

CITY OF WHITE SULPHUR SPRINGS
MEAGHER COUNTY
WHITE SULPHUR SPRINGS, MONTANA

FINANCIAL AND COMPLIANCE REPORT
Fiscal Year Ended June 30, 2024

Strom & Associates, P. C.
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CITY OF WHITE SULPHUR SPRINGS
 MEAGHER COUNTY
 WHITE SULPHUR SPRINGS, MONTANA 59645

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - MAYOR, COUNCIL AND OFFICIALS	2
INDEPENDENT AUDITOR’S REPORT	3 - 4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet – Governmental Funds and Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14 - 36
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Postemployment Benefits Other Than Pensions	37
Schedule of Proportionate Share of Net Pension Liability	38
Schedule of Contributions to the State of Montana Retirement Systems	39
Notes to the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to the State of Montana Retirement Systems	40
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Budgeted Major Funds	41 - 42
Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	43
INDEPENDENT AUDITOR’S REPORTS:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44 - 45
SCHEDULE OF FINDINGS AND RESPONSES	46 - 47
CORRECTIVE ACTION PLAN	48

CITY OF WHITE SULPHUR SPRINGS
MEAGHER COUNTY
WHITE SULPHUR SPRINGS, MONTANA 59645
ORGANIZATION

MAYOR AND CITY COUNCIL

Richard Nelson Mayor
Ronald Coleman Council President
Rick Ellison Council Member
Patricia Berg Council Member
Ronald Frisbie Council Member
Lee Blanchard Council Member

OFFICIALS

Michelle Stidham City Clerk/Treasurer
Lori Sorenson City Judge
Clyde Vinton Public Utilities Supervisor
Wordal Law, PLLC City Attorney



STROM & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of White Sulphur Springs
Meagher County
White Sulphur Springs, Montana 59645

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of White Sulphur Springs (City) as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

GAAP requires that the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 37), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 38 - 40), and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 41 - 43) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about 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 GAAP requires 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 GASB, 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 July 29, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
July 29, 2025

STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,224,995	\$ 1,869,038	\$ 3,094,033
Taxes Receivable	22,038	-	22,038
Accounts Receivable - Net	-	58,169	58,169
Due from Other Governments	-	115,171	115,171
Total Current Assets	<u>1,247,033</u>	<u>2,042,378</u>	<u>3,289,411</u>
Noncurrent Assets:			
Restricted Cash and Investments	-	1,276,076	1,276,076
Capital Assets:			
Land	44,000	-	44,000
Construction in Progress	-	217,090	217,090
Net Depreciable Assets	514,932	5,997,617	6,512,549
Total Noncurrent Assets	<u>558,932</u>	<u>7,490,783</u>	<u>8,049,715</u>
Total Assets	<u>1,805,965</u>	<u>9,533,161</u>	<u>11,339,126</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Employer Pension Plan Related	35,165	9,732	44,897
Other Postemployment Benefits Related	3,905	2,713	6,618
Total Deferred Outflows of Resources	<u>39,070</u>	<u>12,445</u>	<u>51,515</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,845,035</u>	<u>\$ 9,545,606</u>	<u>\$ 11,390,641</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 6,629	\$ 8,604	\$ 15,233
Deposits and Refunds Payable	-	18,074	18,074
Grants Received in Advance	120,529	25,419	145,948
Current Portion of Compensated Absences	3,007	4,511	7,518
Current Portion of Long-term Capital Obligations	-	83,000	83,000
Total Current Liabilities	<u>130,165</u>	<u>139,608</u>	<u>269,773</u>
Noncurrent Liabilities:			
Compensated Absences	9,020	13,530	22,550
Net Pension Accrual	194,791	53,915	248,706
Other Postemployment Benefits	23,585	10,245	33,830
Capital Debt Obligations	-	1,885,000	1,885,000
Total Noncurrent Liabilities	<u>227,396</u>	<u>1,962,690</u>	<u>2,190,086</u>
Total Liabilities	<u>357,561</u>	<u>2,102,298</u>	<u>2,459,859</u>
DEFERRED INFLOWS OF RESOURCES:			
Employer Pension Plan Related	6,948	1,923	8,871
Other Postemployment Benefits Related	-	325	325
Total Deferred Inflows of Resources	<u>6,948</u>	<u>2,248</u>	<u>9,196</u>
NET POSITION:			
Net Investment in Capital Assets	558,932	4,246,707	4,805,639
Restricted	933,426	1,276,076	2,209,502
Unrestricted (Deficit)	(11,832)	1,918,277	1,906,445
Total Net Position	<u>1,480,526</u>	<u>7,441,060</u>	<u>8,921,586</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,845,035</u>	<u>\$ 9,545,606</u>	<u>\$ 11,390,641</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2024

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
GOVERNMENT OPERATIONS:							
General Government	\$ 320,674	\$ 18,899	\$ 3,266	\$ -	\$ (298,509)		\$ (298,509)
Public Safety	16,902	-	18,602	-	1,700		1,700
Public Works	174,052	-	290,582	-	116,530		116,530
Public Health	32,803	-	199	-	(32,604)		(32,604)
Culture and Recreation	54,419	-	1,037	-	(53,382)		(53,382)
Housing and Community Development	8,523	-	-	-	(8,523)		(8,523)
Miscellaneous	27,894	-	-	-	(27,894)		(27,894)
Total Governmental Operations	<u>635,267</u>	<u>18,899</u>	<u>313,686</u>	<u>-</u>	<u>(302,682)</u>		<u>(302,682)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	351,744	431,995	4,993	213,200		\$ 298,444	298,444
Sewer	292,104	359,685	727	-		68,308	68,308
Total Business-type Activities	<u>643,848</u>	<u>791,680</u>	<u>5,720</u>	<u>213,200</u>		<u>366,752</u>	<u>366,752</u>
Total Primary Government	<u>\$ 1,279,115</u>	<u>\$ 810,579</u>	<u>\$ 319,406</u>	<u>\$ 213,200</u>	<u>\$ (302,682)</u>	<u>\$ 366,752</u>	<u>\$ 64,070</u>
GENERAL REVENUES:							
Taxes/Assessments					\$ 249,077	\$ -	\$ 249,077
Local Option Taxes					43,271	-	43,271
Licenses and Permits					5,665	-	5,665
Federal/State Shared Revenues					173,676	-	173,676
Miscellaneous					27,687	-	27,687
Investment and Royalty Earnings					32,887	68,891	101,778
Internal Balances					(37,000)	37,000	-
Special Item					-	242,694	242,694
Total General Revenues					<u>495,263</u>	<u>348,585</u>	<u>843,848</u>
Change in Net Position					192,581	715,337	907,918
NET POSITION:							
Beginning of the Year					<u>1,287,945</u>	<u>6,725,723</u>	<u>8,013,668</u>
End of the Year					<u>\$ 1,480,526</u>	<u>\$ 7,441,060</u>	<u>\$ 8,921,586</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2024

