

TOWN OF VALIER
PONDERA COUNTY
VALIER, MONTANA

FINANCIAL AND COMPLIANCE REPORT
Fiscal Year Ended June 30, 2019 and June 30, 2020

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TOWN OF VALIER
PONDERA COUNTY
VALIER, MONTANA 59486
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TOWN OF VALIER
PONDERA COUNTY
VALIER, MONTANA 59486
ORGANIZATION – JUNE 30, 2019

MAYOR AND TOWN COUNCIL

Glenn Wunderlich Mayor
Steve Nelson Council President
Ray Bukoveckas Council Member
Norma Bukoveckas Council Member
Dave Widhalm Council Member

OFFICIALS

Jackie Sheble Clerk/Treasurer
Leo Malinak Public Works Supervisor
Cody Shaw Town Judge
Justin Lee Town Attorney

ORGANIZATION – JUNE 30, 2020

MAYOR AND TOWN COUNCIL

Glenn Wunderlich Mayor
Steve Nelson Council President
Dave Widhalm Council Member
Janelle Nelson Council Member
Angi Kirkbride Council Member

OFFICIALS

Andrea Bowie Clerk/Treasurer
Leo Malinak Public Works Supervisor
Cody Shaw Town Judge
Joe Sherwood Town Attorney



STROM & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council
Town of Valier
Pondera County
Valier, Montana 59486

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Valier as of and for the years ended June 30, 2019 and June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Valier's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Valier as of June 30, 2019 and June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 49-51), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 52-54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022 on our consideration of Town of Valier'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Valier's internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
April 18, 2022

STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total	Component Unit - Library Foundation
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 209,781	\$ 326,353	\$ 536,134	\$ 71,947
Taxes Receivable	6,154	-	6,154	-
Special Assessments	2,208	14,168	16,376	-
Accounts Receivable - Net	-	32,055	32,055	-
Due from Other Governments	40,938	4,546	45,484	-
Inventories	-	89,596	89,596	-
Total Current Assets	<u>259,081</u>	<u>466,718</u>	<u>725,799</u>	<u>71,947</u>
Noncurrent Assets:				
Restricted Cash and Investments	-	251,703	251,703	-
Capital Assets:				
Land	112,100	-	112,100	-
Construction in Progress	260,539	-	260,539	-
Net Depreciable Assets	<u>295,757</u>	<u>5,353,371</u>	<u>5,649,128</u>	-
Total Noncurrent Assets	<u>668,396</u>	<u>5,605,074</u>	<u>6,273,470</u>	-
Total Assets	<u>927,477</u>	<u>6,071,792</u>	<u>6,999,269</u>	<u>71,947</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Employer Pension Plan Activities	<u>19,275</u>	<u>21,962</u>	<u>41,237</u>	-
Total Deferred Outflows of Resources	<u>19,275</u>	<u>21,962</u>	<u>41,237</u>	-
Total Assets and Deferred Outflows of Resources	<u>\$ 946,752</u>	<u>\$ 6,093,754</u>	<u>\$ 7,040,506</u>	<u>\$ 71,947</u>
LIABILITIES:				
Current Liabilities:				
Current Portion of Compensated Absences	2,047	3,296	5,343	-
Current Portion of Long-term Capital Obligations	<u>5,572</u>	<u>60,332</u>	<u>65,904</u>	-
Total Current Liabilities	<u>7,619</u>	<u>63,628</u>	<u>71,247</u>	-
Noncurrent Liabilities:				
Long-term Debt Obligations	-	-	-	-
Compensated Absences	2,047	3,296	5,343	-
Net Pension Accrual	84,223	95,962	180,185	-
Long-term Capital Debt Obligations	<u>23,537</u>	<u>1,719,512</u>	<u>1,743,049</u>	-
Total Noncurrent Liabilities	<u>109,807</u>	<u>1,818,770</u>	<u>1,928,577</u>	-
Total Liabilities	<u>117,426</u>	<u>1,882,398</u>	<u>1,999,824</u>	-
DEFERRED INFLOWS OF RESOURCES:				
Employer Pension Plan Activities	<u>21,340</u>	<u>24,315</u>	<u>45,655</u>	-
Total Deferred Inflows of Resources	<u>21,340</u>	<u>24,315</u>	<u>45,655</u>	-
NET POSITION:				
Net Investment in Capital Assets	639,287	3,573,527	4,212,814	-
Restricted	172,104	134,535	306,639	71,947
Unrestricted (Deficit)	<u>(3,405)</u>	<u>478,979</u>	<u>475,574</u>	-
Total Net Position	<u>807,986</u>	<u>4,187,041</u>	<u>4,995,027</u>	<u>71,947</u>
Total liabilities, deferred inflows and net position	<u>\$ 946,752</u>	<u>\$ 6,093,754</u>	<u>\$ 7,040,506</u>	<u>\$ 71,947</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit - Library Foundation
					Governmental Activities	Business-type Activities	Total	
GOVERNMENT OPERATIONS:								
General government	\$ 42,580	\$ 2,473	\$ 403	\$ -	\$ (39,704)		\$ (39,704)	
Public safety	65,796	-	548	36,043	(29,205)		(29,205)	
Public works	121,480	28,427	47,820	-	(45,233)		(45,233)	
Culture and recreation	116,727	29,719	37,393	6,092	(43,523)		(43,523)	
Debt service:								
Interest and Other Charges	1,045	-	-	-	(1,045)		(1,045)	
Total Governmental Activities	347,628	60,619	86,164	42,135	(158,710)		(158,710)	
BUSINESS-TYPE ACTIVITIES:								
Water	213,819	180,567	1,093	2,246		(29,913)	(29,913)	
Sewer	216,494	222,851	1,043	2,300		9,700	9,700	
Total Business-type activities	430,313	403,418	2,136	4,546		(20,213)	(20,213)	
Total Primary Government	\$ 777,941	\$ 464,037	\$ 88,300	\$ 46,681	\$ (158,710)	\$ (20,213)	\$ (178,923)	
COMPONENT UNITS:								
Valier Library Foundation	745	-	-	-				(745)
Total Component Units	\$ 745	\$ -	\$ -	\$ -				\$ (745)
GENERAL REVENUES:								
Taxes/Assessments					200,069	-	200,069	
Local Option Taxes					12,983	-	12,983	
Miscellaneous					5,450	-	5,450	
Investment and Royalty Earnings					890	5,712	6,602	2,398
Total General Revenues					219,392	5,712	225,104	2,398
Change in Net Position					60,682	(14,501)	46,181	1,653
NET POSITION:								
Beginning of the Year					742,959	4,111,946	4,854,905	70,294
Prior Period Adjustments					4,345	89,596	93,941	-
End of the Year					\$ 807,986	\$ 4,187,041	\$ 4,995,027	\$ 71,947

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	MAJOR		Other	Total
	General	Library	Governmental Funds	Governmental Funds
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 80,823	\$ 68,745	\$ 60,213	\$ 209,781
Taxes Receivable	6,154	-	-	6,154
Special Assessments	-	-	2,208	2,208
Due from Other Governments	-	40,938	-	40,938
Total Assets	<u>86,977</u>	<u>109,683</u>	<u>62,421</u>	<u>259,081</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 86,977</u>	<u>\$ 109,683</u>	<u>\$ 62,421</u>	<u>\$ 259,081</u>
LIABILITIES:				
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Property Taxes Receivable	6,154	-	2,208	8,362
Total Deferred Inflows of Resources	<u>6,154</u>	<u>-</u>	<u>2,208</u>	<u>8,362</u>
FUND BALANCE (DEFICITS):				
Restricted	-	109,683	60,213	169,896
Assigned	34,675	-	-	34,675
Unassigned	46,148	-	-	46,148
Total Fund Balance	<u>80,823</u>	<u>109,683</u>	<u>60,213</u>	<u>250,719</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 86,977</u>	<u>\$ 109,683</u>	<u>\$ 62,421</u>	<u>\$ 259,081</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 250,719
Unavailable Property Taxes Receivable	8,362
Governmental capital assets	668,396
Employer Pension Plan Activities	19,275
Long-term Liabilities	
Long-term capital obligations	(29,109)
Compensated absences	(4,094)
Net Pension Accrual	(84,223)
Employer Pension Plan Activities	<u>(21,340)</u>
Net Position of Governmental Activities	<u>\$ 807,986</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2019

	MAJOR		Other	Total
	General	Library	Governmental Funds	Governmental Funds
REVENUES:				
Taxes/assessments	\$ 88,799	\$ 84,259	\$ 28,277	\$ 201,335
Licenses and permits	2,473	-	-	2,473
Intergovernmental revenues	88,568	-	47,305	135,873
Charges for services	29,535	334	-	29,869
Miscellaneous	473	46,765	-	47,238
Investment and royalty earnings	662	-	228	890
Total Revenues	<u>210,510</u>	<u>131,358</u>	<u>75,810</u>	<u>417,678</u>
EXPENDITURES:				
Current:				
General government	41,592	-	-	41,592
Public safety	59,739	-	-	59,739
Public works	46,262	-	65,265	111,527
Culture and recreation	31,001	77,489	1,160	109,650
Debt service:				
Principal	-	-	5,435	5,435
Interest and Other Charges	-	-	1,045	1,045
Capital Outlay	<u>5,420</u>	<u>70,477</u>	<u>-</u>	<u>75,897</u>
Total Expenditures	<u>184,014</u>	<u>147,966</u>	<u>72,905</u>	<u>404,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,496</u>	<u>(16,608)</u>	<u>2,905</u>	<u>12,793</u>
OTHER FINANCING SOURCES (USES):				
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	26,496	(16,608)	2,905	12,793
FUND BALANCE:				
Beginning of the Year	49,982	135,078	57,308	242,368
Prior Period Adjustments	<u>4,345</u>	<u>(8,787)</u>	<u>-</u>	<u>(4,442)</u>
End of the Year	<u>\$ 80,823</u>	<u>\$ 109,683</u>	<u>\$ 60,213</u>	<u>\$ 250,719</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Valier
Pondera County
Valier, Montana 59486

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, 2019

Net Changes in Fund Balance	\$	12,793
Revenues on the Statement of Activities not included in governmental funds statement:		
Increase (decrease) in taxes receivable	(11,242)	
State Pension Aid	<u>1,874</u>	(9,368)
Expenses on the Statement of Activities not included in the governmental funds statement:		
Depreciation Expense	(18,751)	
Actuarial Pension Expense	(4,487)	
(Increase) decrease in compensated absence liability	<u>(837)</u>	(24,075)
Expenditures reported in the governmental funds statement not included in the Statement of Activities		
Capital outlays	75,897	
Principal payments on debt	<u>5,435</u>	<u>81,332</u>
Change in net position reported on the Statement of Activities	\$	<u>60,682</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	MAJOR		Total Enterprise Funds
	Water	Sewer	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 122,008	\$ 204,345	\$ 326,353
Special Assessments	3,936	10,232	14,168
Accounts Receivable - Net	12,487	19,568	32,055
Due from Other Governments	2,246	2,300	4,546
Inventories	61,892	27,704	89,596
Total Current Assets	202,569	264,149	466,718
Noncurrent Assets:			
Restricted Cash and Investments	107,032	144,671	251,703
Capital Assets:			
Net Depreciable Assets	2,559,161	2,794,210	5,353,371
Total Noncurrent Assets	2,666,193	2,938,881	5,605,074
Total Assets	2,868,762	3,203,030	6,071,792
DEFERRED OUTFLOWS OF RESOURCES:			
Employer Pension Plan Activities	11,238	10,724	21,962
Total Deferred Outflows of Resources	11,238	10,724	21,962
Total Assets and Deferred Outflows of Resources	\$ 2,880,000	\$ 3,213,754	\$ 6,093,754
LIABILITIES:			
Current Liabilities:			
Current Portion of Compensated Absences	2,114	1,182	3,296
Current Portion of Long-term Capital Obligations	14,373	45,959	60,332
Total Current Liabilities	16,487	47,141	63,628
Noncurrent Liabilities:			
Compensated Absences	2,114	1,182	3,296
Net Pension Accrual	49,104	46,858	95,962
Long-term Capital Debt Obligations	783,794	935,718	1,719,512
Total Noncurrent Liabilities	835,012	983,758	1,818,770
Total Liabilities	851,499	1,030,899	1,882,398
DEFERRED INFLOWS OF RESOURCES:			
Employer Pension Plan Activities	12,442	11,873	24,315
Total Deferred Inflows of Resources	12,442	11,873	24,315
NET POSITION:			
Net Investment in Capital Assets	1,760,994	1,812,533	3,573,527
Restricted for Debt Service	77,642	56,893	134,535
Restricted for inventory	61,892	27,704	89,596
Unrestricted (Deficit)	115,531	273,852	389,383
Total Net Position	2,016,059	2,170,982	4,187,041
Total liabilities, deferred inflows and net position	\$ 2,880,000	\$ 3,213,754	\$ 6,093,754

