

City of Belgrade, Montana

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



AMATICS
CPA GROUP

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ANNUAL FINANCIAL REPORT
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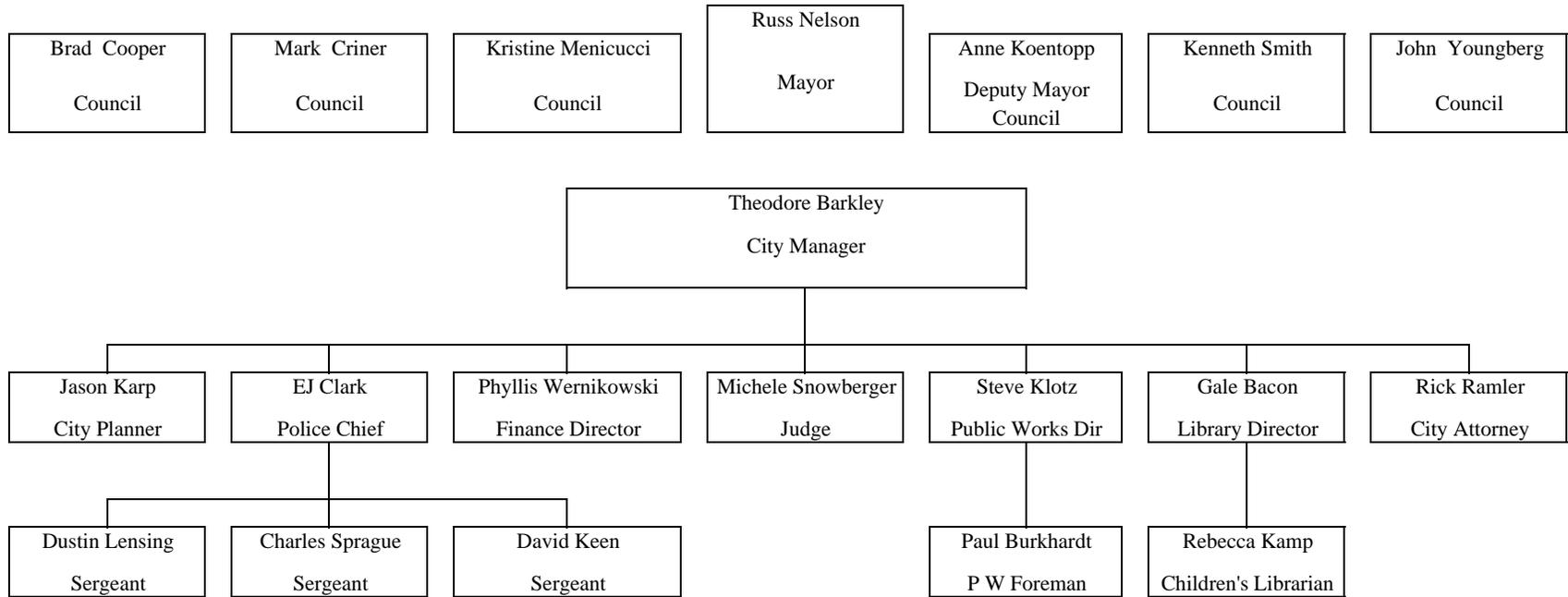
PART I

INTRODUCTORY SECTION

CITY OF BELGRADE, MONTANA

ORGANIZATIONAL CHART

June 30, 2014



PART II
FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commissioners, and City Manager of the
City of Belgrade, Montana:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Belgrade, Montana (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belgrade, Montana, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – other post-employment healthcare benefits, and budgetary comparison information for major funds, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and budgetary comparison schedules, listed in the table of contents as supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedule – other major funds, and nonmajor fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedule – other major funds, and nonmajor fund budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015, on our consideration of the City of Belgrade, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City's internal control over financial reporting and compliance.

Amatics CPA Group

Bozeman, Montana

February 17, 2015

A. Management's Discussion and Analysis

CITY OF BELGRADE, MONTANA MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Belgrade's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements, which begin on page II-13.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages II-13 and II-14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page II-15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page II-4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, water, and sewer lines) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including police, fire, public works, parks, and general administration. Property taxes, state shared revenues, court fines, and recreation fees finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

Reporting the City's Most Significant Funds Fund Financial Statements

Our analysis of the City's funds begins on page II-9. The fund financial statements begin on page II-15 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like Lighting District funds or Street Maintenance District funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Environmental Protection Agency). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

USING THIS ANNUAL REPORT (Continued)

**Reporting the City's Most Significant Funds
Fund Financial Statements (Continued)**

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of the proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for other funds, including the Municipal Court Fund and Fire Department Retirement Fund. The guidelines for the administration of these funds are contained in applicable financial agreements and/or City ordinances. These documents contain the rules governing the receipt, expenditure, and management of the City's fiduciary funds. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page II-25. As the statements reflect, the financial activity during the year for these funds is nominal. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The following analysis focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net position of the City's governmental activities is \$10,061,510. *Unrestricted* net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements total \$3,356,973 at the end of this year. The net position of our business-type activities totaled \$13,538,407 and unrestricted net position totaled \$400,963. The unrestricted net position of the business-type funds cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The City generally can only use the net position of business-type activities to finance the continuing operations of the water and sewer operations.

An analysis of the City's revenues for Fiscal Years 2013 and 2014 is shown below. In FY 2014, general revenues were consistent with the general revenues received in FY 2013. General revenues were \$3,011,570 in FY 2014 which was an increase of 1.44% over FY 2013 general revenues of \$2,968,948.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE (Continued)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>Change</u> | <u>% Change</u> |
|----------------------------------|---------------------|---------------------|--------------------|-----------------|
| Total General Revenues | \$ 2,968,948 | \$ 3,011,570 | \$ 42,622 | 1.44% |
| Program Revenues | | | | |
| Charges for Services | 3,154,694 | 3,388,462 | 233,768 | 7.41% |
| Operating Grants & Contributions | 345,719 | 362,001 | 16,282 | 4.71% |
| Capital Grants & Contributions | 45,985 | 523,025 | 477,040 | 1037.38% |
| Total Program Revenues | 3,546,398 | 4,273,488 | 727,090 | 20.50% |
| Total General & Program Revenues | 6,515,346 | 7,285,058 | 769,712 | 11.81% |
| Cost of all Programs | 7,057,306 | 7,913,390 | 856,084 | 12.13% |
| Change in Net Position | <u>\$ (541,960)</u> | <u>\$ (628,332)</u> | <u>\$ (86,372)</u> | <u>15.94%</u> |

Charges for services grew by \$233,368 from \$3,154,694 in FY 2013 to \$3,388,462 in FY 2014. This 7.41% increase in charges for services can be attributed to two major factors. The first factor is revenues improved in the water and sewer funds due to an increase in water and sewer rates and the second factor is new construction in the City is generating income from impact fees and building permits.

Operating Grants and contributions increased by 4.71% from \$345,719 in FY 2013 to \$362,001 in FY 2014. Capital grants increased from \$45,985 to \$523,025. The change in capital grants is primarily due to the forgiveness of a water system revenue loan in the amount of \$500,000. One other difference in capital grants was the receipt in FY 2013 of a \$26,954 Federal Emergency Management Agency (FEMA) grant that the Belgrade Police department received in order to equip the City Hall with an emergency generator. This generator allows the City to continue operations during a power outage and also allows the City Hall to act as an emergency shelter if needed. No similar grant was received in FY 2014.

The cost of programs exceeded the general and program revenues received by \$628,332 in FY 2014 and \$541,960 in FY 2013. The city did take steps in FY 2014 to increase revenues by raising rates in the water fund by 15% and sewer rates by 25%. The impact of this change can be seen in the increase in charges for services of \$733,768. In FY 2014, the cost of programs was impacted by two onetime expense items that caused the cost of programs to be higher. The City settled a lawsuit with a former contractor related to the construction of its water system in the amount of \$650,000 and second an accounting change required the city to expense \$49,039 in prior year bond issuance costs which previously were being amortized over the life of the water and sewer loans.

The City issued 83 building permits in FY 2014, compared to 52 in FY 2013. In FY14, this generated building permit fees of \$71,809 and impact fees of \$370,314. Impact fees of \$210,425 were collected for governmental impacts, \$77,671 for sewer service impacts and \$88,218 for water service impacts.

Operating Grants and Contributions increased slightly from \$345,719 in FY 2013 to \$362,001 in FY 2014. The Belgrade Police Department received Highway Safety Program grant funds to provide DUI and seat belt safety patrols in the amount of \$14,008. The City received \$300 Arbor Day grants to celebrate Arbor Day and plant trees in local parks in both FY 2013 and FY 2014. The Belgrade Library received contributions of \$34,375 in FY 2014. The Library also received a State Aid Grant of \$4,634 based on per capita per square mile and a Broad Valleys Federation grant of \$1,480.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE (Continued)

Streets and Roads

In Fiscal Year 2014, the City received \$125,955 in fuel tax revenues from the state; these revenues are collected by the state and apportioned to the cities and counties based on the number of miles of roads and streets in the city open for public use. The City uses these funds to repair and maintain streets throughout the City.