	MAJOR				
	General	Gas Apportionment Tax	Formerly Non-Major Fund LG ARPA Distribution "A"	Formerly Non-Major Fund Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 175,552	\$ 557,911	\$ 120,529	\$ 371,003	\$ 1,224,995
Taxes Receivable	17,526	-	-	4,512	22,038
Total Assets	<u>193,078</u>	<u>557,911</u>	<u>120,529</u>	<u>375,515</u>	<u>1,247,033</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 193,078</u>	<u>\$ 557,911</u>	<u>\$ 120,529</u>	<u>\$ 375,515</u>	<u>\$ 1,247,033</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 5,304	\$ -	\$ -	\$ 1,325	\$ 6,629
Grants Received in Advance	-	-	120,529	-	120,529
Total Liabilities	<u>5,304</u>	<u>-</u>	<u>120,529</u>	<u>1,325</u>	<u>127,158</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Property Taxes Receivable	17,526	-	-	4,512	22,038
Total Deferred Inflows of Resources	<u>17,526</u>	<u>-</u>	<u>-</u>	<u>4,512</u>	<u>22,038</u>
FUND BALANCE (DEFICITS):					
Restricted	-	557,911	-	371,003	928,914
Unassigned	170,248	-	-	(1,325)	168,923
Total Fund Balance	<u>170,248</u>	<u>557,911</u>	<u>-</u>	<u>369,678</u>	<u>1,097,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 193,078</u>	<u>\$ 557,911</u>	<u>\$ 120,529</u>	<u>\$ 375,515</u>	<u>\$ 1,247,033</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Total Fund Balance Reported Above				\$	1,097,837
Assets and Deferred Outflows of Resources:					
Unavailable Property Taxes Receivable					22,038
Governmental Capital Assets					558,932
Employer Pension Plan Related Deferred Outflows of Resources					35,165
Other Postemployment Benefits Related					3,905
Liabilities and Deferred Inflows of Resources:					
Compensated Absences					(12,027)
Net Pension Accrual					(194,791)
Other Postemployment Benefits					(23,585)
Employer Pension Plan Related Deferred Inflows of Resources					(6,948)
Net Position of Governmental Activities				\$	<u>1,480,526</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, 2024

	MAJOR				
	General	Formerly Non-Major Fund Gas Apportionment Tax	Formerly Non-Major Fund LG ARPA Distribution "A"	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes and Assessments	\$ 243,267	\$ -	\$ -	\$ 60,832	\$ 304,099
Licenses and Permits	5,665	-	-	-	5,665
Intergovernmental Revenues	165,091	289,258	-	18,276	472,625
Charges for Services	5,750	-	-	-	5,750
Fines and Forfeitures	13,149	-	-	-	13,149
Miscellaneous	27,687	-	-	15,000	42,687
Investment and Royalty Earnings	12,419	16,134	-	4,334	32,887
Total Revenues	473,028	305,392	-	98,442	876,862
EXPENDITURES:					
Current:					
General Government	266,324	-	-	22,191	288,515
Public Safety	6,000	-	-	6,756	12,756
Public Works	127,338	14,166	-	6,377	147,881
Public Health	33,157	-	-	-	33,157
Culture and Recreation	29,433	-	-	22,304	51,737
Housing and Community Development	-	-	-	8,523	8,523
Miscellaneous	27,894	-	-	-	27,894
Capital Outlay	20,700	77,076	-	68,965	166,741
Total Expenditures	510,846	91,242	-	135,116	737,204
Excess (Deficiency) of Revenues Over Expenditures	(37,818)	214,150	-	(36,674)	139,658
OTHER FINANCING SOURCES (USES):					
Fund Transfers In	-	-	-	61,686	61,686
Fund Transfers (Out)	(56,000)	-	-	(42,686)	(98,686)
Total Other Financial Sources (Uses)	(56,000)	-	-	19,000	(37,000)
Net Change in Fund Balance	(93,818)	214,150	-	(17,674)	102,658
FUND BALANCE:					
Beginning of the Year	264,900	-	-	730,279	995,179
Change within Financial Reporting Entity (Major Fund Changes)	-	241,688	-	(241,688)	-
Error Correction	(834)	102,073	-	(101,239)	-
End of the Year	\$ 170,248	\$ 557,911	\$ -	\$ 369,678	\$ 1,097,837

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

City of White Sulphur Springs
 Meagher County
 White Sulphur Springs, Montana 59645

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, 2024

Net Changes in Fund Balance	\$	102,658
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	(11,751)	
State Pension Aid	<u>5,067</u>	(6,684)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(50,097)	
Actuarial Pension Expense	(23,710)	
(Increase) Decrease in Other Postemployment Benefits	190	
(Increase) Decrease in Compensated Absence Liability	<u>3,483</u>	(70,134)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays		<u>166,741</u>
Change in net Position Reported on the Statement of Activities	\$	<u><u>192,581</u></u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	MAJOR		
	Water	Sewer	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 927,739	\$ 941,299	\$ 1,869,038
Accounts Receivable - Net	34,090	24,079	58,169
Due from Other Governments	115,171	-	115,171
Total Current Assets	<u>1,077,000</u>	<u>965,378</u>	<u>2,042,378</u>
Noncurrent Assets:			
Restricted Cash and Investments	801,403	474,673	1,276,076
Capital Assets:			
Construction in Progress	217,090	-	217,090
Net Depreciable Assets	2,874,523	3,123,094	5,997,617
Total Noncurrent Assets	<u>3,893,016</u>	<u>3,597,767</u>	<u>7,490,783</u>
Total Assets	<u>4,970,016</u>	<u>4,563,145</u>	<u>9,533,161</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Employer Pension Plan Related	4,685	5,047	9,732
Other Postemployment Benefits Related	938	1,775	2,713
Total Deferred Outflows of Resources	<u>5,623</u>	<u>6,822</u>	<u>12,445</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,975,639</u>	<u>\$ 4,569,967</u>	<u>\$ 9,545,606</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 8,104	\$ 500	\$ 8,604
Deposits and Refunds Payable	17,908	166	18,074
Grants Received in Advance	25,419	-	25,419
Current Portion of Compensated Absences	1,684	2,827	4,511
Current Portion of Long-term Capital Obligations	46,000	37,000	83,000
Total Current Liabilities	<u>99,115</u>	<u>40,493</u>	<u>139,608</u>
Noncurrent Liabilities:			
Debt Obligations	-	-	-
Compensated Absences	5,050	8,480	13,530
Net Pension Accrual	25,955	27,960	53,915
Other Postemployment Benefits	5,801	4,444	10,245
Capital Debt Obligations	936,000	949,000	1,885,000
Total Noncurrent Liabilities	<u>972,806</u>	<u>989,884</u>	<u>1,962,690</u>
Total Liabilities	<u>1,071,921</u>	<u>1,030,377</u>	<u>2,102,298</u>
DEFERRED INFLOWS OF RESOURCES:			
Employer Pension Plan Related	926	997	1,923
Other Postemployment Benefits Related	-	325	325
Total Deferred Inflows of Resources	<u>926</u>	<u>1,322</u>	<u>2,248</u>
NET POSITION:			
Net Investment in Capital Assets	2,109,613	2,137,094	4,246,707
Restricted for Debt Service	801,403	474,673	1,276,076
Unrestricted (Deficit)	991,776	926,501	1,918,277
Total Net Position	<u>3,902,792</u>	<u>3,538,268</u>	<u>7,441,060</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,975,639</u>	<u>\$ 4,569,967</u>	<u>\$ 9,545,606</u>

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, 2024

	MAJOR		
	Water	Sewer	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 259,153	\$ 166,087	\$ 425,240
Special Assessments	<u>172,842</u>	<u>193,598</u>	<u>366,440</u>
Total Operating Revenues	<u>431,995</u>	<u>359,685</u>	<u>791,680</u>
OPERATING EXPENSES:			
Personal Services	69,121	57,304	126,425
Supplies	18,251	11,993	30,244
Purchased Services	116,164	59,160	175,324
Depreciation	<u>118,523</u>	<u>136,447</u>	<u>254,970</u>
Total Operating Expense	<u>322,059</u>	<u>264,904</u>	<u>586,963</u>
Operating Income (Loss)	<u>109,936</u>	<u>94,781</u>	<u>204,717</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	4,993	727	5,720
Interest	35,035	33,856	68,891
Debt Service Interest	<u>(29,685)</u>	<u>(27,200)</u>	<u>(56,885)</u>
Total Nonoperating Revenue (Expenses)	<u>10,343</u>	<u>7,383</u>	<u>17,726</u>
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	213,200	-	213,200
Transfers In	37,000	-	37,000
Special Item	<u>242,694</u>	<u>-</u>	<u>242,694</u>
Change in Net Position	613,173	102,164	715,337
NET POSITION:			
Beginning of the Year	<u>3,289,619</u>	<u>3,436,104</u>	<u>6,725,723</u>
End of the Year	<u>\$ 3,902,792</u>	<u>\$ 3,538,268</u>	<u>\$ 7,441,060</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, 2024

