural Resources and Conservation:								
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	AC-22-0039	2,000,000	-	-	-	-	-
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	AMC-23-0038	3,445,873	-	-	145,659	-	(145,659)
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	AM-23-0295	111,336	-	-	-	-	-
Subtotal				2,084,866	-	156,855	-	1,928,011
Passed through the Montana Department of Administration:								
Coronavirus Relief Fund (1)	21 019	N/A	1,697,734	5,750	-	-	(5,750)	-
Subtotal				5,750	-	-	(5,750)	-
Total U.S. Department of the Treasury				2,090,616	-	156,855	(5,750)	1,928,011

CITY OF MILES CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2022	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2023
<u>Corporation for National and Community Service:</u>								
Direct Program:								
Retired and Senior Volunteer Program	94 002	20SRPMT001	177,824	-	86,412	86,412	-	-
Total Corporation for National and Community Service				-	86,412	86,412	-	-
Total Federal Awards				<u>\$ 1,906,477</u>	<u>\$ 351,566</u>	<u>\$ 804,558</u>	<u>\$ (10,681)</u>	<u>\$ 1,442,804</u>

(1) - Covid 19

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DONATED PPE

The estimated Fair Market Value (FMV) of donated PPE for the year ended June 30, 2023 was \$0 (unaudited).

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS
2810 CENTRAL AVENUE, SUITE B
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(406) 252-6230
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ERNEST J. OLNESS, CPA

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

To the Honorable Mayor and City Council
City of Miles City
Miles City, Montana

Report on the Financial Statements

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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Miles City, Montana (the government) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 22, 2024. The report included an explanatory paragraph to describe a change in accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) as a basis for designing 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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 in the accompanying schedule of findings and questioned costs, 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 statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2023-005 and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-006.

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 (CONTINUED)

The Government's Response to Findings

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

Purpose of this Report

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

O'Leary & Associates, PC

Billings, Montana
March 22, 2024

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

To the Honorable Mayor and City Council
City of Miles City
Miles City, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Miles City, Montana's (the government) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the government's major federal program for the year ended June 30, 2023. The government's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

O'ness & Associates, PC

Billings, Montana
March 22, 2024

CITY OF MILES CITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? √ yes no
- Significant deficiencies identified? √ yes none reported

Noncompliance material to the financial statements noted? √ yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? yes √ no
- Significant deficiencies identified? yes √ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? yes √ no

Major programs:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? yes √ no

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Cause: There are a limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

CITY OF MILES CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-003. CASH RECONCILIATIONS NOT COMPLETE AND ACCURATE

Criteria: Preparation of complete, accurate and timely bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Condition: Unidentified differences existed between the general ledger cash balances and the bank reconciliations.

Cause: Procedures are not in place to identify and correct the unreconciled differences.

Effect: Cash in the general ledger maybe over or understated.

Recommendation: Cash should be reconciled monthly within 15 days after month-end. Any differences should be researched and resolved prior to the reconciliation being completed. A copy of the reconciliation, any supporting documentation and a month-end cash report should be provided to the finance committee for their review and approval.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-004. RECONCILE AMBULANCE ACCOUNTS RECEIVABLE MONTHLY

Criteria: The ambulance accounts receivable ledger should be reconciled to the general ledger control account monthly.

Condition: The ambulance accounts receivable subsidiary ledger does not agree with the ambulance accounts receivable control account in the general ledger. At June 30, 2023, the general ledger control account was \$5,775 greater than the subsidiary ledger.

Cause: Current procedures do not provide for the reconciliation of the ambulance accounts receivable ledger to the general ledger control account.

Effect: The general ledger ambulance accounts receivable balance could be misstated.

Recommendation: We recommend developing procedures that will provide for a reconciliation of the ambulance accounts receivable ledger to the general ledger control account. In addition, management should develop procedures to ensure that differences are identified, researched, and resolved in a timely manner.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-005. MONTH-END CLOSING

Criteria: Close out procedures should be performed shortly after month-end in order to provide management with timely and accurate financial data.