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2019

	MAJOR		
	Water	Sewer	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 180,567	\$ 222,851	\$ 403,418
Total Operating Revenues	<u>180,567</u>	<u>222,851</u>	<u>403,418</u>
OPERATING EXPENSES:			
Personal Services	50,880	45,292	96,172
Supplies	23,538	15,683	39,221
Purchased Services	44,819	51,195	96,014
Fixed Charges	3,538	3,538	7,076
Depreciation	64,423	73,749	138,172
Total Operating Expense	<u>187,198</u>	<u>189,457</u>	<u>376,655</u>
Operating Income (Loss)	<u>(6,631)</u>	<u>33,394</u>	<u>26,763</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	1,093	1,043	2,136
Interest	2,006	3,706	5,712
Debt Service Interest	<u>(26,621)</u>	<u>(27,037)</u>	<u>(53,658)</u>
Total Nonoperating Revenue (Expenses)	<u>(23,522)</u>	<u>(22,288)</u>	<u>(45,810)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	<u>2,246</u>	<u>2,300</u>	<u>4,546</u>
Change in Net Position	<u>(27,907)</u>	<u>13,406</u>	<u>(14,501)</u>
NET POSITION:			
Beginning of the Year	1,982,074	2,129,872	4,111,946
Prior Period Adjustments	<u>61,892</u>	<u>27,704</u>	<u>89,596</u>
End of the Year	<u>\$ 2,016,059</u>	<u>\$ 2,170,982</u>	<u>\$ 4,187,041</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	MAJOR		Total Enterprise Funds
	Water	Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 179,306	\$ 219,252	\$ 398,558
Payments to Employees	(51,229)	(48,887)	(100,116)
Payments to Suppliers	(71,895)	(70,416)	(142,311)
Net Cash Provided (Used) by Operating Activities	<u>56,182</u>	<u>99,949</u>	<u>156,131</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Subsidies from Other Governments	(2,246)	(2,300)	(4,546)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(2,246)</u>	<u>(2,300)</u>	<u>(4,546)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Contributions	2,246	2,300	4,546
Purchases of Capital Assets	(2,246)	(2,300)	(4,546)
Principal Paid on Capital Debt	(13,753)	(43,883)	(57,636)
Interest Paid on Capital Debt	(26,621)	(27,037)	(53,658)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(40,374)</u>	<u>(70,920)</u>	<u>(111,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	<u>2,006</u>	<u>3,706</u>	<u>5,712</u>
Net Cash Provided (Used) by Investing Activities	<u>2,006</u>	<u>3,706</u>	<u>5,712</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>15,568</u>	<u>30,435</u>	<u>46,003</u>
BALANCE:			
Beginning of the year	<u>213,472</u>	<u>318,581</u>	<u>532,053</u>
End of the year	<u>\$ 229,040</u>	<u>\$ 349,016</u>	<u>\$ 578,056</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (6,631)	\$ 33,394	\$ 26,763
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	64,423	73,749	138,172
GASB 68 pension expense	(371)	(3,348)	(3,719)
Changes in assets and liabilities:			
Accounts receivable	2,675	6,633	9,308
Special assessments receivable	(3,936)	(10,232)	(14,168)
Compensated absences	22	(247)	(225)
Net cash provided (used) by operating activities	<u>\$ 56,182</u>	<u>\$ 99,949</u>	<u>\$ 156,131</u>
Supplemental schedule of noncash activities			
GASB 68 state contribution	<u>\$ 1,093</u>	<u>\$ 1,043</u>	<u>\$ 2,136</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Valier
Pondera County
Valier, Montana 59486

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	<u>\$ 5,519</u>
Total Assets	<u>\$ 5,519</u>
LIABILITIES:	
Current liabilities:	
Warrants payable	5,532
Due to others	<u>(13)</u>
Total Liabilities	<u>\$ 5,519</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Unit - Library Foundation
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 286,499	\$ 375,913	\$ 662,412	\$ 68,816
Taxes Receivable	11,426	-	11,426	-
Special Assessments Receivable	5,638	16,333	21,971	-
Accounts Receivable - Net	-	46,706	46,706	-
Duc from Other Governments	42,491	7,500	49,991	-
Inventories	-	89,596	89,596	-
Total Current Assets	346,054	536,048	882,102	68,816
Noncurrent Assets:				
Restricted Cash and Investments	-	260,523	260,523	-
Capital Assets:				
Land	112,100	-	112,100	-
Net Depreciable Assets	604,258	5,215,201	5,819,459	-
Total Noncurrent Assets	716,358	5,475,724	6,192,082	-
Total Assets	1,062,412	6,011,772	7,074,184	68,816
DEFERRED OUTFLOWS OF RESOURCES:				
Employer Pension Plan Related	13,025	19,454	32,479	-
Total Deferred Outflows of Resources	13,025	19,454	32,479	-
Total Assets and Deferred Outflows of Resources	\$ 1,075,437	\$ 6,031,226	\$ 7,106,663	\$ 68,816
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 20	\$ -	\$ 20	\$ -
Current Portion of Compensated Absences	2,285	3,410	5,695	-
Current Portion of Long-term Capital Obligations	5,713	64,696	70,409	-
Total Current Liabilities	8,018	68,106	76,124	-
Noncurrent Liabilities:				
Compensated Absences	2,284	3,410	5,694	-
Net Pension Accrual	72,476	108,251	180,727	-
Long-term Capital Debt Obligations	17,825	1,654,815	1,672,640	-
Total Noncurrent Liabilities	92,585	1,766,476	1,859,061	-
Total Liabilities	100,603	1,834,582	1,935,185	-
DEFERRED INFLOWS OF RESOURCES:				
Employer Pension Plan Related	13,240	19,776	33,016	-
Total Deferred Inflows of Resources	13,240	19,776	33,016	-
NET POSITION:				
Net Investment in Capital Assets	692,820	3,495,690	4,188,510	-
Restricted	169,014	224,401	393,415	68,816
Unrestricted (Deficit)	99,760	456,777	556,537	-
Total Net Position	961,594	4,176,868	5,138,462	68,816
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,075,437	\$ 6,031,226	\$ 7,106,663	\$ 68,816

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
						Primary Government		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit - Library Foundation
GOVERNMENT OPERATIONS:								
General Government	\$ 30,871	\$ 3,417	\$ 73,505	\$ -	\$ 46,051		\$ 46,051	
Public Safety	72,496	-	1,350	-	(71,146)		(71,146)	
Public Works	102,275	31,825	25,977	-	(44,473)		(44,473)	
Culture and Recreation	119,901	52,140	60,572	22,812	15,623		15,623	
Housing and Community Development	24	-	-	-	(24)		(24)	
Miscellaneous	-	8,080	-	-	8,080		8,080	
Debt Service:								
Interest and Other Charges	935	-	-	-	(935)		(935)	
Total Governmental Operations	326,502	95,462	161,404	22,812	(46,824)		(46,824)	
BUSINESS-TYPE ACTIVITIES:								
Water	219,399	188,873	2,653	-		(27,873)	(27,873)	
Sewer	222,884	222,747	17,567	-		17,430	17,430	
Total Business-type Activities	442,283	411,620	20,220	-		(10,443)	(10,443)	
Total Primary Government	\$ 768,785	\$ 507,082	\$ 181,624	\$ 22,812	\$ (46,824)	\$ (10,443)	\$ (57,267)	
COMPONENT UNITS:								
Valier Library Foundation	996	-	-	-				(996)
Total Component Units	\$ 996	\$ -	\$ -	\$ -				\$ (996)
GENERAL REVENUES:								
Taxes/Assessments					123,659	-	123,659	
Local Option Taxes					12,970	-	12,970	
Federal/State Shared Revenues					53,090	-	53,090	
Miscellaneous					9,742	-	9,742	
Investment and Royalty Earnings					110	270	380	(2,135)
Total General Revenues					199,571	270	199,841	(2,135)
Change in Net Position					152,747	(10,173)	142,574	(3,131)
NET POSITION:								
Beginning of the Year					807,986	4,187,041	4,995,027	71,947
Prior Period Adjustments					861	-	861	-
End of the Year					\$ 961,594	\$ 4,176,868	\$ 5,138,462	\$ 68,816