	MAJOR		Total
	Water	Sewer	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 366,643	\$ 359,978	\$ 726,621
Payments to Employees	(60,059)	(68,881)	(128,940)
Payments to Suppliers	(34,474)	(35,107)	(69,581)
Payments for Services	(116,164)	(59,160)	(175,324)
Net Cash Provided (Used) by Operating Activities	<u>155,946</u>	<u>196,830</u>	<u>352,776</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Subsidies and Transfers Between Funds	37,000	-	37,000
Subsidies from Other Governments	4,318	-	4,318
Net Cash Provided (Used) by Non-capital Financing Activities	<u>41,318</u>	<u>-</u>	<u>41,318</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Contributions	274,432	-	274,432
Purchases of Capital Assets	(233,856)	(20,765)	(254,621)
Principal Paid on Capital Debt	(89,000)	(71,000)	(160,000)
Interest Paid on Capital Debt	(29,685)	(27,200)	(56,885)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(78,109)</u>	<u>(118,965)</u>	<u>(197,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	35,035	33,856	68,891
Net Cash Provided (Used) by Investing Activities	<u>35,035</u>	<u>33,856</u>	<u>68,891</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>154,190</u>	<u>111,721</u>	<u>265,911</u>
BALANCE:			
Beginning of the Year	1,574,952	1,304,251	2,879,203
End of the Year	<u>\$ 1,729,142</u>	<u>\$ 1,415,972</u>	<u>\$ 3,145,114</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 109,936	\$ 94,781	\$ 204,717
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	118,523	136,447	254,970
Other Postemployment Benefits Expense	(186)	(3,158)	(3,344)
GASBS No. 68 Pension Expense	6,922	(10,258)	(3,336)
Changes in Assets and Liabilities:			
Accounts Receivable	226	293	519
Accounts Payable	(16,223)	(23,114)	(39,337)
Customer Deposits	1,133	-	1,133
Compensated Absences	2,326	1,839	4,165
Unearned Revenue	(66,711)	-	(66,711)
Net Cash Provided (Used) by Operating Activities	<u>\$ 155,946</u>	<u>\$ 196,830</u>	<u>\$ 352,776</u>
Supplemental Schedule of Noncash Activities:			
GASBS No. 68 State Contribution	<u>\$ 675</u>	<u>\$ 727</u>	<u>\$ 1,402</u>

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

City of White Sulphur Springs
 Meagher County
 White Sulphur Springs, Montana 59645

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2024

	<u>Custodial Funds</u>
	Aggregate
	Other
	Custodial
	<u>Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Assets	<u>\$ -</u>
LIABILITIES:	
Total Liabilities	<u>-</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2024

	<u>Custodial Funds</u>
	Aggregate
	Other
	Custodial
	<u>Funds</u>
ADDITIONS:	
Contributions from Other Governments	<u>3,511</u>
Total Additions	<u>3,511</u>
DEDUCTIONS:	
Distributions to Individuals and Organizations	<u>3,511</u>
Total Deductions	<u>3,511</u>
Change in Net Position	-
NET POSITION:	
Beginning of the Year	<u>-</u>
End of the Year	<u>\$ -</u>

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

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

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

In fiscal year 2024, the City adopted the following GASB Statements:

- GASB Statement No. 100 – *Accounting Changes And Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.
- GASB Statement No. 101 – *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024.

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

- GASB Statement No. 102 – *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City plans to implement this Statement once it has identified how it affects the City and has reviewed the Q&A on this Statement.
- GASB Statement No. 103 – *Financial Reporting Model Improvements*. This Statement:
 - Continues the requirement that the basic financial statements be preceded by management’s discussion and analysis, which is presented as required supplementary information (RSI);
 - Describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence;
 - Requires governments to present each major component unit separately in the reporting entity’s *Statement of Net Position* and *Statement of Activities* if it does not reduce the readability of the statements; and
 - Requires budgetary comparison information to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

The provisions of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City plans to implement this Statement once it has identified how it affects the City and has reviewed the Q&A on this Statement.

Services Provided: The City provides a full range of governmental services to the citizens of the City. 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 and sewer services are provided and accounted for in enterprise funds. The Mayor and City council are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations.

Incorporation: The City was incorporated under the laws of the State of Montana and, as required by GAAP, the financial statements of the reporting entity include those of the City (the primary government) and any component units. The criteria for including organizations as component units within the City'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 City's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the City. Based on those criteria, the City has no material component units.

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 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.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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:

- 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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. Custodial funds are used to account for resources held for the benefit of parties outside of the City and are reported as fiduciary funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds.

- 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.

Revenues from local sources consist primarily of property taxes and assessments. Property tax and assessments revenue and revenues received from Meagher County (County) 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. When applicable, the proceeds from long-term debt or capital leases are reported as other financing sources. All other revenue items are considered to be measurable and available only when cash is received by the City.

- Expenditures are recorded when the related fund liability is incurred or when the flows of current financial resources related to long-term debt items occur. For example, principal and interest on general long-term debt and compensated absence payments. In addition, capital assets are functional expenditures in governmental funds.

Proprietary 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 special assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants, entitlements, 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 nonoperating revenues and expenses. Resources received for capital acquisition or construction are reported as separate items.

Fiduciary fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. For fiduciary activities, a liability to the beneficiaries of a fiduciary activity should be recognized 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. For example, a liability is recognized when tax collections for other governments occurs, even though it may not be required to distribute the taxes to those governments until a specified time in the future.

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund. 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.

The City reports the following major governmental funds:

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

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

-
- Gas Apportionment Tax – This fund special revenue fund is used to account for state gas tax revenue and expenditures related to street maintenance in the City.
 - LG ARPA Distribution “A” – This is a special revenue fund which accounts for American Rescue Plan Act (ARPA) funds prior to allowable expenditures under the terms of the plan.

The City reports the following major enterprise funds:

- Water Fund – This fund is a proprietary fund established to account for financing the activities of the City’s water distribution operations and to collect and administer water impact fees.
- Sewer Fund – This fund is a proprietary fund established to account for financing the activities of the City’s sewer collection and treatment operations and includes the storm sewer system.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

- Custodial Funds report resources, not in a trust, which are held by the City for other parties outside of City’s reporting entity. The following custodial funds are maintained by the City.
 - Fire Department Relief Association (FDRA) – This fund accounts for the resources collected, held, and disbursed by the City for the volunteer firefighter pension plan.

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 the State 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 City’s payroll and claims clearing funds. A warrant is an order by which the drawer (the person with authority to make the order) directs the City trustee to pay a particular sum of money to a payee (person or entity) from funds in the City treasury which are or may become available. For financial reporting purposes clearing fund cash balances are reclassified. The *unregistered* warrants are liability payments paid to applicable vendors and the government has no further obligation (like a check) since the cash resulted in financial resources spent by the government. The cash balance relating to unredeemed warrant is just a method for the government to keep track of outstanding warrants that have not cleared the government’s financial institution. Other liabilities in the payroll clearing fund and *registered* warrants are reclassified as accruals since those amounts are liabilities of the City.