The City of Belgrade also has a City Wide Street Maintenance Fund to provide funding for street maintenance projects. In Fiscal Year 2014, most lots in the City were assessed \$35 per year for street maintenance and this assessment generated \$124,400 in revenue. The City Council reviewed the Street Maintenance assessment in FY 2014 and determined that rate needed to be increased in order to properly maintain City streets. The review found that the City had not raised the annual assessment since 1996. The City Council voted to increase the street maintenance fees by \$12 per year per lot over the next three years. In FY 2015, street maintenance fees will be \$47 per year for most lots, in FY 2016 fees will be \$59 per lot and in FY 2017 \$71 per lot.

The City generally accumulates funds for several years in the street maintenance funds and then completes a major project using the Street Maintenance funds. In Fiscal year 2015, the City will begin a major chip seal project.

A new interchange connecting Belgrade to Interstate 90 funded by a federal, state, and county and airport funds received funding in Fiscal Year 2013 and a ground breaking was held in September 2013. In 2014, a significant portion of the construction was completed. The new interchange is expected to improve traffic flow between Belgrade, Bozeman, Four Corners and the Yellowstone International Airport. The interchange is also expected to alleviate traffic congestion along the Frontage Road and make it easier for travelers to get to the airport. The new interchange contains an underpass beneath the railroad tracks making it faster and easier for emergency vehicles and residents to travel across the area when large trains are traveling in the area. The final phases of the project will be completed in 2015. The new interchange is expected to spur growth in the Belgrade area.

Governmental Activities

In FY 2014, governmental general and program revenues were \$4,565,672 a decrease of 3.02% from FY 2013. The majority of this decrease in revenues can be attributed to one-time program revenue items that occurred in FY 2013 that did not occur in FY 2014. In FY 2013, the City made changes to Jackrabbit Lane at the request of the Belgrade School District in order to improve safety and traffic entering a new school that was being built. The school district paid the City of Belgrade \$138,258 of the costs of making those changes. Secondly in FY 2013, the City received a \$26,954 capital grant for a generator.

The cost to programs increased by \$153,282 or 3.31% which can be attributed to inflation and increases in salary and benefit costs.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>Change</u> | <u>% Change</u> |
|----------------------------------|------------------|---------------------|---------------------|-----------------|
| Total General Revenues | \$ 3,191,553 | \$ 3,226,287 | \$ 34,734 | 1.09% |
| Program Revenues | | | | |
| Charges for Services | 1,124,380 | 954,359 | (170,021) | -15.12% |
| Operating Grants & Contributions | 345,719 | 362,001 | 16,282 | 4.71% |
| Capital Grants & Contributions | 45,985 | 23,025 | (22,960) | -49.93% |
| Total Program Revenues | 1,516,084 | 1,339,385 | (176,699) | -11.65% |
| Total General & Program Revenues | 4,707,637 | 4,565,672 | (141,965) | -3.02% |
| Cost of all Programs | 4,626,231 | 4,779,513 | 153,282 | 3.31% |
| Change in Net Position | <u>\$ 81,406</u> | <u>\$ (213,841)</u> | <u>\$ (295,247)</u> | <u>-362.68%</u> |

Intergovernmental Revenues - The Belgrade Police Department received several grants in FY 2014, from the Montana Department of Transportation totaling \$14,008 to help with highway safety programs. The library received county contributions of \$132,796, a grant of \$1,480 from the in Broad Valley Federation and a State Aid per Capita Grant of \$4,634. Montana State Entitlement Share revenue to the City was \$695,761.

Unrestricted Interest on Investments - Interest rates on the City's repurchase agreement was 0.3% during the Fiscal Year.

Debt Service expenditures for principal and interest were \$219,843 from governmental funds, of which \$70,343 was principal and \$149,500 was for interest and fees. The City took out a loan to purchase a fire truck in the amount of \$304,008 and also took a draw of \$4,589 on the Intercap loan used to complete the repair of the library roof. The City was able to refinance its water and sewer loans to reduce the interest rates. Interest rates on the sewer loans were reduced from 3.75% and 4% to 2%. Interest rates on the water loans were reduced from 3.75% to 2% and 3%. Included in the debt service expenditures figures above are the debt service for SID 78, which totaled \$156,945 for FY 2014, including \$126,595 in interest, \$30,000 in principal and \$350 in agent fees.

The cost of all *governmental activities* for Fiscal Year 2014 was \$4,779,513. However, as shown in the Statement of Activities on page II-14, the amount that our taxpayers ultimately financed for these activities through City taxes was \$3,440,128 because some of the cost was paid by those who directly benefited from the programs (Charges for Services \$954,359) or by other governments and organizations that subsidized certain programs with grants and contributions (Operating Grants \$362,001 and Capital Grants \$23,025).

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>Change</u> | <u>% Change</u> |
|-------------------------------------|---------------------|---------------------|-------------------|-----------------|
| Total Cost of Governmental Services | \$ 4,626,231 | \$ 4,779,513 | \$ 153,282 | 3.31% |
| Charges for Services | 1,124,380 | 954,359 | (170,021) | -15.12% |
| Operating Grants | 345,719 | 362,001 | 16,282 | 4.71% |
| Capital Grants and Contributions | 45,985 | 23,025 | (22,960) | -49.93% |
| Taxpayers Ultimately Financed | <u>\$ 3,110,147</u> | <u>\$ 3,440,128</u> | <u>\$ 329,981</u> | <u>10.61%</u> |

Business-type Activities

Operating revenues of the City's business-type activities for Fiscal Year 2014 were \$2,434,103 compared to \$2,030,314 in Fiscal Year 2013. Operating and interest expenses for FY 2014 were \$3,133,877 compared with \$2,431,075 in FY 2013. The factors driving these results include:

- An increase in water and sewer rates that went into effect in November 2013. Water rates were increased by 15% and sewer rates were increased by 25%. The average single family home saw an increase of \$7.36 per month on their water and sewer bills.
- The water main project started in 2010 was completed and signed off in February 2014.
- With an improving economy and new construction in Belgrade the consumer base in the water and sewer funds has been growing.
- The City settled a law suit with a former contractor who had worked on the Water Main project for \$650,000.
- The City refinanced its water and sewer loans with the DNRC reducing the interest rates on the loans.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE CITY AS A WHOLE (Continued)

Business-type Activities (Continued)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>Change</u> |
|----------------------------|---------------------|---------------------|-------------------|
| Charges for Services | | | |
| Water | \$ 1,056,129 | \$ 1,154,796 | \$ 98,667 |
| Sewer | 974,185 | 1,279,307 | 305,122 |
| Total Revenues | <u>2,030,314</u> | <u>2,434,103</u> | <u>403,789</u> |
| Expenses | | | |
| Water | 1,278,562 | 1,984,735 | 706,173 |
| Sewer | 1,152,513 | 1,149,142 | (3,371) |
| Total Expenses | <u>2,431,075</u> | <u>3,133,877</u> | <u>702,802</u> |
| Interest Income | 14,945 | 11,283 | (3,662) |
| Intergovernmental Revenues | - | 500,000 | 500,000 |
| Operating Transfers | (237,550) | (226,000) | 11,550 |
| | <u>(222,605)</u> | <u>285,283</u> | <u>507,888</u> |
| Change in Net Position | <u>\$ (623,366)</u> | <u>\$ (414,491)</u> | <u>\$ 208,875</u> |

THE CITY'S FUNDS

Significant changes in fund balances that should be noted are highlighted below.

- **Building Fund** – Building Fund revenues in FY 2014 continued to be strong. In FY 2014 revenues were \$81,950 compared with \$113,077 in FY 2013 and \$80,686 in FY 2012. The decrease in revenues in FY 2014 compared to FY 2013 can be attributed to the construction of a new motel in FY 2013 which required a large number of permits to be issued. It is expected that with the opening of the new Belgrade I-90 interchange construction will remain strong.
- **Planning Fund** – FY 2014 planning fees and permits were \$19,610, similar to the FY 2013 revenues of \$19,806. In fiscal years 2013 and 2014 the City saw a regular stream of residential homes and smaller projects go through the City's planning department. Similar results are expected in FY 2015.
- **Water Fund** - In FY 2014 the City completed a water main replacement project that was started in 2010. The completion of the project allowed the City to request that a DNRC loan be forgiven in the amount of \$500,000. The DNRC forgave the loan on February 18, 2014. The City also agreed to settle a lawsuit with a former contractor who had worked on the water main replacement project in the amount of \$650,000.
- **Impact Fee Fund** – In Fiscal Year 2014 impact fee revenues continued its solid growth. In FY 2014 impact fee revenues were \$210,425, compared with \$156,666 in FY 2013, \$89,819 in FY 2012 and \$9,768 in FY 2011. The majority of the impact fee revenue in FY 2014 came from the construction of single family homes. In FY 2015, it is anticipated that the Impact Fee Fund will continue its strong performance due to the approval of the new Ryen Glen subdivision and the continued construction in the Meadowlark subdivision. It is anticipated, that the opening of the new Belgrade interchange on Interstate 90 will make Belgrade more attractive to homebuyers and businesses due to the improved access to Bozeman.
- The City adopted impact fees for Parks, Water, Sewer, Streets, Fire and Administration at 55% of the allowable amount in Fiscal Year 2008 and the City is in the process of reviewing its impact fees in order to determine the best uses for the funds collected and also to determine if the fee level fee is adequate to support Belgrade's the infrastructure and community needs caused by the City's growth.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General fund budgetary highlights

The budget is an important tool for the City and is designed to reflect the goals and priorities of the community. The budget is put together as a plan to provide services to the residents, such as police and fire protection, street maintenance, and also to fund the City's library and parks that make Belgrade a great place to live. Input on the budget comes from the community, the City Council, department heads and state requirements. The City also does capital budgeting to fund the development and improvement of the City's infrastructure and other longer range needs. After receiving input from various groups the City's management begins to develop the budget for the coming fiscal year. Financial information from the current and prior years is used to estimate future revenues and expenses, economic trends and reports from various groups and government agencies are also taken into consideration. The City, using conservative budget practices, develops realistic but conservative estimates of revenues and expenses for the upcoming budget.