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	MAJOR		Other	Total
	General	Library	Governmental Funds	Governmental Funds
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 165,614	\$ 58,522	\$ 62,363	\$ 286,499
Taxes Receivable	11,426	-	-	11,426
Special Assessments Receivable	-	-	5,638	5,638
Due from Other Governments	-	42,491	-	42,491
Total Assets	<u>177,040</u>	<u>101,013</u>	<u>68,001</u>	<u>346,054</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 177,040</u>	<u>\$ 101,013</u>	<u>\$ 68,001</u>	<u>\$ 346,054</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	20	-	-	20
Total Liabilities	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Property Taxes Receivable	11,426	-	5,638	17,064
Total Deferred Inflows of Resources	<u>11,426</u>	<u>-</u>	<u>5,638</u>	<u>17,064</u>
FUND BALANCE (DEFICITS):				
Restricted	-	101,013	62,363	163,376
Unassigned	165,594	-	-	165,594
Total Fund Balance	<u>165,594</u>	<u>101,013</u>	<u>62,363</u>	<u>328,970</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 177,040</u>	<u>\$ 101,013</u>	<u>\$ 68,001</u>	<u>\$ 346,054</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION				
Total Fund Balance Reported Above			\$	328,970
Unavailable Property Taxes Receivable				17,064
Governmental Capital Assets				716,358
Employer Pension Plan Related				13,025
Long-term Liabilities				
Long-term Capital Obligations				(23,538)
Compensated Absences				(4,569)
Net Pension Accrual				(72,476)
Employer Pension Plan Related				(13,240)
Net Position of Governmental Activities			<u>\$</u>	<u>961,594</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	MAJOR		Other	Total
	General	Library	Governmental Funds	Governmental Funds
REVENUES:				
Taxes and Assessments	\$ 88,203	\$ 87,427	\$ 31,825	\$ 207,455
Licenses and Permits	3,417	-	-	3,417
Intergovernmental Revenues	60,362	-	25,210	85,572
Charges for Services	51,474	636	-	52,110
Fines and Forfeitures	-	31	-	31
Miscellaneous	8,080	49,906	-	57,986
Investment and Royalty Earnings	110	-	-	110
Total Revenues	<u>211,646</u>	<u>138,000</u>	<u>57,035</u>	<u>406,681</u>
EXPENDITURES:				
Current:				
General Government	31,863	-	-	31,863
Public Safety	66,459	-	-	66,459
Public Works	53,273	-	48,311	101,584
Culture and Recreation	42,684	71,564	68	114,316
Housing and Community Development	24	-	-	24
Debt Service:				
Principal	-	-	5,571	5,571
Interest and Other Charges	-	-	935	935
Capital Outlay	-	75,106	-	75,106
Total Expenditures	<u>194,303</u>	<u>146,670</u>	<u>54,885</u>	<u>395,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17,343</u>	<u>(8,670)</u>	<u>2,150</u>	<u>10,823</u>
OTHER FINANCING SOURCES (USES):				
Insurance recoveries	66,567	-	-	66,567
Total Other Financial Sources (Uses)	<u>66,567</u>	<u>-</u>	<u>-</u>	<u>66,567</u>
Net Change in Fund Balance	83,910	(8,670)	2,150	77,390
FUND BALANCE:				
Beginning of the Year	80,823	109,683	60,213	250,719
Prior Period Adjustments	861	-	-	861
End of the Year	<u>\$ 165,594</u>	<u>\$ 101,013</u>	<u>\$ 62,363</u>	<u>\$ 328,970</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Changes in Fund Balance		\$	77,390
Revenues on the Statement of Activities not Included in Governmental Funds Statement:			
Increase (Decrease) in Taxes Receivable	8,702		
State Pension Aid	<u>(2,701)</u>	6,001	
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:			
Depreciation Expense	(27,144)		
Actuarial Pension Expense	16,298		
(Increase) Decrease in Compensated Absence Liability	<u>(475)</u>	(11,321)	
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities			
Capital Outlays	75,106		
Principal Payments on Debt	<u>5,571</u>	<u>80,677</u>	
Change in net Position Reported on the Statement of Activities		\$	<u>152,747</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	MAJOR		Total Enterprise Funds
	Water	Sewer	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 129,311	\$ 246,602	\$ 375,913
Special Assessments Receivable	4,337	11,996	16,333
Accounts Receivable - Net	25,464	21,242	46,706
Due from Other Governments	-	7,500	7,500
Inventories	61,892	27,704	89,596
Total Current Assets	221,004	315,044	536,048
Noncurrent Assets:			
Restricted Cash and Investments	115,624	144,899	260,523
Capital Assets:			
Net Depreciable Assets	2,494,739	2,720,462	5,215,201
Total Noncurrent Assets	2,610,363	2,865,361	5,475,724
Total Assets	2,831,367	3,180,405	6,011,772
DEFERRED OUTFLOWS OF RESOURCES:			
Employer Pension Plan Related	9,862	9,592	19,454
Total Deferred Outflows of Resources	9,862	9,592	19,454
Total Assets and Deferred Outflows of Resources	\$ 2,841,229	\$ 3,189,997	\$ 6,031,226
LIABILITIES:			
Current Liabilities:			
Current Portion of Compensated Absences	\$ 2,120	\$ 1,290	\$ 3,410
Current Portion of Long-term Capital Obligations	17,059	47,637	64,696
Total Current Liabilities	19,179	48,927	68,106
Noncurrent Liabilities:			
Compensated Absences	2,120	1,290	3,410
Net Pension Accrual	54,878	53,373	108,251
Long-term Capital Debt Obligations	766,685	888,130	1,654,815
Total Noncurrent Liabilities	823,683	942,793	1,766,476
Total Liabilities	842,862	991,720	1,834,582
DEFERRED INFLOWS OF RESOURCES:			
Employer Pension Plan Related	10,025	9,751	19,776
Total Deferred Inflows of Resources	10,025	9,751	19,776
NET POSITION:			
Net Investment in Capital Assets	1,710,995	1,784,695	3,495,690
Restricted for Debt Service	77,798	57,007	134,805
Restricted for Inventory	61,892	27,704	89,596
Unrestricted (Deficit)	137,657	319,120	456,777
Total Net Position	1,988,342	2,188,526	4,176,868
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,841,229	\$ 3,189,997	\$ 6,031,226

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	MAJOR		
	Water	Sewer	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 188,873	\$ 222,747	\$ 411,620
Total Operating Revenues	<u>188,873</u>	<u>222,747</u>	<u>411,620</u>
OPERATING EXPENSES:			
Personal Services	66,518	65,796	132,314
Supplies	17,186	11,550	28,736
Purchased Services	39,138	40,673	79,811
Fixed Charges	5,422	5,410	10,832
Depreciation	64,422	73,748	138,170
Total Operating Expense	<u>192,686</u>	<u>197,177</u>	<u>389,863</u>
Operating Income (Loss)	<u>(3,813)</u>	<u>25,570</u>	<u>21,757</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	2,653	17,567	20,220
Interest	156	114	270
Debt Service Interest	<u>(26,713)</u>	<u>(25,707)</u>	<u>(52,420)</u>
Total Nonoperating Revenue (Expenses)	<u>(23,904)</u>	<u>(8,026)</u>	<u>(31,930)</u>
Change in Net Position	(27,717)	17,544	(10,173)
NET POSITION:			
Beginning of the Year	<u>2,016,059</u>	<u>2,170,982</u>	<u>4,187,041</u>
End of the Year	<u>\$ 1,988,342</u>	<u>\$ 2,188,526</u>	<u>\$ 4,176,868</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	MAJOR		Total
	Water	Sewer	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 175,495	\$ 219,310	\$ 394,805
Payments to Employees	(60,565)	(58,881)	(119,446)
Payments to Suppliers	(61,746)	(57,633)	(119,379)
Net Cash Provided (Used) by Operating Activities	53,184	102,796	155,980
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Subsidies from Other Governments	3,691	11,192	14,883
Net Cash Provided (Used) by Non-capital Financing Activities	3,691	11,192	14,883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Paid on Capital Debt	(14,423)	(45,910)	(60,333)
Interest Paid on Capital Debt	(26,713)	(25,707)	(52,420)
Net Cash Provided (Used) by Capital and Related Financing Activities	(41,136)	(71,617)	(112,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	156	114	270
Net Cash Provided (Used) by Investing Activities	156	114	270
Net Increase (Decrease) in Cash and Cash Equivalents	15,895	42,485	58,380
BALANCE:			
Beginning of the Year	229,040	349,016	578,056
End of the Year	\$ 244,935	\$ 391,501	\$ 636,436
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (3,813)	\$ 25,570	\$ 21,757
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	64,422	73,748	138,170
GASBS No. 68 Pension Expense	5,941	6,700	12,641
Changes in Assets and Liabilities:			
Accounts Receivable	(12,977)	(1,674)	(14,651)
Special Assessments Receivable	(401)	(1,764)	(2,165)
Compensated Absences	12	216	228
Net Cash Provided (Used) by Operating Activities	\$ 53,184	\$ 102,796	\$ 155,980
Supplemental Schedule of Noncash Activities:			
GASBS No. 68 State Contribution	\$ 1,208	\$ 1,175	\$ 2,383

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Town of Valier
Pondera County
Valier, Montana 59486

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	<u>Agency Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 6,624
Total Assets	<u>\$ 6,624</u>
LIABILITIES:	
Current liabilities:	
Warrants payable	5,586
Due to others	<u>1,038</u>
Total Liabilities	<u>\$ 6,624</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2019 and June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Town of Valier (Town) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana (Montana), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the end of fiscal year 2020, the Town adopted the following GASB Statements:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The Town implemented this Statement.
- GASB Statement No. 83 – *Certain Asset Retirement Obligation*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Town believes that this Statement is not applicable to its financial statements at effective date. However, if an ARO occurs in subsequent years, it will follow applicable guidance.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Town reviewed its debt disclosures and does not believe this Statement significantly affect its current debt disclosures.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Town determined that this Statement does not significantly affect its reporting, but will comply if any construction projects are entered into.
- GASB Statement No. 90 – *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The Town determined that this Statement does not significantly affect its financial reporting. The Town holds no ownership of shares of an organization's stock or measurable rights to net resources of other organizations.
- GASB Statement No. 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Town determined that this Statement does not significantly affect its financial reporting.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

The Town does not have any conduit debt, but will comply with this statement if it enters into any such debt arrangements in the future.

- GASB Statement No. 92 – *Omnibus*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The Town determined that this Statement does not significantly affect its financial reporting. The Town plans to follow the guidance in this Statement as it is applicable to financial reporting of the Town.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The Town determined that this Statement does not significantly affect its financial reporting. The Town does not have any derivative instruments, but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships*. This Statement establishes guidance for the various aspects of Public-Private and Public-Public Partnerships (PP&Ps) and Availability Payment Arrangements (APAs). The Town determined that this Statement does not significantly affect its financial reporting. The Town does not have any PP&Ps or APAs, but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, this Statement extends the effective dates of certain accounting and financial reporting provisions that were first effective for reporting periods beginning after June 15, 2018. Except for GASBS No. 84 and GASBS No. 87, whose effective dates are extended by 18 months, the effective dates of other provisions are extended by one year. Early adoption of those provisions is permitted to the extent specified in each pronouncement as initially issued.

The following is a listing of GASB Statements which have been issued and the Town's assessment of effects to the financial statements when implemented.

- GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Town plans to implement this Statement once it has reviewed all funds in the fiduciary funds maintained to ensure they are correctly reported as per this Statement.
- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Town plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Town plans to implement this Statement once it has identified how it affects the Town and has reviewed the Q&A on this Statement.
- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32*. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and some elements are effective for reporting period beginning after June 15, 2021. The Town plans to implement this Statement once it has identified how it affects the Town and has reviewed the Q&A on this Statement.

Services Provided: The Town provides a full range of governmental services to the citizens of the Town. These services include but are not limited to construction, reconstruction, maintenance, and repair of roads, streets, and alleys, parks and recreation, library, public safety, and other municipal services. Water, sewer, and solid waste services are provided and accounted for in enterprise funds. The mayor and Town council are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations.

Incorporation: The Town was incorporated under the laws of Montana and as required by GAAP, the financial statements of the reporting entity include those of the Town (the primary government) and any component units. The criteria for including organizations as component units within the Town's reporting entity are set forth in Section 2100 of the *GASB Codification of Government Accounting and Financial Reporting Standards*. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Town's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the Town. Based on those criteria, the Town reports the Library Foundation as a component unit.

Discretely presented component unit: The Valier Library Foundation (Foundation) was established to provide funding for the Town Library. The Foundation is run by a separate board of directors and performs fundraising and investing activities for the purpose of maintaining and improving the Town Library. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds (primary government). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The component unit column incorporates data from certain legally separate component units where the Town is financially accountable.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting and generally include the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes and assessments are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

The Statement of Activities reports the direct expenses of a given governmental function or business-type segment offset by program revenues directly connected with the functional program or segment. Direct expenses are those that are specifically associated with a function or segment. Program revenues include:

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and
- Operating and Capital grants that are restricted to a particular function or segment.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Since the resources in the fiduciary funds cannot be used for Town operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period – collections that occur after June 30 are generally not material. Unavailable income is recorded in governmental funds for delinquent taxes and assessments. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes and assessments. Property tax and assessments revenue and revenues received from the Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Proprietary, trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes and assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 water and sewer funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Resources received for capital acquisition or construction are reported as separate items.

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund and that only one general fund be reported. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

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

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

- Water Fund – This fund is used to account for financing the activities of the Town's water distribution operations and to collect and administer water impact fees.
- Sewer Fund – This fund is used to account for financing the activities of the Town's sewer collection and treatment operations and includes the storm sewer system.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

Agency Funds – These funds account for assets that the Town holds on behalf of others as their agent. The Town also receives funds for the FDRA Pension Plan for state insurance pass-through funds. The Town collects these funds and passes them through to the FDRA Pension Plan. These funds also include employee payroll tax withholdings. Cash is held for payroll tax liabilities which have been incurred but not paid by the Town Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by Montana statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in:

- United States government treasury bills, notes, or bonds
- Certain United States treasury obligations
- United States government security money market fund, if investments consist of those listed above
- Time or savings deposits with a bank or credit union which is Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association insured
- Repurchase agreements as authorized by MCA
- State of Montana Short-Term Investment Pool (STIP)

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Clearing Funds – Warrants written but not redeemed are reported in the Town's payroll and claims clearing funds. Cash in the accounting system is held for warrants which were written but have not been paid by the Town Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) directs the Town trustee to pay a particular sum of money to a payee (person or entity) from funds in the Town treasury which are or may become available.