Statement of Cash Flows – For purposes of the *Statement of Cash Flows*, the City 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.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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 City. 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.

Collections – Property taxes and special assessments are collected by the County Treasurer, who credits to the City 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 City receives its share of the sale proceeds of any such auction.

1. c. 3. RECEIVABLES

Accounts receivable represent amounts the City expects to receive for providing goods or services delivered or used but not yet paid for by customers or amounts due from governmental agencies for costs incurred but not yet reimbursed. All receivables are current and therefore due within one year. An allowance account is not maintained by the City and the amount estimated uncollectible is considered immaterial.

MCA allows delinquent water and sewer to be levied as a tax against the lot or parcel of real estate to which sewer or water service was furnished after proper notice to the rate payer.

GASB requires bad debts to be treated as a contra-revenue rather than an expense. This treatment reduces current year revenues for receivables that are considered to be uncollectible, when applicable.

1. c. 4. INVENTORIES

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) rather than when purchased.

1. c. 5. CAPITAL ASSETS

The City’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 City 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:

<u>Capital Asset Classes</u>	<u>Useful Life</u>
Buildings	10 – 50 years
Machinery and Equipment	5 – 50 years
Improvements Other Than Buildings	20 years
Infrastructure	5 – 50 years

1. c. 6. 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.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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.

Pension Liability – Deferred Outflows and Inflows – The City 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.

Other Postemployment Benefits Liability – Deferred Outflows and Inflows – The City recognizes a net pension liability for each OPEB liability plan participant. Changes in OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other OPEB related changes.

Property Taxes – Deferred Inflows – The City reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. 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.

1. c. 7. LEASE RELATED ACTIVITIES

In accordance with stipulations set out in GASB No. 87, the City considers leases that meet certain criteria as an exchange of the right to use an underlying nonfinancial asset (e.g., vehicle, building, land, office space). For such qualifying leases, when material, at commencement of the lease term:

- City as Lessor – The City recognizes a lease receivable and a deferred inflow of resources on its government-wide financial statements and fund statements. The City initially measures these elements at the present value of the payments expected to be made during the lease term. The receivable is amortized and the deferred inflow is recognized as the lease payments are made over the lease term.
 - The lessor retains ownership of the underlying asset and continues to report it as a capital asset net of accumulated depreciation in the City's financial statement during the lease term.
- City as Lessee – The City recognizes an intangible right-to-use lease asset and a lease liability on its government-wide financial statements and a capital outlay and other revenue on its governmental funds financial statements. The City measures these items at the commencement of the lease at the present value of the payments expected to be made during the lease term. The lease liability is amortized over the lease term and the right-to-use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

1. c. 8. VACATION AND SICK LEAVE

Vacation Leave –City employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. City employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. 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 –City 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 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, 2024, the amount expected to be paid within one year related to governmental activities amounted to \$3,878. At June 30, 2024, the amount expected to be paid within one year related to business-type activities amounted to \$4,511 and is paid out of the fund that incurred the liability.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

1. c. 9. 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 the difference between 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.
- Unassigned – This balance includes amounts that are available for any purpose. These amounts are reported only in the General fund or funds that have negative fund balances.

At June 30, 2024, fund balance components other than unassigned fund balance were as follows:

<u>Purpose</u>	<u>Restricted</u>
Public Safety	\$ 55,445
Public Works	637,789
Social and Economic Services	11,108
Future Capital Costs	<u>201,726</u>
Total	<u>\$ 906,068</u>

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first.

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2024, cash and cash equivalents for governmental activities and business-type activities were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,224,995	\$ 1,869,038	\$ 3,094,033
Restricted Cash and Investments	<u>0</u>	<u>1,276,076</u>	<u>1,276,076</u>
Total	<u>\$ 1,224,995</u>	<u>\$ 3,145,114</u>	<u>\$ 4,370,109</u>

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

The carrying amounts of cash on hand, deposits, and investments at June 30, 2024 were as follows:

<u>Account Type</u>	<u>Amount</u>
Cash on Hand	\$ 350
Demand Accounts	1,537,467
Saving Accounts	<u>2,832,292</u>
Total	<u>\$ 4,370,109</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned. The City does not have a deposit policy for custodial credit risk. On June 30, 2024, the City’s bank balances were exposed to custodial credit risk as follows:

<u>Deposits</u>	<u>Fair Value</u>
Covered by Depository Insurance	\$ 1,131,897
Collateral Held by the Pledging Bank’s Trust Department but not in the City’s Name	<u>3,395,558</u>
Total Bank Balance	<u>\$ 4,527,455</u>

2. a. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments were held by the City Treasurer at June 30, 2024 as follows:

<u>Purpose</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Restricted for Debt Service	\$ 801,403	\$ 474,673	\$1,276,076

The ordinances authorizing the water, and sewer system revenue bonds requires that the City establish sinking funds or cash restricted for payment of principal and interest on all revenue bonds. At June 30, 2024, the sinking fund balances were sufficient to satisfy such bond ordinance requirements.

NOTE 3. TAXES RECEIVABLE

The City 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, 2023, upon which the levy for the 2024 fiscal year was based, amounted to \$2,347,875 for the City. The tax rates assessed for the year ended June 30, 2024 to finance City operations and applicable taxes receivable were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Governmental Funds</u>		
General *	85.36	\$ 17,526
Airport	1.50	214
Library and Comp Insurance	-	41
Library Non-Voted	4.50	641
Library Voted	5.00	970
Volunteer Fire Department	4.00	575
Volunteer Fire Department Relief	-	1,140
PERS	6.50	879
Group Insurance	-	<u>52</u>
Totals	<u>106.86</u>	<u>\$ 22,038</u>

* Denotes Major Fund

Property taxes 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. 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 \$27 of taxes paid under protest.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable represent the outstanding balances of amounts billed for services the City 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 City to place delinquent utility balances on the tax rolls for collection.

<u>Fund</u>	<u>Accounts Receivable</u>
Water *	\$ 34,090
Sewer *	<u>24,079</u>
Total	<u>\$ 58,169</u>

* Denotes Major Fund

NOTE 5. OTHER ASSETS

Due from other governments represents amounts due to the City for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2024 were as follows:

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Water *	\$ 85,287	Montana	Rural communities water, per project
Water *	<u>29,884</u>	Montana	DNRC-water main project
Total	<u>\$ 115,171</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, 2024 follows:

<u>Governmental Activities</u>	<u>Primary Government</u>			<u>Balance June 30, 2024</u>
	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 44,000	\$ 0	\$ 0	\$ 44,000
Total Non-depreciable Capital Assets	44,000	0	0	44,000
<u>Depreciable Capital Assets:</u>				
Buildings	242,374	85,665	0	328,039
Improvements Other than Buildings	63,655	0	0	63,655
Machinery and Equipment	<u>724,389</u>	<u>81,076</u>	<u>(130,107)</u>	<u>675,358</u>
Total Depreciable Capital Assets	1,030,418	166,741	(130,107)	1,067,052
Less Accumulated Depreciation For:				
Buildings	(139,484)	(20,928)	0	(160,412)
Improvements Other than Buildings	(5,032)	(3,191)	0	(8,223)
Machinery and Equipment	<u>(487,614)</u>	<u>(25,978)</u>	<u>130,107</u>	<u>(383,485)</u>
Total Accumulated Depreciation	<u>(632,130)</u>	<u>(50,097)</u>	<u>130,107</u>	<u>(552,120)</u>
Net Depreciable Capital Assets	<u>398,288</u>	<u>116,644</u>	<u>0</u>	<u>514,932</u>
Net Governmental Activities Capital Assets	<u>\$ 442,288</u>	<u>\$ 116,644</u>	<u>\$ 0</u>	<u>\$ 558,932</u>