The City's managers work hard to stay within their departments budgets and their hard work in this regard have had a favorable effect on the City's bottom line.

The City's financial policy requires the city keep adequate reserves. The policy also precludes relying on reserves for on-going operations and the City budgets in order to maintain adequate reserves. Though reserves cannot be used for ongoing operations reserves can be used for one-time extraordinary costs maintaining adequate reserves has several internal and external benefits. Internally, reserves can provide for cash flow needs until property tax revenues are received, reducing or eliminating the need for cash flow borrowing; provide funds to leverage state or federal grants; and provide for the unexpected. Externally, reserves tend to be viewed favorably by investors, rating agencies, and local banks with which we do business, thus benefiting rating and the potential need for lines of credit.

The City's mill value increased by 3.45% for Fiscal Year 2014 compared to 1.01% for Fiscal Year 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| Other Assets | \$ 11,671,874 | \$ 12,425,493 | \$ 753,619 |
| Capital Assets | 22,128,087 | 20,885,954 | (1,242,133) |
| Total City Wide Assets | <u>33,799,961</u> | <u>33,311,447</u> | <u>(488,514)</u> |
| Liabilities | 489,672 | 1,320,385 | 830,713 |
| Long Term Liabilities | 9,082,040 | 8,391,145 | (690,895) |
| Total Liabilities | <u>9,571,712</u> | <u>9,711,530</u> | <u>139,818</u> |
| Net Investment in Capital Assets | 13,035,514 | 12,367,738 | (667,776) |
| Restricted for general government | 236,052 | 416,102 | 180,050 |
| Restricted for public safety | 727,934 | 779,815 | 51,881 |
| Restricted for public works | 944,476 | 1,236,198 | 291,722 |
| Restricted for culture and recreation | 49,787 | 49,264 | (523) |
| Restricted for housing and community development | 1,465,183 | - | (1,465,183) |
| Restricted for library capital purchases | 3,838 | 12,310 | 8,472 |
| Restricted for replacement and depreciation | - | 404,851 | 404,851 |
| Restricted for debt service | 1,277,574 | 4,575,703 | 3,298,129 |
| Unrestricted | 6,487,891 | 3,757,936 | (2,729,955) |
| Total Net Position | <u>\$ 24,228,249</u> | <u>\$ 23,599,917</u> | <u>\$ (628,332)</u> |

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS

At the end of Fiscal Year 2014, the City had \$4,001,749 invested in capital assets in the governmental funds and \$16,884,205 in the water and sewer funds for a total of \$20,885,954. This was a decrease of \$1,242,133 from Fiscal Year 2013.

In FY 2014, governmental funds added \$464,277 in assets and booked \$824,095 in depreciation. Some of the major capital assets acquired by the governmental funds in Fiscal Year 2014 include:

| | | |
|------------------------------|----|---------|
| 2003 Smeal Quint Fire Truck | \$ | 304,000 |
| Jackrabbit Lane Improvements | \$ | 34,829 |
| 2014 Chevy Police Car | \$ | 30,003 |
| Climbing Rock | \$ | 25,900 |

In the Water and Sewer Funds, the capital assets net of depreciation decreased by \$882,315. Capital assets of \$284,792 of assets were added while \$1,167,107 in depreciation was booked. Some of the capital assets additions for the water and sewer funds include:

| | | |
|------------------------|----|---------|
| Lift Station # 2 | \$ | 211,876 |
| Monitoring Wells | \$ | 7,654 |
| Water Main Replacement | \$ | 34,013 |
| Water Meters | \$ | 23,074 |

DEBT

Long-term debt increased due to the purchase of a Smeal Fire Truck for \$304,008 and an additional draw on the Intercap loan to repair and improve the library roof of \$4,589.

At year-end, the City had \$3,821,216 in governmental bonds and notes outstanding, which includes \$265,000 general obligation debt incurred for library expansion, \$3,195,000 in special assessments for water and sewer infrastructure projects, a note payable for the fire truck of \$292,997 and a note payable for the library roof loan of \$68,219 .

The City was able to refinance its \$2,510,000 in water revenue bonds and \$2,252,000 in sewer revenue bonds through the revolving loan funds offered by the Department of Natural Resources and Conservation (DNRC). Using the DNRC Revolving Loan Fund programs the City reduced the interest rates on their sewer loans that had been at 3.75% and 4% down to 2%. The rates for the water revenue bonds were refinanced from 3.75% to rates at 2.25% and 3.00%. This debt refinancing is expected to reduce interest payments on water loans by \$203,027 over the next 15 years and reduce interest payments on sewer loans by \$204,329 over the next 10 years.

The DNRC also forgave a Water System Revenue Loan in the amount of \$500,000.

At year end the City owed \$2,704,000 in bonds for its water system and \$2,132,000 in bonds for its sewer system.

**CITY OF BELGRADE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND FUTURE BUDGETS AND RATES

The City officials considered many factors when setting the Fiscal Year 2014-2015 budget such as tax rates, and fees that will be charged for the business-type activities. Some of these factors includes: the long and short term goals and priorities of the city and its residents, the capital and operational needs, prior year outcomes, inflation rates, the local economy, and the citizen's ability to pay.

During the 2014-2015 budgeting process the City made the decision to increase street maintenance fees from \$35.00 per dwelling unit to \$47.00. The fee which is used to maintain the city streets and had not been adjusted since it was established in 1996. The fee will be \$47.00 for fiscal year 2015 and \$59.00 for FY 2016 and \$71.00 for FY 2017. The increased fee will allow the City to better maintain the City's streets and reduce the need for costly replacement of some streets in the future.

The City will hold a mill levy election in March 2015 and ask the voters to approve a 37 mill increase to property taxes. This mill levy increase if approved will raise an additional \$424,800 per year for police, fire and library services. If the mill levy is not approved the City will need to review and adjust the level of services provided in the community.

The City looks at data available from local, state and federal sources to evaluate proposals, develop estimates and make decisions related to future revenue and expenditures that will impact the City, its residents and businesses located in the city. If reliable local or state data is not available, the City frequently uses the consumer price index (CPI).

City officials anticipate current year reserves to be at or slightly below 20% of expenditures. Property taxes are the City's primary revenue source, followed by intergovernmental revenues, charges for service and special assessments. More detailed information about the City's revenues, expenditures, assets and liabilities is presented in the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City's Finance Director or City Manager at City of Belgrade, 91 E. Central, Belgrade Montana 59714, (406) 388-3760.

B. Basic Financial Statements

Government-Wide Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION
June 30, 2014