Statement of Cash Flows – For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash – Restricted cash accounts of the enterprise fund are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds that represent a liability to the enterprise fund. These restricted cash accounts are used to repay current debt, establish a reserve for future debt, and to establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

1. c. 2. TAXES AND SPECIAL ASSESSMENTS

Property Tax Levies – Property tax levies are set in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Town. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Special Assessments – Special Assessments are set in connection with the budget process and are based on assessable area. Assessable area means the portion of a lot or parcel of land that is benefited by the special district. The assessable area may be less than but may not exceed the actual area of the lot or parcel. The governing body shall estimate annually, as near as practicable, the costs and expenses covered by the special assessment.

Collections – Property taxes and special assessments are collected by the County Treasurer, who credits to the Town funds its respective share of the collections. Tax levies are collectible in two installments, which become delinquent after November 30 and May 31. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction.

Delinquency – Unpaid property taxes are liens on the property being taxed. Taxes and special assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent. The Town receives its share of the sale proceeds of any such auction.

1. c. 3. INVENTORIES

Materials and supplies inventory are reported as expenditures when acquired in governmental funds (using the purchases method) since the focus of governmental funds is on the use of current financial resources. At year-end, inventories were not material.

Materials and supplies inventory are carried in an inventory account at average cost and are subsequently charged to expenditures when consumed (using the consumption method). Inventories also include maintenance supplies and operating supplies.

1. c. 4. CAPITAL ASSETS

The Town's property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, lighting) are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established when the capital assets were initially recorded by determining the actual cost or estimating the cost using standard costing procedures. The Town considers capital assets to be items with a historical cost in excess of \$5,000 and with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. Land and construction in progress are not depreciated. The useful life of depreciable assets has been estimated as follows:

Capital Asset Classes	Useful Life
Buildings	20 – 40 years
Improvements Other than Buildings	10 – 50 years
Machinery and Equipment	5 – 15 years

1. c. 5. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position reports a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (e.g., expense/expenditure) until that time.

In addition to liabilities, the Statement of Financial Position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an increase to net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (e.g., revenue) until that time.

Property Taxes and Special Assessments – Deferred Inflows – The Town reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund Balance Sheet, they are reported as unavailable from property taxes and special assessments receivable.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

Pension Liability – Deferred Outflows and Inflows – The Town recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, deferred inflows of resources, or deferred outflows of resources depending on the nature of the change and the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

1. c. 6. VACATION AND SICK LEAVE

Vacation Leave – Town employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Town employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. Excess vacation time is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued, unless management ensures the employee will use the excess vacation leave before the end of the calendar year in which the leave would have been forfeited. At termination, employees are paid for any accumulated vacation leave at the current rate of pay.

Sick Leave – Town employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. At termination, 25% of accumulated sick leave is paid at the employee's current rate of pay.

Reporting – Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds. Expenses are accrued when earned in Enterprise funds and on the Statement of Activities. At June 30, 2019 and 2020, the amount expected to be paid within one year related to governmental activities amounted to \$2,047 and \$2,285, respectively and is generally paid out of the General fund. At June 30, 2019 and 2020, the amount expected to be paid within one year related to business-type activities amounted to \$3,296 and \$3,410, respectively, and is paid out of the fund that incurred the liability.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- **Net Investment in Capital Assets** – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- **Restricted** – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- **Restricted** – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Assigned** – This balance includes amounts management has set aside for a specific purpose.
- **Unassigned** – This balance includes amounts that are available for any purpose. These amounts are reported only in the general fund.

At June 30, 2020, fund balance components other than unassigned fund balance were as follows:

Purpose	Restricted
Public Works	\$ 59,233
Culture and Recreation	104,143
Total	\$ 163,376

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

At June 30, 2019, fund balance components other than unassigned fund balance were as follows:

Purpose	Restricted	Assigned
General Government	\$ 0	\$ 34,675
Public Works	57,015	0
Social and Economic Services	109,683	0
Culture and Recreation	3,198	0
Total	<u>\$ 169,896</u>	<u>\$ 34,675</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred and assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the Mayor and Town Council has provided otherwise.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2. COUNTY PROVIDED SERVICES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2019 and 2020, cash and cash equivalents for governmental activities, business-type activities, component units, and fiduciary funds were as follows:

<u>June 30, 2019</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Component</u>	<u>Fiduciary</u>	
<u>Account Type</u>	<u>Activities</u>	<u>Activities</u>	<u>Units</u>	<u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 209,781	\$ 326,353	\$ 71,947	\$ 5,519	\$ 613,600
Restricted Cash and Investments	0	251,703	0	0	251,703
Total	<u>\$ 209,781</u>	<u>\$ 578,056</u>	<u>\$ 71,947</u>	<u>\$ 5,519</u>	<u>\$ 865,303</u>
<u>June 30, 2020</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Component</u>	<u>Fiduciary</u>	
<u>Account Type</u>	<u>Activities</u>	<u>Activities</u>	<u>Units</u>	<u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 286,499	\$ 375,913	\$ 68,816	\$ 6,624	\$ 737,852
Restricted Cash and Investments	0	260,523	0	0	260,523
Total	<u>\$ 286,499</u>	<u>\$ 636,436</u>	<u>\$ 68,816</u>	<u>\$ 6,624</u>	<u>\$ 998,375</u>

The carrying amounts of cash on hand, deposits, and investments at June 30, 2019 and 2020 were as follows:

	<u>2019</u>	<u>2020</u>
	<u>Amount</u>	<u>Amount</u>
Demand Accounts	\$ 403,205	537,090
Time Deposits	134,535	134,805
STIP	274,275	274,276
Mutual Funds	54,338	52,204
Unreconciled	(1,050)	0
Total	<u>\$ 865,303</u>	<u>\$ 998,375</u>

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

On June 30, 2019, the Town's bank balances were exposed to custodial credit risk as follows:

Deposits	Fair Value
Covered by Depository Insurance	\$ 384,535
Collateral Held by the Pledging Bank's Trust Department but not in the Town's Name	80,677
Uninsured and Uncollateralized	49,833
Total Bank Balance	\$ 515,045

On June 30, 2020, the Town's bank balances were exposed to custodial credit risk as follows:

Deposits	Fair Value
Covered by Depository Insurance	\$ 384,808
Collateral Held by the Pledging Bank's Trust Department but not in the Town's Name	148,007
Uninsured and Uncollateralized	122,748
Total Bank Balance	\$ 655,563

Fair Value of Investments -- The Town measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2: Investments whose values are based on observable inputs other than quoted market prices that a government can access at the measurement date.
- Level 3: Unobservable inputs for an asset and may require a degree of professional judgment that a government can access at the measurement date.

At June 30, 2019, the Town had the following recurring fair value measurements.

Investments	Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Bond Mutual Funds	\$ 2,895	2,895	0	0
STIP (State of Montana)	274,275	N/A	N/A	N/A
Total Debt Securities	277,170	2,895	0	0
Equity Securities				
Exchange traded & Closed end Funds	25,652	25,652	0	0
Equity Mutual Funds	25,791	25,791	0	0
Total Equity Securities	51,443	51,443	0	0
Total Investments	\$ 328,613	\$ 54,338	\$ 0	\$ 0

At June 30, 2020, the Town had the following recurring fair value measurements.

Investments	Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Bond Mutual Funds	\$ 2,006	2,006	0	0
STIP (State of Montana)	274,276	N/A	N/A	N/A
Total Debt Securities	276,282	2,006	0	0
Equity Securities				
Exchange traded & Closed end Funds	23,701	23,701	0	0
Equity Mutual Funds	26,497	26,497	0	0
Total Equity Securities	50,198	50,198	0	0
Total Investments	\$ 326,480	\$ 52,204	\$ 0	\$ 0

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

At June 30, 2019, the Town's investments were exposed to custodial credit risk as follows:

Investment	Fair Value	Investment Maturities - Book Value				Credit Quality Rating
		Less than 1 Year	1-5 years	6-10 Years	10 or more years	
iShares Core US Aggregate Bond	\$ 2,895	\$ 2,895	\$ 0	\$ 0	\$ 0	3 star
iShares Core MSCI EAFE ETF	3,193	3,193	0	0	0	3 star
Vanguard Growth ETF	6,536	6,536	0	0	0	4 star
Vanguard Value ETF	7,210	7,210	0	0	0	5 star
Vangrd FTSE All-Wrld exUS ETF	2,448	2,448	0	0	0	3 star
Vanguard Small Cap Value ETF	3,525	3,525	0	0	0	5 star
Vanguard Ttl BD Market ETF	2,740	2,740	0	0	0	3 star
Delaware Emerging Markets I	2,082	2,082	0	0	0	4 star
Dfa Global Real Estate Secs I	1,160	1,160	0	0	0	4 star
Goldman Fs Government I	729	729	0	0	0	3 star
H&W High Yield I	1,014	1,014	0	0	0	3 star
Invesco Op Developing Mkts R6	1,078	1,078	0	0	0	4 star
Invesco Small Cap Equity R6	2,546	2,546	0	0	0	4 star
Jh Classic Value R6	2,473	2,473	0	0	0	N/A
MFS Instl INTL Equity I	2,784	2,784	0	0	0	5 star
Natixis Ls Core Plus Bond N	3,352	3,352	0	0	0	N/A
Oakmark International I	3,235	3,235	0	0	0	2 star
Principal Midcap I	2,035	2,035	0	0	0	4 star
Trp Equity Income I	2,173	2,173	0	0	0	N/A
Trp Mid-Cap Growth I	1,130	1,130	0	0	0	N/A
Total Fair Value	<u>\$ 54,338</u>	<u>\$ 54,338</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Total Book Value	<u>\$ 54,338</u>					

At June 30, 2020, the Town's investments were exposed to custodial credit risk as follows:

Investment	Fair Value	Investment Maturities - Book Value				Credit Quality Rating
		Less than 1 Year	1-5 years	6-10 Years	10 or more years	
iShares Core US Aggregate Bond	\$ 2,006	\$ 2,006	\$ 0	\$ 0	\$ 0	3 star
iShares Core MSCI EAFE ETF	3,127	3,127	0	0	0	3 star
Vanguard Growth ETF	6,266	6,266	0	0	0	4 star
Vanguard Value ETF	7,076	7,076	0	0	0	5 star
Vangrd FTSE All-Wrld exUS ETF	2,651	2,651	0	0	0	3 star
Vanguard Small Cap Value ETF	3,170	3,170	0	0	0	5 star
Vanguard Ttl BD Market ETF	1,411	1,411	0	0	0	3 star
Delaware Emerging Markets I	2,323	2,323	0	0	0	4 star
Dfa Global Real Estate Secs I	1,012	1,012	0	0	0	4 star
Edgewood Growth I	2,114	2,114	0	0	0	4 star
Goldman Fs Government I	789	789	0	0	0	3 star
H&W High Yield I	1,611	1,611	0	0	0	3 star
Invesco Op Developing Mkts R6	2,847	2,847	0	0	0	4 star
Invesco Small Cap Equity R6	2,114	2,114	0	0	0	4 star
Jh Classic Value R6	1,629	1,629	0	0	0	N/A
MFS Instl INTL Equity I	2,938	2,938	0	0	0	5 star
Natixis Ls Core Plus Bond N	3,278	3,278	0	0	0	N/A
Oakmark International I	1,652	1,652	0	0	0	2 star
Principal Midcap I	1,038	1,038	0	0	0	4 star
Trp Equity Income I	1,991	1,991	0	0	0	N/A
Trp Mid-Cap Growth I	1,146	1,146	0	0	0	N/A
Money Market	15	15	0	0	0	N/A
Total Fair Value	<u>\$ 52,204</u>	<u>\$ 52,204</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Total Book Value	<u>\$ 52,204</u>					

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

Custodial Credit Risk – Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Morning Star has assigned a 5-star rating system based on a fund's past risk and load adjusted returns versus category peers, for stocks trading at a discount or premium to the estimate of their fair values. They have assigned a rating of 4 or 5 stars for stocks trading at large discounts compared to the fair value estimates and 1 or 2 stars for stocks trading at large premiums to the fair value estimates. Stocks trading very close to the fair value estimates receive a 3-star rating. Also, Morning Star assigned a summary expression forward looking analysis of a fund using a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The Town's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk and locked into a guaranteed rate of return, and are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment portfolio is made up of securities whose maturities are less than 5 years.