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

Depreciation expense charged to governmental functions was as follows:

Function	Amount
General Government	\$ 17,401
Public Safety	3,721
Public Works	24,991
Public Health	491
Culture and Recreation	<u>3,493</u>
Total	<u>\$ 50,098</u>

6. b. BUSINESS-TYPE CAPITAL ASSETS

The schedule of changes in business-type capital assets for the year ended June 30, 2024 follows:

Business-type Activities	Primary Government			Balance June 30, 2024
	Balance July 1, 2023	Additions	Deletions	
<u>Non-depreciable Capital Assets:</u>				
Construction in Progress	\$ 0	\$ 217,090	\$ 0	\$ 217,090
Total Non-depreciable Capital Assets	0	217,090	0	217,090
<u>Depreciable Capital Assets:</u>				
Buildings	109,002	29,530	0	138,532
Machinery and Equipment	155,529	8,001	0	163,530
Source of Supply	1,234,661	0	0	1,234,661
Pumping Plant	13,374	0	0	13,374
Treatment Plant	2,191,195	0	0	2,191,195
Transmission and Distribution	3,430,401	0	0	3,430,401
General Plant	<u>1,842,136</u>	<u>0</u>	<u>0</u>	<u>1,842,136</u>
Total Depreciable Capital Assets	8,976,298	37,531	0	9,013,829
Less Accumulated Depreciation For:				
Buildings	(4,480)	(10,930)	0	(15,410)
Machinery and Equipment	(72,039)	(12,739)	0	(84,778)
Source of Supply	(803,385)	(29,723)	0	(833,108)
Pumping Plant	(13,374)	0	0	(13,374)
Treatment Plant	(215,518)	(43,944)	0	(259,462)
Transmission and Distribution	(1,254,787)	(117,150)	0	(1,371,937)
General Plant	<u>(397,659)</u>	<u>(40,484)</u>	<u>0</u>	<u>(438,143)</u>
Total Accumulated Depreciation	<u>(2,761,242)</u>	<u>(254,970)</u>	<u>0</u>	<u>(3,016,212)</u>
Net Depreciable Capital Assets	<u>6,215,056</u>	<u>(217,439)</u>	<u>0</u>	<u>5,997,617</u>
Net Business-type Capital Assets	<u>\$ 6,215,056</u>	<u>\$ (349)</u>	<u>\$ 0</u>	<u>\$ 6,214,707</u>

NOTE 7. CURRENT LIABILITIES

Current liabilities represent amounts due to creditors, suppliers, or others within a period of time less than one year.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

7. a. GRANTS RECEIVED IN ADVANCE

Unearned revenue, sometimes referred to as deferred revenue, is payment received by the City from a nonexchange transaction for which not all applicable eligibility requirements have been met. Once the eligibility criteria have been met, the revenues and expenditure/expenses will be reported.

Fund	Amount	Purpose
Governmental funds		
LG ARPA Distribution *	\$ <u>120,529</u>	American Rescue Plan Act (ARPA) Improving Certain Qualifying Projects for Economic Recovery of the City.
Proprietary Funds		
Water *	\$ <u>25,419</u>	American Rescue Plan Act (ARPA) Improving Certain Qualifying Projects for Economic Recovery of the City.

* Denotes Major Fund

NOTE 8. LONG-TERM DEBT

8. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2024 follows:

Governmental Activities	Balance July 1, 2023	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2024	Amounts Due within One Year
Other Liabilities:					
Compensated Absences *	\$ 15,510	0	(3,007)	12,503	3,007
Accrued Pension	162,795	31,996	0	194,791	0
Other Postemployment Benefits	<u>18,427</u>	<u>5,158</u>	<u>0</u>	<u>23,585</u>	<u>0</u>
Total Other Liabilities	<u>196,732</u>	<u>37,154</u>	<u>(3,007)</u>	<u>230,879</u>	<u>3,007</u>
Governmental Activities - Long-term Debt	\$ <u>196,732</u>	\$ <u>37,154</u>	\$ <u>(3,007)</u>	\$ <u>230,879</u>	\$ <u>3,007</u>

* Increases and decreases of compensated absences are presented as a net change.

8. b. BUSINESS-TYPE LONG-TERM DEBT

The schedule of changes in business-type long-term debt for the year ended June 30, 2024 follows:

Business-type Activities	Balance July 1, 2023	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2024	Due within One Year
Bonds and Notes Payables:					
Revenue Bonds	\$ <u>2,370,694</u>	\$ <u>0</u>	\$ <u>(402,694)</u>	\$ <u>1,968,000</u>	\$ <u>83,000</u>
Total Bonds and Notes Payables	2,370,694	0	(402,694)	1,968,000	83,000
Other Liabilities:					
Compensated Absences *	13,876	4,164	0	18,040	4,511
Accrued Pension	55,954	8,404	(10,442)	53,916	0
Other Postemployment Benefits	<u>7,812</u>	<u>2,433</u>	<u>0</u>	<u>10,245</u>	<u>0</u>
Total Other Liabilities	<u>77,642</u>	<u>15,001</u>	<u>(10,442)</u>	<u>82,201</u>	<u>4,511</u>
Business-type Activities - Long-term Debt	\$ <u>2,448,336</u>	\$ <u>15,001</u>	\$ <u>(413,136)</u>	\$ <u>2,050,201</u>	\$ <u>87,511</u>

* Increases and decreases of compensated absences are a net amount.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

8. b. 1 REVENUE BONDS

Revenue Bonds constitute special obligations of the City 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, 2024
WRF – 13270	September 13, 2012	3.00%	20 years	May 1, 2031	\$ 1,267,375	\$ 587,000
WRF – 14303	September 25, 2013	3.00%	20 years	July 1, 2033	105,264	56,000
WRF – 15334	December 11, 2014	2.50%	20 years	December 31, 2034	199,664	113,000
WRF – 22506	March 30, 2022	2.50%	20 years	January 1, 2042	206,510	226,000
WRF – 22505	March 30, 2022	TBF	TBF	To Be Forgiven	199,248	0
SRF – 14353	June 17, 2014	3.00%	20 years	July 1, 2034	394,256	228,000
SRF – 17405	December 15, 2016	2.50%	20 years	January 1, 2037	1,155,664	758,000
Totals					<u>\$ 3,527,981</u>	<u>\$ 1,968,000</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:	Water		For the year ended June 30:	Sewer	
	Principal	Interest		Principal	Interest
2025	\$ 46,000	\$ 13,884	2025	\$ 37,000	\$ 12,864
2026	93,000	25,773	2026	74,000	24,328
2027	97,000	23,053	2027	76,000	22,379
2028	99,000	20,240	2028	78,000	20,346
2029	101,000	17,153	2029	80,000	18,272
2030-2034	422,000	42,945	2030-2034	428,000	58,442
2035-2039	82,000	10,429	2035-2037	213,000	8,996
2040-2042	42,000	1,836	Totals	<u>\$ 986,000</u>	<u>\$ 165,627</u>
Totals	<u>982,000</u>	<u>155,313</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 125% and 110% respectively. 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 City complied with the applicable covenants.