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 5,607,156 | \$ 1,027,768 | \$ 6,634,924 |
| Restricted cash and investments | 218,753 | 950,239 | 1,168,992 |
| Receivables, net | 3,752,792 | 232,762 | 3,985,554 |
| Notes receivable | 617,087 | - | 617,087 |
| Seized property | 8,535 | - | 8,535 |
| Fiduciary fund receivable | 10,401 | - | 10,401 |
| Capital assets | | | |
| Nondepreciable land | 322,196 | 600 | 322,796 |
| Other capital assets, net of depreciation | 3,679,553 | 16,883,605 | 20,563,158 |
| Total capital assets | <u>4,001,749</u> | <u>16,884,205</u> | <u>20,885,954</u> |
| Total assets | <u>14,216,473</u> | <u>19,094,974</u> | <u>33,311,447</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 6,586 | - | 6,586 |
| Legal settlement payable | - | 650,000 | 650,000 |
| Compensated absences payable | 43,000 | 12,000 | 55,000 |
| Current portion long-term debt | 225,799 | 383,000 | 608,799 |
| Long-term liabilities | | | |
| Compensated absences | 218,125 | 38,660 | 256,785 |
| Other post-employment health benefits | 66,036 | 19,907 | 85,943 |
| Due in more than one year | 3,595,417 | 4,453,000 | 8,048,417 |
| Unamortized discount | - | - | - |
| Total liabilities | <u>4,154,963</u> | <u>5,556,567</u> | <u>9,711,530</u> |
| NET POSITION | | | |
| Net investment in capital assets | 180,533 | 12,187,205 | 12,367,738 |
| Restricted for general government | 416,102 | - | 416,102 |
| Restricted for public safety | 779,815 | - | 779,815 |
| Restricted for public works | 1,236,198 | - | 1,236,198 |
| Restricted for culture and recreation | 49,264 | - | 49,264 |
| Restricted for library capital purchases | 12,310 | - | 12,310 |
| Restricted for replacement and depreciation | - | 404,851 | 404,851 |
| Restricted for debt service | 4,030,315 | 545,388 | 4,575,703 |
| Unrestricted | <u>3,356,973</u> | <u>400,963</u> | <u>3,757,936</u> |
| Total net position | <u>\$ 10,061,510</u> | <u>\$ 13,538,407</u> | <u>\$ 23,599,917</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|-----------------------------------|---------------------|------------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 753,266 | \$ 156,408 | \$ 1,427 | \$ - | \$ (595,431) | \$ - | \$ (595,431) |
| Public safety | 2,449,021 | 235,479 | 227,778 | - | (1,985,764) | - | (1,985,764) |
| Public works | 692,231 | 515,212 | - | - | (177,019) | - | (177,019) |
| Public welfare | 59,554 | 11,740 | - | - | (47,814) | - | (47,814) |
| Culture and recreation | 515,174 | 35,520 | 132,796 | 6,114 | (340,744) | - | (340,744) |
| Housing and community development | 70,589 | - | - | - | (70,589) | - | (70,589) |
| Other | 90,178 | - | - | 16,911 | (73,267) | - | (73,267) |
| Interest and fiscal fees | 149,500 | - | - | - | (149,500) | - | (149,500) |
| Total governmental activities | <u>4,779,513</u> | <u>954,359</u> | <u>362,001</u> | <u>23,025</u> | <u>(3,440,128)</u> | <u>-</u> | <u>(3,440,128)</u> |
| Business-type activities: | | | | | | | |
| Water | 1,984,735 | 1,154,796 | - | 500,000 | - | (329,939) | (329,939) |
| Sewer | 1,149,142 | 1,279,307 | - | - | - | 130,165 | 130,165 |
| Total business-type activities | <u>3,133,877</u> | <u>2,434,103</u> | <u>-</u> | <u>500,000</u> | <u>-</u> | <u>(199,774)</u> | <u>(199,774)</u> |
| Total primary government | <u>\$ 7,913,390</u> | <u>\$ 3,388,462</u> | <u>\$ 362,001</u> | <u>\$ 523,025</u> | <u>(3,440,128)</u> | <u>(199,774)</u> | <u>(3,639,902)</u> |
| General revenues: | | | | | | | |
| | | | | | 2,102,141 | - | 2,102,141 |
| | | | | | 842,605 | - | 842,605 |
| | | | | | 15,874 | 11,283 | 27,157 |
| | | | | | 84,667 | - | 84,667 |
| | | | | | <u>181,000</u> | <u>(226,000)</u> | <u>(45,000)</u> |
| | | Total general revenues | | | <u>3,226,287</u> | <u>(214,717)</u> | <u>3,011,570</u> |
| | | Change in net position | | | (213,841) | (414,491) | (628,332) |
| | | Net position-beginning | | | <u>10,275,351</u> | <u>13,952,898</u> | <u>24,228,249</u> |
| | | Net position-ending | | | <u>\$ 10,061,510</u> | <u>\$ 13,538,407</u> | <u>\$ 23,599,917</u> |

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

Governmental Fund Financial Statements

CITY OF BELGRADE, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | <u>General</u> | <u>Volunteer Fire</u> | <u>CDBG 1992 and Prior</u> | <u>CDBG 1993 and After</u> | <u>SID 78 Sanitary Water and Sewer</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------|---------------------------|------------------------------------|------------------------------------|--|--|---|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 274,756 | \$ 86,585 | \$ 337,299 | \$ 1,191,468 | \$ 540,272 | \$ 3,176,776 | \$ 5,607,156 |
| Receivables: | | | | | | | |
| Property taxes | 39,879 | 26,217 | - | - | - | 114,400 | 180,496 |
| Customers, net | 18,021 | - | - | - | - | 310 | 18,331 |
| Special assessments | - | - | - | - | 3,444,735 | 7,090 | 3,451,825 |
| Other governments | 59,172 | 21,730 | - | - | - | 21,238 | 102,140 |
| Seized property | - | - | - | - | - | 8,535 | 8,535 |
| Due from other City funds | 10,071 | - | - | - | - | 330 | 10,401 |
| Notes receivable | - | - | 461,041 | 156,046 | - | - | 617,087 |
| Restricted cash and cash equivalents | 108,726 | - | - | 16,148 | - | 93,879 | 218,753 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 510,625</u> | <u>\$ 134,532</u> | <u>\$ 798,340</u> | <u>\$ 1,363,662</u> | <u>\$ 3,985,007</u> | <u>\$ 3,422,558</u> | <u>\$ 10,214,724</u> |

(continued)

The accompanying notes are an integral part of the financial statements.

**CITY OF BELGRADE, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>General</u> | <u>Volunteer Fire</u> | <u>CDBG 1992 and Prior</u> | <u>CDBG 1993 and After</u> | <u>SID 78 Sanitary Water and Sewer</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---------------------------|------------------------------------|------------------------------------|--|--|---|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 4,886 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,886 |
| Deposits payable | 1,700 | - | - | - | - | - | 1,700 |
| Advances from customers | 19,046 | - | - | - | - | - | 19,046 |
| Advances of notes receivable | - | - | 461,041 | 156,046 | - | - | 617,087 |
| Total liabilities | <u>25,632</u> | <u>-</u> | <u>461,041</u> | <u>156,046</u> | <u>-</u> | <u>-</u> | <u>642,719</u> |
| Deferred inflows of resources: | | | | | | | |
| Deferred inflows of tax revenues | 39,879 | 26,217 | - | - | - | 114,400 | 180,496 |
| Deferred inflows of special assessments | - | - | - | - | 3,444,735 | 7,090 | 3,451,825 |
| Total deferred inflows of resources | <u>39,879</u> | <u>26,217</u> | <u>-</u> | <u>-</u> | <u>3,444,735</u> | <u>121,490</u> | <u>3,632,321</u> |
| Fund balances: | | | | | | | |
| Restricted | - | 108,315 | - | - | - | 2,961,922 | 3,070,237 |
| Committed | - | - | 337,299 | 1,207,616 | - | 212,246 | 1,757,161 |
| Assigned | 104,313 | - | - | - | 540,272 | 126,900 | 771,485 |
| Unassigned | 340,801 | - | - | - | - | - | 340,801 |
| Total fund balances | <u>445,114</u> | <u>108,315</u> | <u>337,299</u> | <u>1,207,616</u> | <u>540,272</u> | <u>3,301,068</u> | <u>5,939,684</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 510,625</u> | <u>\$ 134,532</u> | <u>\$ 798,340</u> | <u>\$ 1,363,662</u> | <u>\$ 3,985,007</u> | <u>\$ 3,422,558</u> | <u>\$ 10,214,724</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2014

Fund balances - total governmental funds \$ 5,939,684

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

| | | |
|--------------------------------|--------------------|-----------|
| Governmental capital assets | \$ 13,413,482 | |
| Less: accumulated depreciation | <u>(9,411,733)</u> | 4,001,749 |

| | | |
|--|--|-----------|
| Advances and deferred inflows of tax revenues and special assessments in the governmental funds are reported on the full accrual method in the entity-wide statements. | | 4,268,454 |
|--|--|-----------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

| | | |
|---------------------------------------|------------------|--------------------|
| Bonds payable | (3,821,216) | |
| Other post-employment health benefits | (66,036) | |
| Compensated absences | <u>(261,125)</u> | <u>(4,148,377)</u> |

| | | |
|---|--|-----------------------------|
| Net position of governmental activities | | <u><u>\$ 10,061,510</u></u> |
|---|--|-----------------------------|

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| | <u>General</u> | <u>Volunteer Fire</u> | <u>CDBG 1992 and Prior</u> | <u>CDBG 1993 and After</u> | <u>SID 78 Sanitary Water and Sewer</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---------------------------|------------------------------------|------------------------------------|--|--|---|
| REVENUES | | | | | | | |
| Taxes | \$ 419,686 | \$ 512,773 | \$ - | \$ - | \$ - | \$ 1,177,174 | \$ 2,109,633 |
| Special assessments | - | - | - | - | 341,565 | 220,696 | 562,261 |
| Licenses and permits | 120,076 | - | - | - | - | 83,739 | 203,815 |
| Intergovernmental | 691,944 | 7,943 | - | - | - | 527,744 | 1,227,631 |
| Charges for services | 7,763 | - | - | - | - | 233,648 | 241,411 |
| Fines and forfeitures | 115,358 | - | - | - | - | 19,685 | 135,043 |
| Interest on investments | 858 | 175 | 1,338 | 3,679 | 1,427 | 8,397 | 15,874 |
| Loan repayment | - | - | 80,717 | 22,050 | - | - | 102,767 |
| Other | 8,443 | 1,192 | - | - | - | 75,032 | 84,667 |
| Total revenues | <u>1,364,128</u> | <u>522,083</u> | <u>82,055</u> | <u>25,729</u> | <u>342,992</u> | <u>2,346,115</u> | <u>4,683,102</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | 403,807 | - | - | - | - | 242,329 | 646,136 |
| Public safety | 872,141 | 492,574 | - | - | - | 903,654 | 2,268,369 |
| Public works | - | - | - | - | - | 168,602 | 168,602 |
| Public welfare | 44,817 | - | - | - | - | 12,582 | 57,399 |
| Culture and recreation | 68,653 | - | - | - | - | 349,631 | 418,284 |
| Housing and community developmen | - | - | 7,300 | 20,752 | - | 79,942 | 107,994 |
| Other | 4,372 | - | - | - | - | - | 4,372 |
| Capital outlay | 4,856 | 23,648 | - | - | - | 435,773 | 464,277 |
| Debt service | | | | | | | |
| Principal payments | - | 11,011 | - | - | 30,000 | 29,332 | 70,343 |
| Interest and fiscal fees | - | 7,581 | - | - | 126,945 | 14,974 | 149,500 |
| Total expenditures | <u>1,398,646</u> | <u>534,814</u> | <u>7,300</u> | <u>20,752</u> | <u>156,945</u> | <u>2,236,819</u> | <u>4,355,276</u> |
| Excess (deficiency) of revenues over expenditures | <u>(34,518)</u> | <u>(12,731)</u> | <u>74,755</u> | <u>4,977</u> | <u>186,047</u> | <u>109,296</u> | <u>327,826</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 83,238 | 16,000 | - | - | - | 392,159 | 491,397 |
| Transfers out | (16,000) | (6,000) | - | - | - | (288,397) | (310,397) |
| Long-term debt issued | - | - | - | - | - | 308,597 | 308,597 |
| Total other financing sources (uses) | <u>67,238</u> | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>412,359</u> | <u>489,597</u> |
| Net change in fund balances | 32,720 | (2,731) | 74,755 | 4,977 | 186,047 | 521,655 | 817,423 |
| FUND BALANCE - | | | | | | | |
| beginning of year | <u>412,394</u> | <u>111,046</u> | <u>262,544</u> | <u>1,202,639</u> | <u>354,225</u> | <u>2,779,413</u> | <u>5,122,261</u> |
| FUND BALANCE - | | | | | | | |
| end of year | <u>\$ 445,114</u> | <u>\$ 108,315</u> | <u>\$ 337,299</u> | <u>\$ 1,207,616</u> | <u>\$ 540,272</u> | <u>\$ 3,301,068</u> | <u>\$ 5,939,684</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 817,423