2. a. SHORT TERM INVESTMENT POOL

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. STIP invests the operating funds of Montana, participating local government entity funds, and the liquidity requirements of the various pension and trust funds managed by MBOI.

STIP is a commingled pool for investment purposes. The use of a commingled pool allows for simplified investing and accounting, as well as broader investment diversification, and it provides opportunities for fee savings.

STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company and therefore is not required to abide by the SEC's rule 2a7 of the Investment Company Act of 1940. For financial reporting purposes, the STIP portfolio will be reported on a Net Asset Value basis versus amortized cost starting in fiscal year 2016.

The shareholder's STIP ownership is represented by shares. Shareholders having funds to invest and owning shares are required to give one business days' notice to buy or sell shares. Share prices are fixed at \$1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at net asset value for financial reporting purposes.

Purchases of securities other than U.S. government or U.S. Agency obligations are restricted to those which are pre-approved and part of an "Approved List." STIP may invest only in the following securities and investment vehicles: (1) U.S. Treasury or U.S. dollar denominated securities fully guaranteed by the U.S. Government; (2) U.S. Government Agency securities denominated in U.S. dollars; (3) Publicly traded U.S. dollar-denominated corporate bonds, notes, and medium term notes; (4) U.S. dollar-denominated Commercial Paper (CP); (5) U.S. dollar-denominated Bankers' Acceptance (BA); (6) U.S. dollar-denominated certificates of deposits; (7) U.S. dollar-denominated Asset-Backed Securities collateralized by credit cards, automobile loans and leases, student loans, and equipment leases; (8) U.S. dollar-denominated Asset-Backed commercial paper; (9) Repurchase or Reverse Repurchase Agreements with an approved primary dealer or the custodial bank and under the terms of a written master repurchase agreement; (10) investments required to implement the bond credit enhancement authorized by Resolution 219; (11) SEC registered 2a-7 Institutional Money Market Funds that are considered "U.S. Treasury" or "U.S. Government" money market mutual funds according to the SEC regulations; and (12) short-term investment vehicles available through the custodial bank.

Fair Value Measurement – STIP categorizes its fair value measurements using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date;
- Level 2: Investments whose values are based on observable inputs other than quoted market prices that a government can access at the measurement date; and,
- Level 3: Unobservable inputs for an asset and may require a degree of professional judgment that a government can access at the measurement date.

For additional information contact the Montana Board of Investments, P.O. Box 200126, Helena, MT 59620-0126 – Telephone (406)-444-0001 or on web at <http://investmentmt.com/AnnualReportsAudits>

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

2. b. RESTRICTED ASSETS

Restricted cash was held by the Town Treasurer at June 30, 2019 as follows:

Fund	Water	Sewer	Total
Short lived asset repair/replacement	\$ 71,332	\$ 112,679	\$ 184,011
Debt service reserve	<u>35,700</u>	<u>31,992</u>	<u>67,692</u>
Total	<u>\$ 107,032</u>	<u>\$ 144,671</u>	<u>\$ 251,703</u>

Restricted cash was held by the Town Treasurer at June 30, 2020 as follows:

Fund	Water	Sewer	Total
Short lived asset repair/replacement	\$ 75,724	\$ 112,907	\$ 188,631
Debt service reserve	<u>39,900</u>	<u>31,992</u>	<u>71,892</u>
Total	<u>\$ 115,624</u>	<u>\$ 144,899</u>	<u>\$ 260,523</u>

The ordinances authorizing the water and sewer system revenue bonds require that the Town establish sinking funds or cash restricted for payment of principal and interest on all revenue bonds. At June 30, 2019 and 2020, the sinking fund balance was sufficient to satisfy such bond ordinance requirements.

NOTE 3. TAXES AND ASSESSMENTS RECEIVABLE

The Town is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2018, upon which the levy for the 2019 fiscal year was based, amounted to \$684,750 for the Town. The assessed value of the roll as of January 1, 2019, upon which the levy for the 2020 fiscal year was based, amounted to \$702,196 for the Town.

Tax rates assessed for the year ended June 30, 2019 to finance Town operations and applicable taxes receivable were as follows:

Fund	Mill Levies	Taxes Receivable	Assessments Receivable	Total
<u>Governmental Funds</u>				
General*	117.32	\$ 6,154	\$ 0	\$ 6,154
Street Lights	<u>0.00</u>	<u>0</u>	<u>2,208</u>	<u>2,208</u>
Total	<u>117.32</u>	<u>\$ 6,154</u>	<u>\$ 2,208</u>	<u>\$ 8,362</u>
<u>Proprietary Funds</u>				
Water*	0.00	0	3,936	3,936
Sewer*	<u>0.00</u>	<u>0</u>	<u>10,232</u>	<u>10,232</u>
Total	<u>0.00</u>	<u>\$ 0</u>	<u>\$ 14,168</u>	<u>\$ 14,168</u>

Tax rates assessed for the year ended June 30, 2020 to finance Town operations and applicable taxes receivable were as follows:

Fund	Mill Levies	Taxes Receivable	Assessments Receivable	Total
<u>Governmental Funds</u>				
General*	116.55	\$ 11,426	\$ 0	\$ 11,426
Street Lights	<u>0.00</u>	<u>0</u>	<u>5,638</u>	<u>5,638</u>
Total	<u>116.55</u>	<u>\$ 11,426</u>	<u>\$ 5,638</u>	<u>\$ 17,064</u>
<u>Proprietary Funds</u>				
Water*	0.00	0	4,337	4,337
Sewer*	<u>0.00</u>	<u>0</u>	<u>11,996</u>	<u>11,996</u>
Total	<u>0.00</u>	<u>\$ 0</u>	<u>\$ 16,333</u>	<u>\$ 16,333</u>

* Denotes Major Fund

Property taxes or special assessments assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax or assessment. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$224 of taxes paid under protest for the year ended June 30, 2019.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable represent the outstanding balances of amounts billed for services the Town has provided for water and sewer. An allowance for doubtful accounts has not been established since the outstanding amount is not material. In addition, Montana law allows the Town to place delinquent utility balances on the tax rolls for collection.

June 30, 2019			
Fund	Accounts Receivable	Unbilled but Paid in Advance	Net Accounts Receivable
Water *	\$ 16,489	\$ (4,002)	\$ 12,487
Sewer *	19,568	0	19,568
Total	<u>\$ 36,057</u>	<u>\$ (4,002)</u>	<u>\$ 32,055</u>

June 30, 2020

Water *	\$ 29,708	\$ (4,244)	\$ 25,464
Sewer *	21,242	0	21,242
Total	<u>\$ 50,950</u>	<u>\$ (4,244)</u>	<u>\$ 46,706</u>

* Denotes Major Fund

NOTE 5. OTHER ASSETS**5. a. DUE FROM OTHER GOVERNMENTS**

Due from other governments represent amounts due to the Town for costs incurred but not reimbursed by third party governments.

The amounts due from other governments as of June 30, 2019 were as follows:

Fund	Amount	Due From	Reason
Water*	\$ 2,246	State of Montana	CIS Grant
Sewer*	2,300	State of Montana	CIS Grant
Library*	40,938	Pondera County	Second half 2019 Library payment
Total	<u>\$ 45,484</u>		

* Denotes Major Fund

The amounts due from other governments as of June 30, 2020 were as follows:

Fund	Amount	Due From	Reason
Sewer*	\$ 7,500	State of Montana	TSEP Grant receivable
Library*	42,491	Pondera County	Second half 2020 Library payment
Total	<u>\$ 49,991</u>		

* Denotes Major Fund

NOTE 6. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS**6. a. GENERAL CAPITAL ASSETS**

The schedule of changes in general capital assets for the year ended June 30, 2019 follows:

Governmental Activities:	Balance July 1, 2018	Additions	Adjustments/Transfers	Balance June 30, 2019
Non-depreciable Assets:				
Land	\$ 112,100	\$ 0	\$ 0	\$ 112,100
Construction in Progress	181,275	70,477	8,787	260,539
Total Non-depreciable Assets	293,375	70,477	8,787	372,639

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

Governmental Activities:	Balance July 1, 2018	Additions	Adjustments/ Transfers	Balance June 30, 2019
Depreciable Assets:				
Buildings	331,002	0	0	331,002
Improvements Other than Buildings	77,078	3,965	0	81,043
Machinery and Equipment	<u>196,293</u>	<u>1,455</u>	<u>0</u>	<u>197,748</u>
Total Depreciable Assets	604,373	5,420	0	609,793
Accumulated Depreciation:				
Buildings	(167,403)	(5,317)	0	(172,720)
Improvements Other than Buildings	(30,942)	(2,190)	0	(33,132)
Machinery and Equipment	<u>(96,940)</u>	<u>(11,244)</u>	<u>0</u>	<u>(108,184)</u>
Total Accumulated Depreciation	<u>(295,285)</u>	<u>(18,751)</u>	<u>0</u>	<u>(314,036)</u>
Net Depreciable Assets	<u>309,088</u>	<u>(13,331)</u>	<u>0</u>	<u>295,757</u>
Net General Capital Assets	<u>\$ 602,463</u>	<u>\$ 57,146</u>	<u>\$ 8,787</u>	<u>\$ 668,396</u>

The schedule of changes in general capital assets for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	Additions	Adjustments/ Transfers	Balance June 30, 2020
Non-depreciable Assets:				
Land	\$ 112,100	\$ 0	\$ 0	\$ 112,100
Construction in Progress	<u>260,539</u>	<u>0</u>	<u>(260,539)</u>	<u>0</u>
Total Non-depreciable Assets	372,639	0	(260,539)	112,100
Depreciable Assets:				
Buildings	331,002	75,106	260,539	666,647
Improvements Other than Buildings	81,043	0	0	81,043
Machinery and Equipment	<u>197,748</u>	<u>0</u>	<u>0</u>	<u>197,748</u>
Total Depreciable Assets	609,793	75,106	260,539	945,438
Accumulated Depreciation:				
Buildings	(172,720)	(13,709)	0	(186,429)
Improvements Other than Buildings	(33,132)	(2,190)	0	(35,322)
Machinery and Equipment	<u>(108,184)</u>	<u>(11,245)</u>	<u>0</u>	<u>(119,429)</u>
Total Accumulated Depreciation	<u>(314,036)</u>	<u>(27,144)</u>	<u>0</u>	<u>(341,180)</u>
Net Depreciable Assets	<u>295,757</u>	<u>47,962</u>	<u>260,539</u>	<u>604,258</u>
Net General Capital Assets	<u>\$ 668,396</u>	<u>\$ 47,962</u>	<u>\$ 0</u>	<u>\$ 716,358</u>

Depreciation expense charged to governmental functions was as follows:

Function	June 30, 2019 Amount	June 30, 2020 Amount
Public Safety	\$ 6,035	6,037
Public Works	8,297	8,297
Culture and Recreation	<u>4,419</u>	<u>12,810</u>
Total Depreciation Expense	<u>\$ 18,751</u>	<u>\$ 27,144</u>

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

6. b. BUSINESS-TYPE CAPITAL ASSETS

The schedule of changes in business-type capital assets for the years ended June 30, 2019 and 2020 follows:

Business-type Activities:	Balance July 1, 2018	Additions	Balance June 30, 2019	Additions	Balance June 30, 2020
Depreciable Assets:					
Buildings	\$ 354,286	\$ 0	\$ 354,286	\$ 0	\$ 354,286
Machinery and Equipment	88,474	4,546	93,020	0	93,020
Source of Supply	988,867	0	988,867	0	988,867
Pumping Plant	57,000	0	57,000	0	57,000
Treatment Plant	2,711,676	0	2,711,676	0	2,711,676
Transmission and Distribution	<u>3,161,632</u>	<u>0</u>	<u>3,161,632</u>	<u>0</u>	<u>3,161,632</u>
Total Depreciable Assets	7,361,935	4,546	7,366,481	0	7,366,481
Accumulated Depreciation:					
Buildings	(68,947)	(7,982)	(76,929)	(7,982)	(84,911)
Machinery and Equipment	(67,242)	(2,520)	(69,762)	(2,520)	(72,282)
Source of Supply	(138,441)	(19,778)	(158,219)	(19,777)	(177,996)
Pumping Plant	(18,525)	(1,425)	(19,950)	(1,425)	(21,375)
Treatment Plant	(1,121,316)	(43,234)	(1,164,550)	(43,233)	(1,207,783)
Transmission and Distribution	<u>(460,467)</u>	<u>(63,233)</u>	<u>(523,700)</u>	<u>(63,233)</u>	<u>(586,933)</u>
Total Accumulated Depreciation	<u>(1,874,938)</u>	<u>(138,172)</u>	<u>(2,013,110)</u>	<u>(138,170)</u>	<u>(2,151,280)</u>
Net Depreciable Assets	<u>5,486,997</u>	<u>(133,626)</u>	<u>5,353,371</u>	<u>(138,170)</u>	<u>5,215,201</u>
Net Business-type Capital Assets	<u>\$ 5,486,997</u>	<u>\$ (133,626)</u>	<u>\$ 5,353,371</u>	<u>\$ (138,170)</u>	<u>\$ 5,215,201</u>

NOTE 7. LONG-TERM DEBT

7. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2019 follows:

Governmental Activities:	Balance July 1, 2018	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2019	Due within One Year
Bonds and Notes Payable:					
Intercept Loans	\$ 34,544	\$ 0	\$ (5,435)	\$ 29,109	\$ 5,572
Other Liabilities:					
Compensated Absences	3,257	837	0	4,094	2,047
Accrued Pension	<u>99,074</u>	<u>0</u>	<u>(14,851)</u>	<u>84,223</u>	<u>0</u>
Total Other Liabilities	<u>102,331</u>	<u>837</u>	<u>(14,851)</u>	<u>88,317</u>	<u>2,047</u>
Total Governmental Activities - Long-term Debt	<u>\$ 136,875</u>	<u>\$ 837</u>	<u>\$ (20,286)</u>	<u>\$ 117,426</u>	<u>\$ 7,619</u>

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

The schedule of changes in general long-term debt for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2020	Due within One Year
Bonds and Notes Payable:					
Interkap Loans	\$ 29,109	\$ 0	\$ (5,571)	\$ 23,538	\$ 5,713
Other Liabilities:					
Compensated Absences	4,094	475	0	4,569	2,285
Accrued Pension	84,223	0	(11,747)	72,476	0
Total Other Liabilities	88,317	475	(11,747)	77,045	2,285
Total Governmental Activities - Long-term Debt	\$ 117,426	\$ 475	\$ (17,318)	\$ 100,583	\$ 7,998

7. a. 1. INTERCAP LOAN

The Town entered into Interkap loans in prior years with Montana Board of Investments for the acquisition of a motor grader. Total payments made in fiscal year 2019 amounted to \$6,480 which included \$1,045 of interest. Total payments made in fiscal year 2020 amounted to \$6,505 which included \$934 of interest. The loans were issued for the terms and payment schedules as follows:

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2019	Outstanding June 30, 2020
Motor grader	4/13/2017	1.65 to 3.37%	7 years	2/15/2024	\$ 40,000	\$ 29,109	\$ 23,538

Debt service requirements to maturity for principal and interest for all Interkap long term obligations were as follows:

For the year ended June 30:	Principal	Interest
2021	\$ 5,712	\$ 388
2022	5,855	294
2023	6,003	198
2024	5,968	98
Totals	\$ 23,538	\$ 978

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

7. b. BUSINESS-TYPE LONG-TERM DEBT

The schedule of changes in business-type long-term debt for the year ended June 30, 2019 follows:

Business-type Activities:	Balance July 1, 2018	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2019	Due within One Year
Bonds and Notes Payable:					
Revenue Bonds	\$ 1,837,480	\$ 0	\$ (57,636)	\$ 1,779,844	\$ 60,332
Other Liabilities:					
Compensated Absences	6,817	0	(225)	6,592	3,296
Accrued Pension	123,341	0	(27,379)	95,962	0
Total Other Liabilities	130,158	0	(27,604)	102,554	3,296
Total Business-type Activities - Long-term Debt	\$ 1,967,638	\$ 0	\$ (85,240)	\$ 1,882,398	\$ 63,628

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

The schedule of changes in business-type long-term debt for the year ended June 30, 2020 follows:

Business-type Activities:	Balance June 30, 2019	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2020	Due within One Year
Bonds and Notes Payable:					
Revenue Bonds	\$ 1,779,844	\$ 0	\$ (60,333)	\$ 1,719,511	\$ 64,696
Other Liabilities:					
Compensated Absences	6,592	228	0	6,820	3,410
Accrued Pension	95,962	12,289	0	108,251	0
Total Other Liabilities	102,554	12,517	0	115,071	3,410
Total Business-type Activities - Long-term Debt	\$ 1,882,398	\$ 12,517	\$ (60,333)	\$ 1,834,582	\$ 68,106

7. b. 1 REVENUE BONDS

Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water system, sewer system, and solid waste system. These bonds were issued for the terms and payment schedules as follows:

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2019	Outstanding June 30, 2020
Water System Series 2011	01/28/2011	3.375%	40 years	01/28/2051	\$ 902,000	\$ 798,167	\$ 783,744
Sewer System Series 2013	05/07/2013	2.250%	13 years	07/01/2026	449,000	250,000	216,000
Sewer System Series 2015	07/02/2013	2.750%	40 years	08/01/2055	775,000	731,677	719,767
					<u>\$2,126,000</u>	<u>\$ 1,779,844</u>	<u>\$ 1,719,511</u>

Debt service requirements to maturity for principal and interest for these bonded long-term obligations were as follows:

For the year ended June 30:	Principal	Interest
2021	\$ 64,696	\$ 48,479
2022	62,126	49,288
2023	65,008	47,630
2024	65,919	45,909
2025	66,857	44,161
2026-2030	209,454	197,469
2031-2035	197,835	167,805
2036-2040	231,022	134,618
2041-2045	269,843	95,797
2046-2050	315,262	50,378
2051-2055	169,714	11,299
2056	1,775	7
Totals	<u>\$1,719,511</u>	<u>\$ 892,840</u>

The revenue bonds are collateralized by the revenues of the water and sewer systems and the various special funds established by the bond ordinances. The ordinances provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

The bond ordinances also require that water and sewer rates be sufficient to provide net revenues of not less than 110%. The more significant covenants: 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) provide specific and timely reporting of financial information to bond holders and the registrar. The Town complied with the applicable covenants.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020**NOTE 8. DEFERRED INFLOWS OF RESOURCES**

The Town reported deferred inflows of resources at June 30, 2019 and 2020 as follows:

8. a. PROPERTY TAXES AND ASSESSMENTS

Fund	June 30, 2019 Amount	June 30, 2020 Amount	Reason
General*	\$ 6,154	\$ 11,426	Taxes Receivable
Street Lights	2,208	5,638	Assessments Receivable
Total	<u>\$ 8,362</u>	<u>\$ 17,064</u>	

* Denotes Major Fund

NOTE 9. PRIOR PERIOD ADJUSTMENTS

The Town recorded prior period adjustments at June 30, 2019 as follows:

Fund	Governmental Funds	Proprietary Funds	Total Primary Government	Reason
General*	\$ 4,345	\$	\$ 4,345	Correction of taxes receivable
Library*	(8,787)		(8,787)	Correction of accounts payable
Water*		61,892	61,892	Record inventory beginning balance
Debt Service		27,704	27,704	Record inventory beginning balance
Total	<u>\$ (4,442)</u>	<u>\$ 89,596</u>	<u>\$ 85,154</u>	
* Denotes Major Fund				
Governmental Activities	8,787		8,787	Correction of capital assets balances
Total	<u>\$ 4,345</u>	<u>\$ 89,596</u>	<u>\$ 93,941</u>	

The Town recorded prior period adjustments at June 30, 2020 as follows:

Fund	Governmental Funds	Total Primary Government	Reason
General*	\$ 861	\$ 861	Correction of expenditures
* Denotes Major Fund			
Total	<u>\$ 861</u>	<u>\$ 861</u>	

NOTE 10. RISK MANAGEMENT

The Town faces a considerable number of risks of loss, including:

- Damage to and loss of property and contents
- Employee torts
- Professional liability, e.g., errors and omissions
- Environmental damage
- Workers' compensation
- Medical insurance costs of employees

A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Given the lack of coverage available, the Town has no coverage for potential losses from environmental damages. The Town participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability, and property coverage.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued) For the years ended June 30, 2019 and June 30, 2020

Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the Town's general fund and other funds based upon the insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the past three years.

In 1986, the Town joined other Montana cities in the Montana Municipal Interlocal Authority which established a workers' compensation plan and a tort liability plan. In 1996, the Montana Municipal Interlocal Authority created a property insurance plan. The public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$750 deductible per government. State tort law limits the Town's liability to \$1.5 million. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

NOTE 11. EMPLOYEE RETIREMENT SYSTEM

The Town participates in a cost-sharing multiple employer defined benefit retirement plans which cover all Town employees. The plan is established under Montana law and are administered by the State. The Town participates in the following Montana administered retirement plan:

- The Public Employee Retirement System (PERS)

The plan issues publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies, and plan audited financial statements. Those reports may be obtained from the following:

Montana Public Employee Retirement Administration

P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

11. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) prepares their financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA adheres to all applicable GASB statements.

11. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The PERS-Defined Benefit Retirement Plan (Defined Benefit plan), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945 and is governed by Title 19, chapters 2 & 3, MCA. This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

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

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

11. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

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

Early Retirement:
(actuarially reduced)

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

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

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

Vesting:

5 years of membership service

Member's Highest
Average
Compensation (HAC):

- Hired prior to July 1, 2011:
 - HAC during any consecutive 36 months.
- Hired on or after July 1, 2011:
 - HAC during any consecutive 60 months.

Compensation Cap:

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

Monthly Benefit
Formula:

- Hired prior to July 1, 2011:
 - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
 - 25 years of membership service or more - 2% of HAC per year of service credit.
- Hired on or after July 1, 2011:
 - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
 - 30 years or more of membership service - 2% of HAC per year of service credit.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the years ended June 30, 2019 and June 30, 2020

Guaranteed Annual Benefit Adjustment:

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

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

11. b. 2. OVERVIEW OF CONTRIBUTIONS

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:

- a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

3. Non-Employer Contributions:

- a. Special Funding - The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.
 - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$33,615,000.

11. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2019 was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

- Investment Return (net of admin expenses) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 6.3%
- Postretirement Benefit Increases:
 - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members and service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

11. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under MCA. The State contributed 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

11. b. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2011 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of June 30, 2019 are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
	(a)	(b)
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.00%	

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

11. c. SENSITIVITY ANALYSIS

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

As of measurement date	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
<u>PERS (June 30, 2019)</u>			
Net Pension Liability	\$ 3,018,490,542	\$ 2,087,141,869	\$ 1,322,356,189
Town's Net Pension Liability	260,589	180,185	114,160
<u>PERS (June 30, 2020)</u>			
Net Pension Liability	\$ 3,003,181,095	\$ 2,090,310,698	\$ 1,323,158,712
Town's Net Pension Liability	259,651	180,727	114,399

11. d. NET PENSION LIABILITY

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers are required to recognize, and report certain amounts associated with their participation in PERS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS has special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

For June 30, 2019, The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

As of measurement date	NPL		Percent of Collective NPL	Percent of Collective NPL	Change in Percent of Collective NPL
	as of 6/30/18	as of 6/30/17	as of 6/30/18	as of 6/30/17	
<u>PERS</u>					
Town Proportionate Share	\$ 180,185	\$ 222,415	0.0086%	0.0114%	(0.0028)%
State of Montana					
Proportionate Share					
associated with Employer	60,076	2,658	0.0116%	0.0135%	(0.0020)%
Total	<u>\$ 240,261</u>	<u>\$ 225,073</u>	<u>0.0202%</u>	<u>0.0250%</u>	<u>(0.0048)%</u>

At June 30, 2019, the employer recorded a liability for its proportionate share of the NPL of \$180,185 for PERS. At June 30, 2019, the employer's proportion was 0.0086 percent for PERS.

For June 30, 2020, the Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

As of measurement date	NPL		Percent of	Percent of	Change in
	as of 6/30/19	as of 6/30/18	Collective NPL as of 6/30/19	Collective NPL as of 6/30/18*	Percent of Collective NPL
PERS					
Town Proportionate Share	\$ 180,727	\$ 180,185	0.008646%	0.008633%	0.000013%
State of Montana					
Proportionate Share					
associated with Employer	58,589	60,076	0.002803%	0.002878%	(0.000075)%
Total	<u>\$ 239,314</u>	<u>\$ 240,261</u>	<u>0.011449%</u>	<u>0.011511%</u>	<u>(0.000062)%</u>

*To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage.

At June 30, 2020, the employer recorded a liability for its proportionate share of the NPL of \$180,727 for PERS. At June 30, 2019, the employer's proportion was 0.008646 percent for PERS.

The NPL was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of:

- June 30, 2017 and applying standard roll forward procedures for PERS. The roll forward procedures uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.
- **PERS** – June 30, 2018 and applying standard roll forward procedures. The roll forward procedures uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

	PERS
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	There were no changes in assumptions or other inputs that affected the measurement of the TPL.
<u>Changes in benefit terms:</u>	There have been no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

11. e. PENSION EXPENSE

	Pension Expense as of 6/30/19	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
PERS (as of measurement date)			
Town's Proportionate Share	\$ 10,761	\$ 8,972	\$ 21,125
Employer Grant Revenue – State of Montana Proportionate Share for employer	132	4,009	142
Employer Grant Revenue – State of Montana State Appropriation for employer	<u>3,845</u>	<u>0</u>	<u>3,182</u>
Total	<u>\$ 14,739</u>	<u>\$ 12,981</u>	<u>\$ 24,449</u>

At June 30, 2018, the employer recognized a pension expense of \$12,981 for its proportionate share of the PERS. The employer also recognized grant revenue of \$4,009 for the support provided by Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS. At June 30, 2019, the employer recognized a pension expense of \$14,739 for its proportionate share of the PERS. The employer also recognized grant revenue of \$3,977 for the support provided by Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS.

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

11. f. DEFERRED INFLOWS AND OUTFLOWS

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

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 13,702	\$ 0
Changes in actuarial assumptions	15,322	0
Difference between projected and actual investment earnings	0	2,798
Changes in proportion and differences between actual and expected contributions	0	42,857
Contributions paid subsequent to the measurement date – FY 2020 Contributions *	12,213	0
Total	\$ 41,237	\$ 45,655

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

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 8,570	\$ 8,504
Changes in actuarial assumptions	7,672	0
Difference between projected and actual investment earnings	2,191	0
Changes in proportion and differences between actual and expected contributions	0	24,513
Contributions paid subsequent to the measurement date – FY 2020 Contributions *	14,046	0
Total	\$ 32,479	\$ 33,016

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

	PERS
Year Ended June 30	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense
2019	\$ (2,518)
2020	(2,611)
2021	(14,753)
2022	815
2023	1,967
2024	0
Thereafter	0

11. g. EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	PERS June 30, 2019 Employer's Proportionate Share	PERS June 30, 2020 Employer's Proportionate Share
Total Pension Liability	\$ 679,175	\$ 691,117
Fiduciary Net Position	498,990	510,390
Net Pension Liability	180,185	180,727
Deferred Outflows of Resources	41,237	32,479
Deferred Inflows of Resources	45,655	33,016
Pension Expense	12,981	14,739

TOWN OF VALIER

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the years ended June 30, 2019 and June 30, 2020

NOTE 12. LOCAL RETIREMENT PLAN

12. a. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND

Town volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund (the Association), which is established by Montana Law. The Association is managed by a Board of Trustees made up of members of the fire department. A member of a volunteer fire department who has served 20 years or more is entitled to benefits after attaining age 50. Volunteers serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the pension benefits is set by the Association's Board of Trustees.

Montana law requires that the disability and pension fund contain at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater. The Town's contribution to the plan for the fiscal years ended June 30, 2019 and 2020 was \$0. The State contributes, out of moneys received for insurance premium taxes, an amount equal to 1½ mills times the total taxable value of the Town, but not less than \$100. The State's contribution to the plan for the fiscal years was \$0. The plan's benefits are established by the Association's Board of Trustees. The yearly pension for retired firefighters was set at \$2,370 depending on years of service. Total benefits paid in the fiscal year ended June 30, 2019 amounted to \$0 and for June 30, 2020 amounted to \$615.

No actuarial valuation or report of unfunded past service costs had been prepared for the Association.

The number of employees covered by the benefit terms was:

• Inactive members currently receiving benefits	2
• Active members	16

NOTE 13. SUBSEQUENT REPORTABLE EVENTS

13. a. COVID-19

Due to the COVID19 pandemic, the Town may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

NOTE 14. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will 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 legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

TOWN OF VALIER

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

(Determined as of the measurement date)

For the years ended June 30, 2019 and June 30, 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Per- centage of the Total Pension Liability
2014	0.012197%	\$ 151,981	\$ 1,856	\$ 153,837	\$ 138,075	111.22%	79.87%
2015	0.013149%	183,808	2,258	186,066	153,453	119.78%	78.40%
2016	0.011857%	201,968	2,468	204,436	142,027	142.20%	74.71%
2017	0.011420%	222,415	2,658	225,073	141,663	157.00%	73.75%
2018	0.008633%	180,185	60,076	240,261	141,976	126.91%	73.47%
2019	0.008646%	180,726	58,589	239,314	142,656	126.69%	73.85%

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

TOWN OF VALIER

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS

(Determined as of the reporting date)

For the years ended June 30, 2019 and June 30, 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in Relation to Contractually Required Contributions (c)	Contribution Deficiency (Excess) (a)+(b)- (c)=(d)	Employer's Covered Payroll (e)	Contributions as a Percentage of Covered Payroll ((a)+(b))/(e)
2015	\$ 12,645	\$ 0	\$ 12,645	\$ 0	\$ 153,453	8.24%
2016	11,871	0	11,871	0	142,027	8.36%
2017	11,857	0	11,857	0	141,663	8.37%
2018	12,025	0	12,025	0	141,976	8.47%
2019	12,269	0	12,269	0	142,656	8.60%
2020	14,046	0	14,046	0	162,010	8.67%

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

TOWN OF VALIER

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS

(As of Measurement Date)

For the years ended June 30, 2019 and June 30, 2020

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

I. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) 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

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

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.

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.26%

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2019

	General			Library		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes/assessments	\$ 85,300	\$ 85,300	\$ 88,799	\$ 82,900	\$ 82,900	\$ 84,259
Licenses and permits	2,900	2,900	2,473	-	-	-
Intergovernmental revenues	119,415	119,415	88,568	-	-	-
Charges for services	32,525	32,525	29,535	880	880	334
Miscellaneous	300	300	473	55,510	55,510	46,765
Investment and royalty earnings	300	300	662	-	-	-
Total Revenues	<u>240,740</u>	<u>240,740</u>	<u>210,510</u>	<u>139,290</u>	<u>139,290</u>	<u>131,358</u>
EXPENDITURES:						
Current:						
General government	64,363	64,363	41,592	-	-	-
Public safety	91,074	91,074	59,739	-	-	-
Public works	50,989	50,989	46,262	-	-	-
Culture and recreation	53,496	53,496	31,001	199,584	199,584	77,489
Capital Outlay	-	-	5,420	-	-	70,477
Total Expenditures	<u>259,922</u>	<u>259,922</u>	<u>184,014</u>	<u>199,584</u>	<u>199,584</u>	<u>147,966</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,182)</u>	<u>(19,182)</u>	<u>26,496</u>	<u>(60,294)</u>	<u>(60,294)</u>	<u>(16,608)</u>
Net Change in Fund Balance	<u>(19,182)</u>	<u>(19,182)</u>	<u>26,496</u>	<u>(60,294)</u>	<u>(60,294)</u>	<u>(16,608)</u>
FUND BALANCE:						
Beginning of the Year			49,982			135,078
Prior Period Adjustments			4,345			(8,787)
End of the Year			<u>\$ 80,823</u>			<u>\$ 109,683</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General			Library		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes and Assessments	\$ 94,191	\$ 94,191	\$ 88,203	\$ 86,643	\$ 86,643	\$ 87,427
Licenses and Permits	2,850	2,850	3,417	-	-	-
Intergovernmental Revenues	60,816	60,816	60,362	238	238	-
Charges for Services	32,400	32,400	51,474	265	265	636
Fines and Forfeitures	-	-	-	600	600	31
Miscellaneous	300	300	8,080	6,565	6,565	49,906
Investment and Royalty Earnings	100	100	110	-	-	-
Total Revenues	190,657	190,657	211,646	94,311	94,311	138,000
EXPENDITURES:						
Current:						
General Government	60,046	60,046	31,863	-	-	-
Public Safety	66,130	66,130	66,459	-	-	-
Public Works	45,098	45,098	53,273	-	-	-
Culture and Recreation	54,058	54,058	42,684	94,311	94,311	71,564
Housing and Community Development	-	-	24	-	-	-
Capital Outlay	-	-	-	-	52,360	75,106
Total Expenditures	225,332	225,332	194,303	94,311	94,311	146,670
Excess (Deficiency) of Revenues Over Expenditures	(34,675)	(34,675)	17,343	-	-	(8,670)
OTHER FINANCING SOURCES (USES):						
Insurance recoveries	-	-	66,567	-	-	-
Total Other Financial Sources (Uses)	-	-	66,567	-	-	-
Net Change in Fund Balance	(34,675)	(34,675)	83,910	-	-	(8,670)
FUND BALANCE:						
Beginning of the Year			80,823			109,683
Prior Period Adjustments			861			-
End of the Year			<u>\$ 165,594</u>			<u>\$ 101,013</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

TOWN OF VALIER

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL

For the years ended June 30, 2019 and June 30, 2020

NOTE 1. BUDGETS

Budgets are adopted in accordance with Montana budget laws (Title 7, Chapter 6, Part 40, MCA) which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds of the Town. All annual appropriations lapse at fiscal year end, unless the Town elects to encumber supplies and personal property ordered but not received at year end. The Town does not use a formal encumbrance system.

1. a. GENERAL BUDGET POLICIES

Budgeted funds are those for which a legal budget must be adopted to have expenditures as noted above. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual has been prepared on the modified accrual basis of accounting and contains financial information for only the major and special revenue budgeted funds. The Water and Sewer funds are major funds, but are not included because they are enterprise funds.