CITY OF MILES CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Condition: Month-end close out procedures were not performed in a timely and/or accurate manner. Following are several examples:

- Evaluate/follow up/write off old outstanding receivables
- Evaluate old outstanding checks
- Reconcile general ledger control accounts to the subsidiary ledgers
- Verification that there are no outstanding journal vouchers
- Verification that taxes receivable and related charges are setup correctly

Cause: Oversight and review procedures are not in place to ensure the monthly and year-end closing processes are completed.

Effect: Inaccurate financial data may be relied upon by management to make decisions.

Recommendation: Monthly close out procedures need to be completed that will provide accurate and timely financial data for management to rely on to make decisions.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2023-006. BUDGETS

Criteria: Accurate preparation of the budget is necessary to ensure that the government is appropriately funded, fiscally responsible, and is in compliance with state budget laws.

Condition: During our audit, we noted the following related to budgets:

- Two funds were overspent for the year ended June 30, 2023.
- Requirement schedules did not include the capital improvement funds.
- The determination of tax revenue and mill levy limitations under Section 15-10-420, MCA was not calculated correctly. The City did not include Class 8 Business Property Tax Reimbursements per HB 303, resulting in an over-levy of 0.4 mills.

Cause: Unknown.

Effect: Non-compliance with state law.

Recommendation: Procedures should be developed to ensure that an accurate budget is developed. Further, budget and actual expenditures should be monitored to ensure budgets are not overspent.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF MILES CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2023-001 for the year ended June 30, 2023.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2023-002 for the year ended June 30, 2023.

2022-003. CASH RECONCILIATIONS NOT COMPLETE AND ACCURATE

Status: This finding is unresolved and is repeated as finding 2023-003 for the year ended June 30, 2023.

2022-004. BUDGETS

Status: This finding is unresolved and is repeated as finding 2023-006 for the year ended June 30, 2023.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

2022-005. AIRPORT IMPROVEMENT PROGRAM, AL No. 20.106, GRANT PERIOD – YEAR ENDED JUNE 30, 2022

Status: This finding is resolved.

CITY OF MILES CITY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. SEGREGATION OF DUTIES

Name of Contact Person: Mary Rowe, City Clerk

Corrective Action: The cost for additional employees far exceeds the benefit. Segregation of duties is implemented as much as staffing will allow and the governing body continues to provide some of these controls.

Proposed Completion Date: Ongoing.

2023-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: Mary Rowe, City Clerk

Corrective Action: The City finds it is not cost effective to hire a qualified/certified person to evaluate the auditor prepared financial statements.

Proposed Completion Date: Ongoing.

2023-003. CASH RECONCILIATIONS NOT COMPLETE AND ACCURATE

Name of contact person: John Moorehead, City Treasurer

Corrective Action: Communication between the Treasurer, Payroll and City Clerk had been established and reviewed. The City Treasurer will be balancing the cash monthly and find all errors or missing information by the 20th of the following month. A copy of the Treasurer's reconciliation report and a month end cash report will be provided to the finance committee for review.

Proposed Completion Date: Immediately.

2023-004. RECONCILE AMBULANCE ACCOUNTS RECEIVABLE MONTHLY

Name of contact person: Mary Rowe, City Clerk

Corrective Action: Management has developed procedures to ensure that differences between both ambulance billing companies and the general ledger control account are identified, researched, and resolved in a timely manner.

Proposed Completion Date: Immediately

2023-005. MONTH-END CLOSING

Name of contact person: Mary Rowe, City Clerk

Corrective Action: Monthly close out procedures will be completed to provide accurate and timely financial data for management to rely on to make decisions.

Proposed Completion Date: Immediately

2023-006. BUDGETS

Name of contact person: Mary Rowe, City Clerk

Corrective Action: The Finance Committee, Mayor and Directors will all be involved in the budget process and will also review the final budget document along with full Council to ensure accuracy and all requirements are met prior to submission. Further, budget and actual expenditures will be monitored regularly to ensure budgets are not overspent.

Proposed Completion Date: Immediately

CITY OF MILES CITY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2023

FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT

None