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

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of these assets is depreciated over the asset's useful life.

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 464,277 | |
| Less: current year depreciation | <u>(824,095)</u> | (359,818) |

Bond proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of net position.

| | | |
|---|---------------|-----------|
| Bond and loan proceeds | (308,597) | |
| Unamortized bond discount and bond issuance costs | (85,806) | |
| Principal payments | <u>70,343</u> | (324,060) |

Revenues reported in the statement of activities that do not require the use of current financial resources and are not reported as revenues in governmental funds:

| | | |
|--------------------------------------|------------------|-----------|
| Property taxes | (7,492) | |
| Loans receivable | (102,767) | |
| Municipal court customer receivables | (2,349) | |
| Special assessments | <u>(185,822)</u> | (298,430) |

Some expenditures reported in governmental funds are to be collected on a long-term basis and therefore are not reported as expenses in the statement of activities:

| | | |
|---------------------------------------|---------------|-----------------|
| Compensated absences | (36,321) | |
| Other post-employment health benefits | (51,219) | |
| Community development loans | <u>38,584</u> | <u>(48,956)</u> |

Change in net position of governmental activities \$ (213,841)

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

| | Business-type Activities Enterprise Funds | | |
|---|--|-------------------|---------------|
| | Water Fund | Sewer Fund | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 977,249 | \$ 50,519 | \$ 1,027,768 |
| Receivables | | | |
| Customers, net | 114,020 | 118,742 | 232,762 |
| Total current assets | 1,091,269 | 169,261 | 1,260,530 |
| Other assets | | | |
| Restricted cash and equivalents | 571,051 | 379,188 | 950,239 |
| Property, plant and equipment | | | |
| Nondepreciable: | | | |
| Land | 600 | - | 600 |
| Depreciable: | | | |
| Buildings and structures | 112,292 | 16,635 | 128,927 |
| Improvements | 2,583,580 | 12,505,119 | 15,088,699 |
| Machinery and equipment | 387,397 | 489,733 | 877,130 |
| Water and tower lines | 10,661,342 | - | 10,661,342 |
| Accumulated depreciation and amortization | (5,020,626) | (4,851,867) | (9,872,493) |
| Net property, plant and equipment | 8,724,585 | 8,159,620 | 16,884,205 |
| Total assets | \$ 10,386,905 | \$ 8,708,069 | \$ 19,094,974 |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2014

| | Business-type Activities Enterprise Funds | | |
|---|--|-------------------|---------------|
| | Water Fund | Sewer Fund | Total |
| LIABILITIES | | | |
| Current liabilities | | | |
| Legal settlement payable | \$ 650,000 | \$ - | \$ 650,000 |
| Accrued employee benefits payable | 6,000 | 6,000 | 12,000 |
| Bonds, notes, and loans payable | 139,000 | 244,000 | 383,000 |
| Total current liabilities | 795,000 | 250,000 | 1,045,000 |
| Noncurrent liabilities | | | |
| Revenue bonds due after one year | 2,565,000 | 1,888,000 | 4,453,000 |
| Other post-employment health benefits | 10,019 | 9,888 | 19,907 |
| Compensated absences | 19,330 | 19,330 | 38,660 |
| Total noncurrent liabilities | 2,594,349 | 1,917,218 | 4,511,567 |
| Total liabilities | 3,389,349 | 2,167,218 | 5,556,567 |
| NET POSITION | | | |
| Net investment in capital assets | 6,159,585 | 6,027,620 | 12,187,205 |
| Restricted for debt service | 226,400 | 318,988 | 545,388 |
| Restricted for replacement and depreciation | 344,651 | 60,200 | 404,851 |
| Unrestricted | 266,920 | 134,043 | 400,963 |
| Total net position | 6,997,556 | 6,540,851 | 13,538,407 |
| Total liabilities and net position | \$ 10,386,905 | \$ 8,708,069 | \$ 19,094,974 |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities Enterprise Funds | | |
|--|--|-------------------|---------------|
| | Water Fund | Sewer Fund | Totals |
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,154,796 | \$ 1,279,307 | \$ 2,434,103 |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 281,262 | 281,040 | 562,302 |
| Supplies | 17,975 | 13,865 | 31,840 |
| Purchased services | 280,482 | 195,434 | 475,916 |
| Other expenses | 662,960 | 4,436 | 667,396 |
| Depreciation and amortization | 638,707 | 528,400 | 1,167,107 |
| Total operating expenses | 1,881,386 | 1,023,175 | 2,904,561 |
| Operating income (loss) | (726,590) | 256,132 | (470,458) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 9,870 | 1,413 | 11,283 |
| Interest expense | (103,349) | (125,967) | (229,316) |
| Intergovernmental revenues | 500,000 | - | 500,000 |
| Total nonoperating revenues (expenses) | 406,521 | (124,554) | 281,967 |
| Income (loss) before other revenues, expenses, gains, losses, and transfers | (320,069) | 131,578 | (188,491) |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Transfers out | (113,000) | (113,000) | (226,000) |
| Change in net position | (433,069) | 18,578 | (414,491) |
| NET POSITION, | | | |
| beginning of year | 7,430,625 | 6,522,273 | 13,952,898 |
| NET POSITION, | | | |
| end of year | \$ 6,997,556 | \$ 6,540,851 | \$ 13,538,407 |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities | | |
|---|---------------------------------|-------------------|---------------------|
| | Enterprise Funds | | |
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash Flows from Operations | | | |
| Receipts from customers | \$ 1,130,083 | \$ 1,250,641 | \$ 2,380,724 |
| Payments to suppliers | (310,521) | (213,624) | (524,145) |
| Payments to employees | (267,793) | (267,578) | (535,371) |
| Net Cash Provided (Used) by Operating Activities | <u>551,769</u> | <u>769,439</u> | <u>1,321,208</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers out | (113,000) | (113,000) | (226,000) |
| Net Cash Flows Provided (Used) by Noncapital Financing Activities | <u>(113,000)</u> | <u>(113,000)</u> | <u>(226,000)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Additions to property, plant and equipment | (61,219) | (223,573) | (284,792) |
| Principal paid on bonds, interfund loans, loans and leases | (139,000) | (256,000) | (395,000) |
| Interest paid on bonds, interfund loans, loans and leases | (103,349) | (125,967) | (229,316) |
| Amortization of bond issuance costs | 8,583 | 40,456 | 49,039 |
| Net Cash Flows Provided (Used) by Capital and Related Financing Activities | <u>(294,985)</u> | <u>(565,084)</u> | <u>(860,069)</u> |
| Cash Flows from Investing Activities | | | |
| Interest on investments | 9,870 | 1,413 | 11,283 |
| Net Cash Flows Provided (Used) by Investing Activities | <u>9,870</u> | <u>1,413</u> | <u>11,283</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 153,654 | 92,768 | 246,422 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,394,646</u> | <u>336,939</u> | <u>1,731,585</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,548,300</u> | <u>\$ 429,707</u> | <u>\$ 1,978,007</u> |
| Classified As: | | | |
| Current Assets | \$ 977,249 | \$ 50,519 | \$ 1,027,768 |
| Restricted Assets | 571,051 | 379,188 | 950,239 |
| Totals | <u>\$ 1,548,300</u> | <u>\$ 429,707</u> | <u>\$ 1,978,007</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BELGRADE, MONTANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities | | |
|---|---------------------------------|-------------------|--------------|
| | Enterprise Funds | | |
| | Water Fund | Sewer Fund | Total |
| Operating Income (loss) | \$ (726,590) | 256,132 | \$ (470,458) |
| Adjustments to reconcile operating income (loss) | | | |
| to net cash provided by operating activities | | | |
| Depreciation and amortization | 638,707 | 528,400 | 1,167,107 |
| Change in Assets and Liabilities: | | | |
| (Increase) Decrease in: | | | |
| Accounts receivable | (24,713) | (28,666) | (53,379) |
| Increase (Decrease) in: | | | |
| Accounts payable | 650,896 | 111 | 651,007 |
| Accrued employee benefits | 13,469 | 13,462 | 26,931 |
| Total adjustments | 1,278,359 | 513,307 | 1,791,666 |
| Net cash provided by operating activities | \$ 551,769 | 769,439 | \$ 1,321,208 |