1. b. BUDGET OPERATIONS

The Town operates within the budget requirements for incorporated cities or towns as specified by Montana law. The financial report reflects the following budgetary standards:

- A local government shall submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue.
- Local government officials may not make a disbursement or expenditure, or incur an obligation, in excess of the total budgeted appropriations for a fund.
- The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.
- The governing body and each municipal city or town are legally limited to the amount of appropriations and to the classifications in the annual appropriation resolution when making disbursements or expenditures or incurring liabilities, except where appropriations have been adjusted according to procedures authorized by the governing body for:
 - Debt service funds for obligations related to debt approved by the governing body
 - Trust funds for obligations authorized by trust covenants
 - Any fund for federal, state, local, or private grants and shared revenue accepted and approved by the governing body
 - Any fund for special assessments approved by the governing body
 - The proceeds from the sale of land
 - Any fund for gifts or donations
 - Money borrowed during the fiscal year
- If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred until the tax levy is authorized and approved.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the Town.

NOTE 2. BUDGET AMENDMENT

The Town approved a budget amendment in fiscal year 2020 with resolution #182 due to previously unbudgeted building project costs under the provisions of 7-6-4006, MCA for the Library fund. The budget amendment was for \$52,360 and will be paid for with \$48,180 of unanticipated revenue and \$4,180 of unbudgeted cash reserves.

The Town approved a budget amendment in fiscal year 2020 with resolution #183 due to previously unbudgeted building project costs under the provisions of 7-6-4006, MCA for the Street Lights Fund. The budget amendment was for \$4,305 and will be paid for with \$2,917 of unbudgeted assessment revenue and \$1,388 of unbudgeted cash reserves.



STROM & ASSOCIATES, P.C.

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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

INDEPENDENT AUDITOR'S REPORT

Mayor and Town Council
Town of Valier
Pondera County
Valier, Montana 59486

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Valier as of and for the years ended June 30, 2019 and 2020, and the related notes to the financial statements, which collectively comprise Town of Valier's basic financial statements and have issued our report thereon dated April 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Valier's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Valier's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Valier'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 may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control which we consider to be material weaknesses or 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 Town of Valier's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies, as described in the accompanying Schedule of Findings and Responses as items 2020-002, 2020-003, 2020-004, 2020-005, and 2020-006, 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, as described in the accompanying Schedule of Findings and Responses as items 2020-001, and 2020-007, to be significant deficiencies.

Compliance and Other Matters

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

Town of Valier's Response to Findings

Town of Valier's response to the findings identified in our audit is included in the accompanying Corrective Action Plan. The Town of Valier's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
April 18, 2022

TOWN OF VALIER

SCHEDULE OF FINDINGS AND RESPONSES
For the years ended June 30, 2019 and June 30, 2020

Prior year findings/status

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2020.

2018-001 – Auditor Prepared Financial Statements	Implemented
2018-002 – Segregation of Accounting Duties	Implemented

Current year findings**2020-001 Fire Department Relief Association (FDRA) Accrued Liability**

Criteria: Governmental Accounting Standards Board statement 73 (GASB-73) requires the pension trust fund reports an actuarially determined pension liability.

Condition: The Town did not report an actuarially determined pension liability for the FDRA pension trust fund.

Effect: Not in compliance with generally accepted accounting principles.

Context: During our review of the financial activity of the Town of Valier FDRA, we noted they had a total of 20 members in 2019 and 18 members in 2020 who were either active or retired. We also noted no liability was reported on the Town's financial statements for the liability associated with future benefit payments.

Cause: The Town complied with Montana Code Annotated (MCA) 19-18-503 "Fund to be soundly funded" and believed it also covered the requirements of GASB-73. Also, the costs of hiring an actuary is not feasible to the Town.

Recommendation: We recommend the Town comply with the requirements of GASB-73.

2020-002 Beginning Balances

Criteria: Generally Accepted Accounting Principles (GAAP) requires revenues, expenditures, assets and liabilities to be properly recorded and reported in the proper fiscal year.

Condition: The Town reported expenditures in July 2018 that were incurred in June 2018. These expenditures should have been recognized in the prior year and accrued as payable. These were capital expenditures and were therefor not included as capital assets on the balance sheet in the prior year.

Effect: Capital expenditures are overstated in fiscal year 2019 \$8,787. This has been corrected for financial reporting purposes.

Context: At June 30, 2019 we identified the following errors in reporting:

Fund	Account	Accounting	Audit	Variance
Library	Capital Outlay	\$ 84,684	\$ 75,897	\$ 8,787
Library	Restatement	\$ 0	\$ 8,787	\$ (8,787)

Cause: The city did not report expenditures in the period incurred and accrue payable as of June 30, 2018

Recommendation: We recommend that the Town implement procedures to review claims subsequent to fiscal year end to ensure that expenditures are reported in the period incurred and accrued if not paid until subsequent to fiscal year end.

TOWN OF VALIER

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the years ended June 30, 2019 and June 30, 2020

2020-003	Unrecorded Inventory
Criteria:	Governmental Accounting Standards Board Statement 34 (GASB-34) requires inventory to be reported.
Condition:	Material inventory in the Water and Sewer funds was not reported at June 30, 2019 and June 30, 2020. This has been corrected for financial reporting.
Effect:	Inventory and fund balance were understated in the Water fund by an estimated \$61,892 and in the Sewer fund by an estimated \$27,704.
Context:	The Town was not aware of the requirement to report inventory as a capitalized asset.
Cause:	The Town policy had previously been to expense inventory as supplies expense when purchased rather than capitalize as an inventory asset.
Recommendation:	We recommend the Town record all inventory balances in the Public works department (Water and Sewer) as capitalized inventory.
2020-004	Unreported Component Unit – Library Foundation
Criteria:	Governmental Accounting Standards Board Statement 61 (GASB-61) and (GASB-14) state in part: Component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. This determination should be based on the nature and significance of the organization's relationship with the primary government. An example of an affiliated organization that may be evaluated for inclusion is a non-profit corporation whose purpose is to benefit a governmental university by soliciting contributions and managing those funds.
Condition:	The Valier Public Library Foundation Inc. exists for the purpose of maintaining investments which are used for the support of the Valier Library. Therefore, the Valier Public Library Foundation Inc. should be included as a discretely presented component unit of the Town of Valier.
Effect:	Town of Valier 2020 annual financial report (AFR) did not include the Library Foundation component unit. This has been corrected for financial reporting.
Context:	The Town was not aware of the reporting requirements for GASB-61.
Cause:	The Town had significant turnover at the clerk position and was not aware that the Library Foundation should be reported and that it had been reported on past AFR's.
Recommendation:	We recommend the Town evaluate all potential component units for inclusion in the Town reporting entity each year.
2020-005	Cash Reconciliation
Criteria:	<p>The municipal treasurer shall receive, disburse, and serve as the custodian of all public money; provide for accountability of all local government cash receipts and for deposits and investments of all departments, offices, and boards; pay out, in the order registered, all warrants presented for payment when there are funds in the treasury to pay the warrants; and require periodic departmental reports of money receipts and their disposition on forms that the municipal treasurer prescribes.</p> <p>MCA 7-6-612</p> <p>Montana ARM 10-10-601, 615, 625 requires monthly reconciliations to the county and any separate accounts on a timely basis</p>

TOWN OF VALIER

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the years ended June 30, 2019 and June 30, 2020

Condition:	The town is reporting items on their cash reconciliation which were not received by the town until July of the subsequent year. They also have unreconciled cash.
Effect:	Cash is overstated in both fiscal years due to recognizing cash prior to receiving the assets. This has been corrected for proper financial reporting in fiscal year 2019 and fiscal year 2020.
Context:	<p>At June 30, 2019 the town recognized a payment from the county for the library for \$40,937 which was not received until July 2019, this should have been reported as due from other governments. They also recognized June tax collections made by the county on behalf of the town as cash and revenue in June 2019 although this was not received until July 2019.</p> <p>At June 30, 2020, the town recognized a payment of \$6,144 June tax collections made by the county on behalf of the town as cash and revenue in June 2020 although this was not received until July 2020. They also had investment earnings of \$4,987 from STIP investments which were not recognized during the fiscal year. Additional unreconciled cash variances of \$2,255 were not identified.</p>
Cause:	The town does not have procedures to reconcile all cash accounts to ensure cash is reported in the proper period when received.
Recommendation:	We recommend the town implement procedures to ensure that all bank and investment accounts are being reconciled monthly and any variances identified and properly adjusted.

2020-006	Taxes Receivable balance
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Criteria:	The Town utilizes upon receipt revenue recognition and agrees taxes receivable to the amounts reported as outstanding by Pondera County each year.
Condition:	Pondera County reports to the Town on a monthly basis and the amount reported to the Town at June 30 each year is the May County balance. The Town recorded the June County balance rather than May for each fiscal year 2019 and 2020. In addition, the County reports special assessments to the Town as one total amount which the Town splits to Street lights, water and sewer. For both fiscal year 2019 and 2020 the Town reported the total amount in the Street lights fund.
Effect:	Taxes receivable and deferred revenue were understated in the General fund \$3,766 at June 30, 2019 and \$5,212 for 2020. This has been corrected for financial reporting. Taxes receivable and deferred revenues were overstated in the Street lights fund \$13,845 at June 30, 2019 and \$16,332 at June 30, 2020. This has been corrected for financial reporting.
Context:	The Town has experienced high turnover at the Clerk position for 2019 and 2020.
Cause:	The Town was using the June County report rather than the May County report for reconciling year end taxes receivable, and was not aware that the County special assessment fund was an aggregate of street lights, water, and sewer special assessments receivable.
Recommendation:	We recommend the Town use the County report available at June 30 for reconciling (May County report), and reduce the Street light receivable and deferred by the amount applicable to Water and Sewer funds.

2020-007	Sales and Lodging Tax Reporting
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Criteria:	Montana Code Annotated (MCA) 15-65-112 requires the collection and reporting of the 4% sales tax by the last day of the month following the end of the calendar quarter. MCA 15-68-102 requires the collection and reporting of a 4% sales tax on campgrounds.
Condition:	The Town did not report \$5,108 of the gross sales for June of 2020 on the quarterly Lodging Facility Sales and Use Tax form for the quarter ending June 30, 2020.

TOWN OF VALIER

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the years ended June 30, 2019 and June 30, 2020

Effect:	The Town did not pay the 8% sales and use tax on approximately 11% of campground revenues for the fiscal year ending June 30, 2020 or tax of \$398.43.
Context:	The quarterly report for the quarter ending June 30, 2020 was filed on June 25, 2020.
Cause:	Due to filing the quarterly report for the quarter ending June 30, 2020 on June 25, 2020, the final revenue received and recorded for the campground on June 29, 2020 for \$5,108 was not reported on the quarterly report for the quarter ending June 30, 2020 or the quarter ending September 30, 2020.
Recommendation:	We recommend the lodging tax quarterly reports be filed in accordance with MCA after the end of the quarter for which the taxes are due to ensure all revenues are properly accounted for on filed reports.

TOWN OF VALIER
CORRECTIVE ACTION PLAN
For the year ended June 30, 2020

TOWN OF VALIER

Civic Center
514 Montana St.
PO Box 512, Valier MT 59486

406-279-3721

Council:
Dave Widhalm
Janelle Nelson
Steve Nelson
Angi Kirkbride

Mayor:
Glenn Wunderlich

April 13, 2022

RE: Audit Reponses for the Fiscal Year 2019/2020

Material Weakness

2020-002 Beginning balances - We have rectified the situation and will make sure it's reported in the correct year.

2020-003 unrecorded inventory- The public works department is now recording all inventory balances as capitalized inventory.

2020-006 Taxes receivable balance- The town clerk will now comply with the county reporting dates.

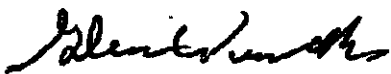
2020-004 Unreported component unit – (library foundation)- We will now include all potential component units required.

2020-005 Cash reconciliation- The town will implement procedures to insure all bank and investment accounts are being reconciled monthly and any variances identified and properly adjusted.

Significant Deficiency

2020-001 FDRA accrued liability- The town will now comply with the requirements of GASB 73.

2020-007 Sales and lodging tax reporting- The town will file the lodging quarterly reports in accordance with MCA 15-65-112.



Glenn Wunderlich, Mayor

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