NOTE 9. DEFERRED INFLOWS OF RESOURCES

The City reported deferred property taxes at June 30, 2024 as follows:

Fund	Taxes Receivable	Reason
<u>Governmental Funds</u>		
General *	\$ 17,526	Taxes Receivable
Airport	214	Taxes Receivable
Library Non-Voted	41	Taxes Receivable
Library Voted	641	Taxes Receivable
Volunteer Fire Department	970	Taxes Receivable
Volunteer Fire Department Relief	575	Taxes Receivable
PERS	1,140	Taxes Receivable
Group Insurance	879	Taxes Receivable
Bond Series	52	Taxes Receivable
Total	<u>\$ 22,038</u>	

* Denotes Major Fund

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 10. DEFICIT FUND BALANCES

Deficit fund balances result from commitments that exceed the associated resources. The City reported deficit fund balances at June 30, 2024 as follows:

<u>Fund</u>	<u>Amount</u>	<u>City's Plan to Correct</u>
<u>Governmental Funds</u>		
Capital Improvements Plan Documents	\$ (1,325)	Transfer in additional funds

NOTE 11. PRIOR PERIOD ADJUSTMENTS

The City recorded changes in accounting principles and/or error corrections that resulted in adjustments and restatements of beginning net position and fund balances as follows:

	<u>Fund Balance</u>			
	<u>June 30, 2023 (Original)</u>	<u>Changes In Major Fund Status</u>	<u>Error Corrections</u>	<u>June 30, 2023 (As Adjusted)</u>
<u>Government-Wide</u>				
Governmental Activities	\$ 0	\$ 0	\$ 0	\$ 0
<u>Governmental Funds</u>				
General	\$ 264,900	\$ 0	\$ (834)	\$ 264,066
Gas Tax Apportionment	0	241,688	102,073	343,761
LG ARPA Distribution A	0	0	0	0
Aggregate Remaining	<u>730,279</u>	<u>(241,688)</u>	<u>(101,239)</u>	<u>387,352</u>
Total	<u>\$ 995,179</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 995,179</u>

- A change in a fund's classification as major or nonmajor.
- The removal of a fund that results from the movement of continuing operations within the primary government.
- The correction of prior year interfund reimbursement.

11. a. ERROR CORRECTIONS

The City recorded error corrections that resulted in adjustments to and restatements of beginning net position and fund net position as follows:

Governmental Funds and Governmental Activities

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
<u>Governmental Funds</u>		
General *	\$ (834)	To correct prior year interfund reimbursement
Gas Tax Apportionment *	102,073	To transfer funds
Gas Tax Special Allocation	(102,073)	To transfer funds
CDBG	<u>834</u>	To correct prior year interfund reimbursement
Total Governmental Funds	0	
* Denotes Major Fund		
<u>Governmental Activities</u>		
Total Governmental Activities	<u>\$ 0</u>	

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 12. INTERFUND OPERATING TRANSFERS

The City recorded interfund transfers during the year ended June 30, 2024 as follows:

Operating Fund - In	Amount	Operating Fund - Out	Purpose
Capital Projects	\$ 56,000	General *	Future capital costs
Capital Improvements PD	5,686	CDBG	Future capital planning
Water System	<u>37,000</u>	Impact Fees	Transfer impact fees related to water hookups
Total	<u>\$ 98,686</u>		

* Denotes Major Fund

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

13. a PLAN DESCRIPTION

The City provides its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participating in the City group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other postemployment benefits (OPEB) plan.

13. b FUNDING POLICY

The City pays OPEB liabilities on a pay as you go basis. A trust fund for future liabilities has not been established.

13. c BENEFITS PROVIDED

The City provides healthcare benefits for retirees and their dependents. The City provides the same health care plan to all of its members. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The City covers 100% of the premiums for active employees.

13. d EMPLOYEES COVERED BY BENEFIT TERMS

As of June 30, 2024, the measurement date, the plan's participants were comprised of:

Active employees	5
Inactive employees (may include spouses)	0

13. e TOTAL OPEB LIABILITY

The City's total OPEB liability amounted to \$33,830 at June 30, 2024. The liability was measured as of June 30, 2024 and was determined by an Alternative Measurement Method valuation as of that date.

13. f ASSUMPTIONS AND OTHER INPUTS

The City had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an Actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 5% of plan participants would elect to continue coverage after retirement.

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

Average salary increases	3.50%
Discount rate	4.34%
Retiree's share of benefit related costs	100.00%
Healthcare cost trend rate	8.02% down to 4.00%

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

13. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2023	\$ 26,239
Changes for the Year:	
Service Cost (OPEB Expense)	3,005
Interest	1,269
Changes of Benefit Terms	0
Changes in Assumptions or Other Inputs	6,293
Benefit Payments	<u>(2,976)</u>
Net Changes	<u>7,591</u>
Balance June 30, 2024	<u>\$ 33,830</u>

Changes in benefit terms and assumptions and other inputs are composed of the following:

- Changes assumptions about the discount rate and the cost of healthcare.

13. h. SENSITIVITY ANALYSIS

The following illustrates the estimated effect on the City’s OPEB liability if the *discount rate* and *healthcare cost trend rate* were 1% lower or 1% higher than the current discount rate and healthcare cost trend rate:

	Discount Rate		
	<i>(4.34%)</i>		
	1.0% Decrease	Current	1.0% Increase
Total OPEB Liability	\$ 35,355	\$ 33,830	\$ 32,220

	Healthcare Cost Trend Rate		
	1.0% Decrease	Current	1.0% Increase
	Total OPEB Liability	\$ 31,156	\$ 33,830

13. i. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2024, the City reported \$7,591 in expense related to OPEB.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 6,618	\$ 0
Changes of Assumptions	<u>0</u>	<u>(325)</u>
Total	<u>\$ 6,618</u>	<u>\$ (325)</u>

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

Year ended June 30:	Net Deferred Outflows/Inflows of Resources
2025	\$ 6,293

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 14. RISK MANAGEMENT

The City 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 City has no coverage for potential losses from environmental damages. The City participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability, and property coverage.

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 City'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 City 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 City's liability to \$1.5 million. The City 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 15. EMPLOYEE RETIREMENT SYSTEM

The City participates in one state-wide, cost-sharing multiple employer defined benefit retirement plan which covers all City employees, except certain part-time employees. The plan is established under Montana law and is administered by the State. The City participates in the following Montana administered retirement plan:

- The Public Employees' Retirement System (PERS) covers nonteaching employees and

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

15. 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

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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.

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

15. b. PUBLIC EMPLOYEES' 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. Benefits are established by state law and can only be amended by the Legislature.

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

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.

15. 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 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 recalculating benefits 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 January after receiving the original and the new benefit for 12 months.

Vesting:

5 years of membership service

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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.

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.

15. b. 2. OVERVIEW OF CONTRIBUTIONS

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.

Special Funding: The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

Fiscal Year	Member		State & Universities	Local Government	School Districts		
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
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%

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
 - a. Special Funding - 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 0.10% of the members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of the members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$34,979,900.

15. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2023 was determined by taking the results of the June 30, 2023 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:

- Investment Return (net of admin expenses) 7.30%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 4.80%
- 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
 - *Mortality among contributing members* - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
 - *Mortality among disabled members* - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
 - *Mortality among beneficiaries* - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
 - *Mortality among healthy retirees* - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

15. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

15. b. 5. TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	(0.33)%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

15. b. 6. DEFINED CONTRIBUTION PLAN

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

All new PERS members are initially members of the Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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

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

At the plan level for the measurement period ended June 30, 2022, the Defined Contribution plan employer did not recognize any net pension liability or pension expense for the Defined Contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,409,309.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

15. 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 7.30% 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 (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
<u>PERS</u>			
Net Pension Liability	\$ 3,525,082,234	\$ 2,440,353,916	\$ 1,530,363,754
City's Net Pension Liability	359,257	248,707	155,966

15. 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 the 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 have 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.

The 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, 2023, and 2022, 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.