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

| | Fire Department Relief | City Court Restitution | Total Agency Funds |
|---------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 16,271 | \$ 21,653 | \$ 37,924 |
| Investments | 149,092 | - | 149,092 |
| Total assets | <u>\$ 165,363</u> | <u>\$ 21,653</u> | <u>\$ 187,016</u> |
| LIABILITIES | | | |
| Due to other City funds | \$ - | \$ 10,401 | \$ 10,401 |
| Due to others | 165,363 | 11,252 | 176,615 |
| Total liabilities | <u>\$ 165,363</u> | <u>\$ 21,653</u> | <u>\$ 187,016</u> |

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belgrade, Montana is an independent political entity established under Montana Law. The City is governed by an elected Mayor and City Council. The day-to-day affairs of the City are conducted under the supervision of the City Manager, who is appointed by and serves at the pleasure of a majority of the City Council. The City Council, by law, has the authority to adopt budgets, appropriate funds, levy taxes, employ personnel and pass ordinances. The Gallatin County Treasurer's office functions in a fiduciary capacity to the extent that it bills and collects taxes and receives certain intergovernmental revenue for the City; however, Gallatin County does not function in an oversight capacity with regard to the City.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB issued Statement 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires new information and restructures much of the information that governments have presented in the past. The City adopted the GASB Statement No. 34 for the year ended June 30, 2004. The City has prepared required supplementary information titled *Management's Discussion and Analysis* which precedes the basic financial statements.

Other GASB statements are required to be implemented in conjunction with GASB Statement No. 34. Therefore, the City implemented the following GASB statements in the year ended June 30, 2004: Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 *Basic Financials Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and Statement 38 *Certain Financial Statement Note Disclosures*.

During the year ended June 30, 2011, the City implemented the provisions GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is found to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions should reduce uncertainty about which resources can or should be reported in the respective fund types. These classifications include nonspendable and spendable, which is further reported as restricted, committed, assigned and unassigned. Fund balance classifications and the minimum fund balance disclosure provided in Statement 54 are discussed in further detail later in Footnote 1.

For the year ended June 30, 2013, the City implemented GASB Statement No. 62, *Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in some FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

For the year ended June 30, 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in the statement of financial position. Definitions and additional descriptions provided in GASB 63 are discussed in further detail later in Footnote 1.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2014, and for the year then ended.

The more significant accounting policies of the City are described below.

A) Reporting Entity

The City has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability Statement 14 *The Financial Reporting Entity*. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The accompanying financial statements present the City of Belgrade (the primary government). Based on the above criteria, the City has no potential component units to include in the reporting entity.

B) Basis of Accounting/Masurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all the nonfiduciary activities of the primary government. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The City is prospectively including in its assets for those infrastructure assets placed in service after July 1, 2003.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Accounting/Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. When an asset is recorded in governmental fund financial statements but the revenue is not available, the City reports a deferred inflow of resources is reported until such time as the revenue becomes available. Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund. The City has no nonmajor proprietary funds. Additionally, the City has no internal service funds. Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds do not have a measurement focus.

C) Funds

As mentioned, the Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. The following major funds are presented in a separate column on the Governmental Fund Financial Statements:

Governmental Funds

1. General Fund: The General Fund is the primary operating unit of the City. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
2. Volunteer Fire Special Revenue: Disability and Pension Fund for city volunteer firefighters established by State law. The fund is defined as a defined contribution/defined benefit plan. The City acts as an agent for this fund.
3. CDBG – 1992 and Prior Special Revenue Fund: Special revenue fund used to account for the specific revenue sources (other than capital asset grants) that are legally restricted to expenditures for specific Community Development Block Grant (CDBG) purposes.
4. CDBG – 1993 and After Special Revenue Fund: Special revenue fund used to account for the specific revenue sources (other than capital asset grants) that are legally restricted to expenditures for specific Community Development Block Grant (CDBG) purposes. Accounting for those funds after 1993 is done separately due to the required completion of a full environmental review process.
5. S.I.D. 78 Sanitary Water and Sewer Debt Service Fund: Debt service fund to account for special assessments funding for the water and sewer project.

Proprietary Funds

1. Water Fund: Accounts for the City's water utility operations.
2. Sewer Fund: Accounts for the City's sewer utility operations.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Cash and Investments

Cash and investments are under the management of the City and consist primarily of U.S. Treasury Notes and asset-backed securities. Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases and credit cards, etc., pledged by the issuer. Asset-backed securities have one or more forms of credit enhancement to raise the quality of the security. Examples of credit enhancement include, but are not limited to, letter of credit, reserve fund, or senior/subordinate arrangements.

Montana state statutes authorize the City to invest in interest-bearing savings accounts, certificates of deposits, and time deposits insured by the Federal Deposit Insurance Corporation or fully collateralized, U.S. government and U.S. agency obligations, STIP and repurchase agreements where there is a master repurchase agreement and collateral held by a third party.

E) Restricted Cash

Certain amounts for debt service and employee leave are set aside as restricted cash.

F) Budgets

The annual budget is adopted according to state law. The preliminary budget is submitted in July, public hearings are held and the final budget is adopted in August by passage of resolution by the Council. Upon adoption, this budget cannot be exceeded at the total fund level except in the event of an emergency and then by adoption in a resolution by the City Council. Budget transfers may be made within, but not between, the funds by management without approval of the City Council.

The budget is prepared using the basis of accounting as described in (d) above; tax levies, as applicable, are established by budget requirements, but are authorized and limited by state law. An operating budget has been prepared for each fund. The budgets, as amended, are reported in these financial statements.

G) Use of Estimates

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

H) Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. City policy has set the capitalization threshold for reporting capital assets at \$1,000. Gifts and contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net Position, net of accumulated depreciation. Capital assets which are not depreciable, such as land and construction in progress are reported separately. Depreciation expense is reported in the Statement of Activities by function and is calculated using the straight-line method based on the asset's estimated useful life.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

| | |
|--|----------------|
| Buildings, structures and improvements | 20 to 50 years |
| Machinery and equipment | 5 to 30 years |
| Water tower, lines and improvements | 25 to 50 years |

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. According to GASB 34, the City must record infrastructure assets prospectively from the date of implementation. The City defines infrastructure as the basic physical assets that allow the City to function. The assets to be recorded will include street systems, water purification and distribution systems, sewer collection treatment systems; park and recreation lands and improvement systems, storm water conveyance systems, and buildings combined with site amenities such as parking and landscaped areas; and streets, sidewalks, curbs, and street lights.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

J) Compensated Absences

Earned but unpaid vacation and sick pay is included as a liability in the proprietary fund types and Government-Wide Financial Statements. The portion relating to the governmental fund types not expected to be paid with expendable and available resources is not reported in the governmental fund statements.

K) Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered that may result in amounts owed between funds. Those short-term loans related to goods and services type transactions are classified as "due to and from other funds". Long-term interfund loans (noncurrent portion) are reported as "advances to and from other funds". Interfund receivables and payables between funds are eliminated in the Government-Wide Financial Statements.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) Fund Balance/Net Position

Fund Balance

As discussed above in Footnote 1, the City has implemented GASB 54. As a result, the classifications for fund balance now used for governmental fund are reported in two general classifications, nonspendable and spendable.

Nonspendable represents the portion of fund balance that is not in spendable form such as inventories, and, in the general fund, long term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category contains balances that can be spent only for the specific purposes stipulated by external parties or through enabling legislation. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Council.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by an official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Manager has the authority to express assignments. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed. Also included in the assigned fund balance for the general fund are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in the next fiscal year.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available in a fund, the assumed order of spending is restricted first, next committed, next assigned, and finally unassigned.

Minimum General Fund – Fund Balance

The City does not maintain a stabilization fund.

Net Position

In funds other than governmental, net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Certain proceeds of the water and sewer revenue bonds and tax increment bonds are classified as restricted assets because their use is limited by applicable bond restrictions.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

As discussed above in Footnote 1, the City has implemented GASB 63. This statement amends the GASB 34 reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets, in the Government-Wide, Proprietary Fund and Fiduciary Fund financial statements.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and defined deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in the statement of financial position.

GASB 65 requires that a deferred inflow of resources be reported in the Governmental Fund financial statements when an asset is recorded for which the revenue is not available; therefore, the Governmental Fund financial statements report deferred inflows of tax revenues and special assessments. The City does not have any other items that are required to be reported as deferred outflows and inflows of resources.

2. CASH AND INVESTMENTS

Cash held by the City is pooled and maintained in demand accounts. For the purposes of statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash. At year end, the carrying amount of the City's deposits was \$7,990,932 and the balance per the bank was \$8,161,933. Account balances are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per bank, per depositor. The uninsured portion of the bank balance was fully secured by collateralized securities held by the bank in the City's name in accordance with State law. On June 30, 2014, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year.

