



DRAFT, 2025

To the Honorable Mayor, Clerk, Treasurer,
and the City Council of City of Three Forks, Montana:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Three Forks, Montana (the "City") for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 27, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

The City's estimate of depreciation expense is based on the estimated useful lives of assets. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The City's estimate of the OPEB liability is based on an alternative measurement calculation completed by management, which was valued using the implemented GASB No. 75. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The City's estimate of the net pension liabilities for the Public Employees' Retirement System is based on an audit conducted by the Montana Legislative Audit Division. We determined that the auditor's work could be relied on in order to use the information they provided to support the City's estimate.

The City's estimate of the lease liabilities, intangible right-to-use lease assets, lease receivables, and deferred inflows of resources related to GASB No. 87 is based on management's assumptions of the discount rate used to discount the expected lease payments/receipts to present value, the lease term, and the lease payments. We evaluated the key factors and assumptions used in developing these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Net Pension Liability in Note 11.

The disclosure of Leases in Note 14.

The disclosure of our qualified opinion in Note 16 to the financial statements. The City does not record the net pension liability for the Fire District Relief Association as required by accounting principles generally accepted in the United States of America. The effect of this omission is not reasonably determinable.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the misstatements detected as a result of audit procedures and corrected by management. The attached schedule also summarizes uncorrected misstatements of the financial statements. Other than the governmental activities' qualified opinion in Note 16 and mentioned above, management has determined that the uncorrected misstatement effects are immaterial, both individual and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **DRAFT**, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Based on the lack of recording the net pension liability for the Fire District Relief Association, as noted in the sensitive financial statement disclosure section above, our audit opinion for the governmental activities has been modified to a qualified opinion. See the independent auditors' report and Note 16 within the financial statements.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, the supplemental schedule of total other post-employment benefits liability, the schedule of pension liabilities and contributions as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Financial Statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of management and the City Council of the City of Three Forks, Montana and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Rudd & Company, *PLLC*

CITY OF THREE FORKS
Adjusting Journal Entries
06/30/2024

Account	Description	Debit	Credit	Net Income Effect
AJE 01				
To tie deferred grants and ARPA revenue to PBC federal revenues tracking				
5215-285000	Federal Grants	8,519.00	0.00	
5215-331991	ARPA - Amercian Rescue Plan Act	0.00	8,519.00	
Total		<u>8,519.00</u>	<u>8,519.00</u>	<u>8,519.00</u>
GRAND TOTAL		<u>8,519.00</u>	<u>8,519.00</u>	<u>8,519.00</u>

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CITY OF THREE FORKS
Uncorrected Misstatements
06/30/2024

Account	Description	Misstatement	Debit	Credit	Net Income Effect
PAJE 01		<u>Known Misstatement</u>			
DO NOT POST - To record additional water and sewer AR					
5210-343021	Metered Water Sales		0.00	7,888.00	
5210-122000	Accounts Receivable		7,888.00	0.00	
5310-343031	Sewer Service Charges		0.00	11,107.00	
5310-122000	Accounts Receivable		11,107.00	0.00	
Total			<u>18,995.00</u>	<u>18,995.00</u>	<u>18,995.00</u>
PAJE 02		<u>Known Classification</u>			
DO NOT POST - To true up CD balances to match bank statements					
4004-101120	Cash Investments-CD's		2,974.00	0.00	
4004-371000	Investment Earnings		0.00	2,974.00	
Total			<u>2,974.00</u>	<u>2,974.00</u>	<u>2,974.00</u>
GRAND TOTAL			<u>21,969.00</u>	<u>21,969.00</u>	<u>21,969.00</u>

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