At June 30, 2024, the employer recorded a liability for its proportionate share of the NPL as noted below:

As of measurement date	NPL		Percent of Collective NPL		Change in Percent of Collective NPL
	as of 6/30/23	as of 6/30/22	as of 6/30/23	as of 6/30/22	
<u>PERS</u>					
City Proportionate Share	\$ 248,707	\$ 218,749	0.010191%	0.009199%	0.000992%
State of Montana Proportionate Share associated with Employer	<u>68,957</u>	<u>65,573</u>	<u>0.002826%</u>	<u>0.002758%</u>	<u>0.000068%</u>
Totals	<u>\$ 317,664</u>	<u>\$ 248,322</u>	<u>0.013017%</u>	<u>0.011957%</u>	<u>0.001060%</u>

The NPL was measured as of June 30, 2023, and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of:

- PERS – June 30, 2023

<u>PERS</u>	
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.
<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 to the Plan 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.

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

15. e. PENSION EXPENSE

At June 30, 2024, the employer recognized a pension expense and grant revenue as noted below:

<u>(as of measurement date)</u>	<u>Pension Expense as of 6/30/23</u>	<u>Pension Expense as of 6/30/22</u>
<u>PERS</u>		
City's Proportionate Share	\$ 35,362	\$ 22,448
Employer Grant Revenue – Montana Proportionate Share with the Employer	<u>6,469</u>	<u>6,797</u>
Totals	<u>\$ 41,831</u>	<u>\$ 29,245</u>

15. f. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2024, the employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>PERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected economic experience	\$ 9,906	\$ 0
Changes in actuarial assumptions	0	8,871
Difference between projected and actual investment earnings	631	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,044	0
Contributions paid subsequent to the measurement date –FY 2024 Contributions *	<u>21,315</u>	<u>0</u>
Totals	<u>\$ 44,896</u>	<u>\$ 8,871</u>

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

<u>Year Ended June 30</u>	<u>PERS</u>
	<u>Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense</u>
2024	\$ (1,540)
2025	3,053
2026	14,706
2027	(1,510)
Thereafter	0

15. g. EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	<u>PERS</u>
	<u>Employer's Proportionate Share</u>
Total Pension Liability	\$ 953,997
Fiduciary Net Position	<u>705,290</u>
Net Pension Liability	248,707
Deferred Outflows of Resources	44,896
Deferred Inflows of Resources	8,871
Pension Expense	41,831

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 16. LOCAL RETIREMENT PLAN

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

City volunteer firefighters are covered by the FDRA 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, and is accounted for as a pension trust fund of the City. 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 City's contribution to the plan for the fiscal year ended June 30, 2024 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 City, but not less than \$100. The State's contribution to the plan for the fiscal year was \$3,511. The plan's benefits are established by the Association's Board of Trustees. The monthly pension for retired firefighters with 20 years of service was set at \$720 per year, with a widow's pension at ½ of the deceased firefighter's pension rate. Total benefits paid in the fiscal year ended June 30, 2024 amounted to \$3,511.

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

NOTE 17. SUBSEQUENT REPORTABLE EVENTS

The City evaluated subsequent events after June 30, 2024 through the date on which the financial statements were available to be issued and noted the events below:

- The City started a water system improvement – intake and treatment project after year-end. The total estimated cost of the system is \$1,795,653. Three different grants totaling \$1,500,000 and a loan for \$295,653 will be used to fund the project. The loan repayment will be over 20 years.

NOTE 18. CONTINGENCIES

18. a. FEDERAL AWARDS

The City participated 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 City'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 City anticipates such amounts, if any, will be immaterial.

CITY OF WHITE SULPHUR SPRINGS
 SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2024

CHANGE IN LIABILITY

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/18	\$ 3,421	\$ 0	\$ 0	\$ 1,812	\$ (3,421)	\$ 1,812	\$ 28,450	\$ 30,262
6/30/19	4,672	942	0	488	(10,355)	(4,253)	30,262	26,009
6/30/20	4,498	377	20,683	(26,009)	(4,875)	(5,326)	26,009	20,683
6/30/21	5,288	347	0	(3,826)	(10,683)	(8,874)	20,683	11,809
6/30/22	2,042	557	7,966	(745)	(1,922)	7,898	11,809	19,707
6/30/23	4,293	986	6,087	(4,834)	0	6,532	19,707	26,239
6/30/24	3,005	1,269	0	6,293	(2,976)	7,591	26,239	33,830

PAYROLL RATIO

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	\$ 135,566	22.32%
6/30/19	159,632	16.29%
6/30/20	129,266	16.00%
6/30/21	112,840	10.47%
6/30/22	168,874	11.67%
6/30/23	204,883	12.81%
6/30/24	204,883	16.51%

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

CITY OF WHITE SULPHUR SPRINGS

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 (Determined as of the measurement date)
 For the year ended June 30, 2024

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 Percent- age of the Total Pen- sion Liability
2014	0.0121%	\$ 150,566	\$ 1,893	\$ 152,405	\$ 136,789	111.22%	79.87%
2015	0.0118%	164,603	2,022	166,625	137,420	119.78%	78.40%
2016	0.0117%	200,064	2,445	202,509	140,688	142.78%	74.71%
2017	0.0135%	262,397	3,133	265,530	167,128	157.00%	73.75%
2018	0.0102%	213,290	71,155	284,445	168,060	126.91%	73.47%
2019	0.0093%	194,653	63,442	258,096	153,723	126.63%	73.85%
2020	0.0086%	227,895	72,313	300,208	144,934	157.24%	68.90%
2021	0.0095%	173,005	51,321	224,326	168,537	102.65%	79.91%
2022	0.0092%	218,749	65,573	284,322	161,667	135.31%	73.66%
2023	0.0102%	248,707	68,957	317,664	189,487	131.26%	73.93%

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

CITY OF WHITE SULPHUR SPRINGS

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
 (Determined as of the reporting date)
 For the year ended June 30, 2024

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	\$ 11,324	\$ 0	\$ 11,324	\$ 0	\$ 137,420	8.24%
2016	11,760	0	11,760	0	140,688	8.36%
2017	13,989	0	13,989	0	167,128	8.37%
2018	14,235	0	14,235	0	168,060	8.47%
2019	13,215	0	13,215	0	153,723	8.60%
2020	12,698	0	12,698	0	144,934	8.76%
2021	14,936	0	14,936	0	168,537	8.86%
2022	14,378	0	14,378	0	161,667	8.89%
2023	17,138	0	17,138	0	189,478	9.04%
2024	21,315	0	21,315	0	235,010	9.07%

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

CITY OF WHITE SULPHUR SPRINGS

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 year ended June 30, 2024

NOTE 1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms

The following changes to the Public Employees' 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 and methods were used to determine contribution rates reported for fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021 actuarial valuation:

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 (Active Participants)	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Mortality (Disabled Retirees)	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
Mortality (Contingent Survivors)	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Mortality (Health Retirees)	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2024

	General			Gas Apportionment Tax		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
Taxes and Assessments	\$ 33,600	\$ 33,600	\$ 243,267	\$ -	\$ -	\$ -
Licenses and Permits	6,490	6,490	5,665	-	-	-
Intergovernmental Revenues	159,494	159,494	165,091	304,869	304,869	289,258
Charges for Services	2,075	2,075	5,750	-	-	-
Fines and Forfeitures	15,000	15,000	13,149	-	-	-
Miscellaneous	29,600	29,600	27,687	-	-	-
Investment and Royalty Earnings	4,500	4,500	12,419	4,200	4,200	16,134
Total Revenues	<u>250,759</u>	<u>250,759</u>	<u>473,028</u>	<u>309,069</u>	<u>309,069</u>	<u>305,392</u>
EXPENDITURES:						
Current:						-
General Government	266,304	266,304	266,324			-
Public Safety	6,000	6,000	6,000			-
Public Works	168,931	168,931	127,338	267,843	267,843	14,166
Public Health	63,950	63,950	33,157			-
Culture and Recreation	63,000	63,000	29,433			-
Miscellaneous	29,100	29,100	27,894			-
Capital Outlay	-	-	20,700	-	-	77,076
Total Expenditures	<u>597,285</u>	<u>597,285</u>	<u>510,846</u>	<u>267,843</u>	<u>267,843</u>	<u>91,242</u>
Excess (Deficiency) of Revenues						
Over Expenditures	(346,526)	(346,526)	(37,818)	41,226	41,226	214,150
OTHER FINANCING SOURCES (USES):						
Fund Transfers In			-	5,632	5,632	-
Fund Transfers (Out)	(56,000)	(56,000)	(56,000)			-
Total Other Financial Sources (Uses)	<u>(56,000)</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>5,632</u>	<u>5,632</u>	<u>-</u>
Net Change in Fund Balance	<u>(402,526)</u>	<u>(402,526)</u>	<u>(93,818)</u>	<u>46,858</u>	<u>46,858</u>	<u>214,150</u>
FUND BALANCE:						
Beginning of the Year			264,900			-
Change within Financial Reporting Entity (Major Fund Changes)						241,688
Error Correction			(834)			102,073
End of the Year			<u>\$ 170,248</u>			<u>\$ 557,911</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, continued
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2024

	LG ARPA Distribution "A"		
	Original Budget	Final Budget	Actual
REVENUES:			
Taxes and Assessments	-	-	-
Licenses and Permits	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Miscellaneous	-	-	-
Investment and Royalty Earnings	-	-	-
Total Revenues	-	-	\$ -
EXPENDITURES:			
Current:			-
General Government			-
Public Safety			-
Public Works			-
Public Health			-
Culture and Recreation			-
Miscellaneous			-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):			
Fund Transfers In	-	-	-
Fund Transfers (Out)	(118,000)	(118,000)	-
Total Other Financial Sources (Uses)	(118,000)	(118,000)	-
Net Change in Fund Balance	(118,000)	(118,000)	-
FUND BALANCE:			
Beginning of the Year			-
Change within Financial Reporting Entity (M Error Correction			-
End of the Year			\$ -

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

CITY OF WHITE SULPHUR SPRINGS

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2024

NOTE 1. BUDGETS

Budgets were adopted in accordance with Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets were adopted for all funds of City of White Sulphur Springs (City). All annual appropriations lapsed at fiscal year end, unless the City elected to encumber supplies and personal property ordered but not received at year end. The City did not use a formal encumbrance system.

1. a. GENERAL BUDGET POLICIES

Budgeted funds were 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 was 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 were major funds but were not included because they are enterprise funds.

1. b. BUDGET OPERATIONS

The City operated within the budget requirements for incorporated cities or towns as specified by Montana law. The financial report reflected 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 City.

NOTE 2. BUDGET AMENDMENTS

The original budgets were not amended so the original budget and the final budget are the same.



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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 City Council
City of White Sulphur Springs
Meagher County
White Sulphur Springs, Montana 59645

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, each major fund, and the aggregate remaining fund information of City of White Sulphur Springs (City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Responses as items 2024-001, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2024-002

City's Response to Findings

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
July 29, 2025

CITY OF WHITE SULPHUR SPRINGS

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2024

Prior year findings/status

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2024.

2023-001 – De Minimis Fringe Benefits Implemented

Current year findings

2024-001	Capital Assets
Criteria:	<p>Capital assets should be reported at historical cost. Capital assets should be depreciated over their estimated useful lives. (GASB Codification 1400). The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition-such as freight and transportation charges, site preparation costs, and professional fees.</p> <p>Internal controls over financial reporting include an accounting system to aid in proper reporting of existing assets and liabilities. Internal controls over capital assets alleviate two distinct risks. The primary risk is physical in nature and relates to the asset getting lost, stolen, or damaged thereby affecting the value as reported on the financial statements. The second risk is financial in nature related to errors in determining cost basis, useful life, and depreciation.</p>
Condition:	<p>The district did not comply with GASB Cod. 1400.102 for reporting capital assets or properly recognized capital assets according to their policy.</p>
Effect:	<p>The effect was improperly coded capital assets and the capital asset schedule of accumulated depreciation for capital assets did not reflect all the capital asset transactions of the city.</p> <p>These misstatements were corrected in the accompanying financial statements.</p>
Context:	<p>The following errors and discrepancies were noted:</p> <ul style="list-style-type: none">• The city accrued the cement pad that was poured in June of 2023 into the accounting records and reported as CIP for fiscal year 2023 and the materials purchased in previous years and started depreciating these expenses in fiscal year 2024 even though the building had not been erected yet. These expenditures should have stayed on Construction in Process until the City Shop project was done.• During fiscal year 2024 the city incurred an additional cost of \$71,000 to Treasure State Inc to erect the steel building, \$22,200 for electrical expenses, and \$16,000 for heating expenses for the city shop and all expenditures were coded as repair and maintenance instead of as capital assets.
Cause:	<p>This was caused by these expenditures not being properly coded in the accounting records.</p>
Recommendation:	<p>We recommend the City to properly code all expenditures when entering the invoices into the accounting software.</p>

2024-002	Fire Department Relief Association
Criteria:	<p>Montana Code Annotated (MCA) 19-18-503 – Each disability and pension fund must be soundly funded at fiscal yearend. The fund is soundly funded if (a) assets in the fund are maintained at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater; or (b) funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound.</p>

CITY OF WHITE SULPHUR SPRINGS

SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the year ended June 30, 2024

MCA 19-18-504 – The fund must be reviewed on an annual basis to determine whether the fund is soundly funded pursuant to 19-18-503. If the fund contains an amount that is less than the minimum amount required to keep the fund soundly funded pursuant to 19-18-503, the city or town council shall, subject to 15-10-420, levy an annual tax on the taxable value of all taxable property within the city or town.

- Condition: The Town did not provide support to show compliance with MCA 19-18-503 & 504.
- Effect: The Town is not following the procedures required by State Law in determining pension funds are soundly funded.
- Context: State apportionment is applied for and received annually, but documentation has not been maintained to support who is eligible for the benefits and that the request for State apportionment is appropriate. Review of the pensions paid out went from \$2,880 paid in fiscal year 2023 to \$9,600 paid in fiscal year 2024. It was also noted that cash in the fund decreased by \$74,033 during fiscal year 2024 and the fund is only to be used for the payment of pensions.
- When asked to provide an updated list of beneficiaries/members none was supplied before the deadline of the audit report.
- Cause: The Fire Department Relief Association (FDRA) is maintained separately from the Town and the Town was not aware of its responsibilities over the FDRA.
- Recommendation: We recommend that the Town create a list of beneficiaries/members in the FDRA and maintain it going forward. A calculation should be done at least annually to verify fund balances being maintained are sufficient to fund future benefit payments.

CITY OF WHITE SULPHUR SPRINGS

CORRECTIVE ACTION PLAN
For the year ended June 30, 2024



City of White Sulphur Springs
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City of White Sulphur Springs Audit Finding Report Responses


In regard to the audit findings for the fiscal year July 1, 2023 – June 30, 2024, the City acknowledges the audit exceptions as items of real concern.

2024-001 Capital Assets

Auditee Responses: The City will properly code all expenditures when entering the invoices into the accounting software.

2024-002 Fire Department Relief Association

Auditee Responses: The City will create a list of beneficiaries/members in the FRDA and maintain it going forward. A calculation will be done at least annually to verify the fund balances that are being maintained and are sufficient to fund future benefit payments.


Michelle Stidham – Clerk-Treasurer


Rick Nelson - Mayor