The City's cash and investments are reported as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Governmental activities | \$ 5,607,156 | \$ 218,753 | \$ 5,825,909 |
| Business-type activities | 1,027,768 | 950,239 | 1,978,007 |
| Fiduciary funds | <u>187,016</u> | <u>-</u> | <u>187,016</u> |
| | <u>\$ 6,821,940</u> | <u>\$ 1,168,992</u> | <u>\$ 7,990,932</u> |

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned or the City will not be able to recover the collateral securities in the possession of the outside party. The City minimizes custodial credit risk by restrictions set forth in City policy and state law. The City's policy requires deposits to be 102 percent secured by collateral valued at market value. The City Finance Director maintains a listing of financial institutions, which are approved for investment purposes. Types of securities that may be pledged as collateral are detailed in Section 17-6-103 of the Montana Code Annotated (MCA). City policy requires that specific safeguards against risk of loss be evidenced when the City does not physically hold the securities.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

2. CASH AND INVESTMENTS (Continued)

The following table provides information about the interest rate risks associated with the City's deposits and investments.

| <u>Investment</u> | <u>Maturities</u> | <u>Credit Risk Rating</u> | <u>Fair Value</u> |
|-------------------------|---------------------|---------------------------|---------------------|
| Cash and equivalents | N/A | N/A | \$ 77,651 |
| Fixed income securities | Jan 2008 - Dec 2034 | AAA | 71,307 |
| Mutual funds | N/A | N/A | - |
| Demand deposits | N/A | N/A | 7,841,789 |
| Petty cash | N/A | N/A | 185 |
| | | | <u>\$ 7,990,932</u> |

Credit risk is defined as the risk that an issuer or other counterpart to an investments will not fulfill its obligation. The above credit risk rating indicates the probability that the issuer may default in making timely principal and interest payments. The credit ratings presented in the previous tables are provided by Standard and Poor's Corporation (S&P). The City's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates.

3. PROPERTY TAXES RECEIVABLE

Real property taxes are levied by Gallatin County against property owners as of January 1st with the taxes being billed in November. The taxes are due in two payments, November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take tax title to the property.

Valuation of real property is the responsibility of the State of Montana and is done by statutory methods. Personal property is assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under state law and submitted to the County Treasurer for the preparation of tax notices. Tax notices are generally mailed by the County Treasurer in May and June with all but mobile homes due July 31st and mobile home taxes due in payments on July 31st and September 30th. Delinquent taxes may be collected for up to 10 years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of 10 years may be written off by the County Commissioners. The City is permitted by state statutes to levy taxes up to certain fixed limits for various purposes. The taxes levied by the City for the year ended June 30, 2014, were within legal limits. The tax levies were based upon a taxable valuation of \$11,274,187.

4. SPECIAL ASSESSMENTS RECEIVABLE/DEFERRED INFLOWS AND ADVANCES

Special assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements for streets and lighting. Assessments are payable over a period of 18 to 20 year and bear interest of 5% to 14%. In the governmental funds, revenues from these assessments are recognized in the period in which they become both measurable and available. In the Government-Wide Financial Statements, however, these amounts are reported as revenues in the period they are levied. Once received, the monies will be used to meet the annual debt service requirements on related bonds. Deferred inflows of resources in the General Fund represent outstanding general property taxes at June 30, 2014. Again, these amounts are reported as revenue in the Government-Wide Financial Statements in the period in which they are levied. Advances in Special Revenue Funds represent revenues not available to meet liabilities of the current period. Deferred inflows of resources in Debt Service Funds represent future assessments to be received to meet the related debt obligation.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. NOTES RECEIVABLE

The following is a summary of notes and contracts receivable as of June 30, 2014:

Special Revenue Notes Receivable:

| | |
|---|------------|
| 4% note receivable from Amaltheia Dairy dated June 1, 2003, due in monthly installments of \$613 to January 1, 2015 as amended December 23, 2010. Original note was 6% due September 1, 2008. (a) | \$ 18,011 |
| 5% note receivable from Sphinx Mountain, dated March 1, 2005, due in monthly installments of \$965 to March 1, 2020. (a) | 53,692 |
| 5% note receivable from Bar 3 Bar-B-Q dated March 6, 2007, due in monthly installments of \$518 to January 1, 2014. Loan is currently non-accrual. (a) | 17,081 |
| 5% note receivable from Elite Trucking dated January 5, 2006, due in monthly installments of \$1,320 to February 1, 2026. (a) | 138,965 |
| 4% note receivable from Stealth Products, Inc. dated November 22, 2013, due in monthly installments of \$3,446 to December 1, 2020. (a) | 233,644 |
| 4% note receivable from Phillips Environmental Products, Inc. dba Cleanwaste dated February 10, 2010, due in monthly installments of \$2,548 to February 1, 2020. (a) | 155,694 |
| | \$ 617,087 |

(a) Restrictive Covenants

Notes receivable made from proceeds of CDBG Block Grants, contain restrictive covenants requiring a second priority interest in all equipment, accounts receivable, and inventory. The City was in compliance with the required covenants as of June 30, 2014.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. CAPITAL ASSETS

In accordance with GASB 34, the City has reported all capital assets, with the exception of pre-July 1, 2003 infrastructure in the Government-Wide Statement of Net Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2014, depreciation expense on capital assets was charged to governmental functions as follows:

| | |
|--|----------------------------|
| Governmental Activities: | |
| General Government | \$ 90,505 |
| Public Safety | 122,919 |
| Public Works | 522,362 |
| Culture and Recreation | 88,309 |
| Total depreciation expense - governmental activities | <u><u>\$ 824,095</u></u> |
| Business-type Activities: | |
| Water | \$ 638,707 |
| Sewer | 528,400 |
| Total depreciation expense - business-type activities | <u><u>\$ 1,167,107</u></u> |

All capital assets of the City are depreciable with the exception of land and construction in progress. Capital assets of the City for the year ended June 30, 2014, consisted of the following:

| | June 30, 2013 | Additions | Disposals | Transfers/ Reclassifications | June 30, 2014 |
|---------------------------------|----------------------------|----------------------------|--------------------|---|----------------------------|
| Governmental Activities: | | | | | |
| Non-depreciable | | | | | |
| Land | \$ 322,196 | \$ - | \$ - | \$ - | \$ 322,196 |
| Construction in progress | - | - | - | - | - |
| Depreciable | | | | | |
| Buildings and structures | 2,969,384 | 5,748 | - | - | 2,975,132 |
| Improvements | 7,520,801 | 72,246 | - | - | 7,593,047 |
| Machinery and equipment | <u>2,136,824</u> | <u>386,283</u> | - | - | <u>2,523,107</u> |
| Total | 12,949,205 | 464,277 | - | - | 13,413,482 |
| Accumulated depreciation | <u>(8,587,638)</u> | <u>(824,095)</u> | - | - | <u>(9,411,733)</u> |
| Total governmental activities | <u><u>\$ 4,361,567</u></u> | <u><u>\$ (359,818)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,001,749</u></u> |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. CAPITAL ASSETS (Continued)

| | <u>June 30, 2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers/ Reclassifications</u> | <u>June 30, 2014</u> |
|----------------------------------|----------------------|-----------------------|------------------|---|----------------------|
| Business-type Activities: | | | | | |
| Non-depreciable | | | | | |
| Land | \$ 600 | \$ - | \$ - | \$ - | \$ 600 |
| Construction in progress | 788,590 | - | - | (788,590) | - |
| Depreciable | | | | | |
| Buildings and structures | 128,927 | - | - | - | 128,927 |
| Improvements | 14,812,583 | 242,605 | - | 33,511 | 15,088,699 |
| Machinery and equipment | 873,088 | 4,042 | - | - | 877,130 |
| Water tower and lines | <u>9,865,464</u> | <u>38,145</u> | <u>-</u> | <u>757,733</u> | <u>10,661,342</u> |
| Total | 26,469,252 | 284,792 | - | 2,654 | 26,756,698 |
| Accumulated depreciation | <u>(8,702,732)</u> | <u>(1,167,107)</u> | <u>-</u> | <u>(2,654)</u> | <u>(9,872,493)</u> |
| Total business-type activities | <u>\$ 17,766,520</u> | <u>\$ (882,315)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,884,205</u> |
| Total capital assets | <u>\$ 22,128,087</u> | <u>\$ (1,242,133)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,885,954</u> |

Accumulated Depreciation:

| | <u>June 30, 2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers/ Reclassifications</u> | <u>June 30, 2014</u> |
|----------------------------------|------------------------|-----------------------|------------------|---|------------------------|
| Governmental Activities: | | | | | |
| Buildings and structures | \$ (1,804,222) | \$ (134,389) | \$ - | \$ - | \$ (1,938,611) |
| Improvements | (4,956,709) | (534,907) | - | - | (5,491,616) |
| Machinery and equipment | <u>(1,826,707)</u> | <u>(154,799)</u> | <u>-</u> | <u>-</u> | <u>(1,981,506)</u> |
| Total governmental activities | <u>\$ (8,587,638)</u> | <u>\$ (824,095)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (9,411,733)</u> |
| Business-type Activities: | | | | | |
| Buildings | \$ (102,744) | \$ (6,447) | \$ - | \$ - | \$ (109,191) |
| Improvements | (5,289,288) | (696,490) | - | - | (5,985,778) |
| Machinery and equipment | (677,823) | (54,283) | - | - | (732,106) |
| Water tower and lines | <u>(2,632,877)</u> | <u>(409,887)</u> | <u>-</u> | <u>(2,654)</u> | <u>(3,045,418)</u> |
| Total business-type activities | <u>\$ (8,702,732)</u> | <u>\$ (1,167,107)</u> | <u>\$ -</u> | <u>\$ (2,654)</u> | <u>\$ (9,872,493)</u> |
| Total accumulated depreciation | <u>\$ (17,290,370)</u> | <u>\$ (1,991,202)</u> | <u>\$ -</u> | <u>\$ (2,654)</u> | <u>\$ (19,284,226)</u> |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

7. COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Footnote 1. As shown in the table below, the long-term portion of the debt, amounting to \$218,125 for governmental activities and \$38,660 for business-type activities at June 30, 2014, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amounts outstanding at June 30, 2014, were \$261,125 for governmental activities and \$50,660 for business-type activities.

| | Balance June 30, 2013 | Incurred | Satisfied | Balance June 30, 2014 |
|----------------------------|--|-------------------|--------------------|--|
| Compensated absences | | | | |
| Governmental Activities | \$ 224,804 | \$ 79,542 | \$ (43,221) | \$ 261,125 |
| Business-type Activities | <u>38,862</u> | <u>24,472</u> | <u>(12,674)</u> | <u>50,660</u> |
| Total compensated absences | <u>\$ 263,666</u> | <u>\$ 104,014</u> | <u>\$ (55,895)</u> | <u>\$ 311,785</u> |

| | Due within one year | Due after one year | Total |
|----------------------------|--------------------------------------|-------------------------------------|-------------------|
| Compensated absences | | | |
| Governmental Activities | \$ 43,000 | \$ 218,125 | \$ 261,125 |
| Business-type Activities | <u>12,000</u> | <u>38,660</u> | <u>50,660</u> |
| Total compensated absences | <u>\$ 55,000</u> | <u>\$ 256,785</u> | <u>\$ 311,785</u> |

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City's governmental activities for the year ended June 30, 2014:

| | Balance June 30, 2013 | Issuances | Repayments | Balance June 30, 2014 |
|--------------------------|--|-------------------|--------------------|--|
| General obligation bonds | \$ 290,000 | \$ - | \$ (25,000) | \$ 265,000 |
| Special assessment debt | 3,225,000 | - | (30,000) | 3,195,000 |
| Notes payable | <u>67,962</u> | <u>308,597</u> | <u>(15,343)</u> | <u>361,216</u> |
| Totals | <u>\$ 3,582,962</u> | <u>\$ 308,597</u> | <u>\$ (70,343)</u> | <u>\$ 3,821,216</u> |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. LONG-TERM DEBT (Continued)

The above long-term debt of the City's governmental activities is presented in the accompanying Statement of Net Position as follows:

| | Current Portion (Due within one year) | Long-term Portion (Due after one year) | Total Long Term Debt |
|--------------------------|--|---|---------------------------------|
| General obligation bonds | \$ 30,000 | \$ 235,000 | \$ 265,000 |
| Special assessment debt | 165,000 | 3,030,000 | 3,195,000 |
| Notes payable | 30,799 | 330,417 | 361,216 |
| | \$ 225,799 | \$ 3,595,417 | \$ 3,821,216 |

a. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

| | Interest Rate | Amount | Due within one year |
|---|----------------------|-------------------|--------------------------------|
| Library Project Bonds serial maturities through 2023 | 2.75-5.0% | \$ <u>265,000</u> | \$ <u>30,000</u> |

Annual debt service requirements to maturity for the library general obligation bonds are as follows:

| | Principal | Interest | Total |
|----------------------|------------------|-----------------|--------------|
| Year ending June 30, | | | |
| 2015 | \$ 30,000 | \$ 13,895 | \$ 43,895 |
| 2016 | 30,000 | 12,795 | 42,795 |
| 2017 | 30,000 | 11,445 | 41,445 |
| 2018 | 30,000 | 10,065 | 40,065 |
| 2019 | 35,000 | 8,655 | 43,655 |
| 2020-2024 | 110,000 | 18,465 | 128,465 |
| | \$ 265,000 | \$ 75,320 | \$ 340,320 |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. LONG-TERM DEBT (Continued)

b. Special Assessment Bonds

Special assessment bonds are secured by a lien on the assessed properties. The primary source of repayment is the assessments levied against the benefiting properties. However, the City is liable for repayment of these special assessment bonds. The City is authorized by State law to establish and has established a revolving fund to ensure the payment of debt service on the bonds in the event that the assessed property owners are in default. The City has utilized the revolving fund to cover shortfalls in collections from the property owners.

| | Balance | Issuances | Repayments | Balance |
|-----|----------------------|------------------|-------------------|----------------------|
| | June 30, 2013 | | | June 30, 2014 |
| #78 | \$ 3,225,000 | \$ - | \$ (30,000) | \$ 3,195,000 |

| | Issue Date | Term | Issue Amount | Interest Rate | Annual Payment | Amount Outstanding |
|-----|-------------------|-------------|---------------------|----------------------|-----------------------|---------------------------|
| #78 | 04/08 | 20 yrs | \$ 4,000,000 | 2.2 - 4.25% | Variable | \$ 3,195,000 |

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

| Year ending June 30, | Principal |
|-----------------------------|------------------|
| 2015 | \$ 165,000 |
| 2016 | 175,000 |
| 2017 | 180,000 |
| 2018 | 190,000 |
| 2019 | 200,000 |
| 2020-2024 | 1,150,000 |
| 2025-2029 | 1,135,000 |
| | \$ 3,195,000 |

Special assessment bonds are redeemable at the option of the City at any time cash is available in the respective fund for each issue. The City follows the policy of early redemption of these bonds. Accordingly, a schedule of future interest payments through maturity of the bonds is deemed to be not meaningful and has been excluded.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. LONG-TERM DEBT (Continued)

c. Notes Payable

The Town has an Intercap loan payable for funds borrowed for the library roof replacement in 2013. The original note was for \$67,962 with interest at 1.25%. The interest rate adjusts annually; the interest rate at June 30, 2014 was 1.00%. Variable payments, including principal and interest, are required until June 19, 2027.

The Town has a note payable to Flathead Bank for funds borrowed to purchase a fire truck in 2013. The original note was for \$304,008 with an interest rate at 3.70%, adjusting to 3.90%. Payments in the amount of \$18,592 (including principal and interest) are due in June and December, through December 15, 2023.

| | Due within one year | Due after one year | Total |
|--|--------------------------------|-------------------------------|-------------------|
| Intercap note payable - library roof replacement | \$ 4,496 | \$ 63,723 | \$ 68,219 |
| Flathead Bank note payable - fire truck | 26,303 | 266,694 | 292,997 |
| | <u>\$ 30,799</u> | <u>\$ 330,417</u> | <u>\$ 361,216</u> |

Annual debt service requirements to maturity the notes payable are as follows:

| Year ending June 30, | Principal |
|-----------------------------|-------------------|
| 2015 | \$ 30,799 |
| 2016 | 31,563 |
| 2017 | 32,712 |
| 2018 | 33,875 |
| 2019 | 35,082 |
| 2020-2024 | 176,512 |
| 2025-2029 | 20,673 |
| | <u>\$ 361,216</u> |

**CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

8. LONG-TERM DEBT (Continued)

d. Revenue Bonds

Water

The government issues bonds in which the government pledges income derived from the acquired or constructed assets to pay for service of this debt. The ARRA A series debt will be forgiven upon completion of the program requirements. Water revenue bonds outstanding at June 30, 2014 are as follows:

| Purpose | Issue Date | Term | Issue Amount | Interest Rate | Annual Payment | Amount Outstanding |
|---------------------|-------------------|-------------|---------------------|----------------------|-----------------------|---------------------------|
| Water System ARRA B | July 2009 | 20 yrs | \$ 131,179 | 0.75% | variable | \$ 254,000 |
| WRF-11236 | January 2011 | 20 yrs | 161,300 | 3.75% | variable | 131,000 |
| WRF-11221 | July 2010 | 20 yrs | 2,718,000 | 3.75% | variable | 2,319,000 |
| | | | | | | <u>\$ 2,704,000</u> |

| | Balance June 30, 2013 | Issuances | Repayments/ Debt Forgiveness | Balance June 30, 2014 |
|-----------------------------------|----------------------------------|------------------|---|----------------------------------|
| Water System ARRA B | \$ 270,000 | \$ - | \$ (16,000) | \$ 254,000 |
| WRF-11236 | 146,000 | - | (15,000) | 131,000 |
| WRF-11221 | 2,427,000 | - | (108,000) | 2,319,000 |
| Water System - WRF-11220 - ARRA A | 500,000 | - | (500,000) | - |
| | <u>\$ 3,343,000</u> | <u>\$ -</u> | <u>\$ (639,000)</u> | <u>\$ 2,704,000</u> |

Water revenue bond debt service requirements to maturity are as follows:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 139,000 | \$ 73,494 | \$ 212,494 |
| 2016 | 143,000 | 69,713 | 212,713 |
| 2017 | 146,000 | 65,828 | 211,828 |
| 2018 | 149,000 | 61,838 | 210,838 |
| 2019 | 153,000 | 57,759 | 210,759 |
| 2020-2024 | 837,000 | 220,186 | 1,057,186 |
| 2025-2029 | 958,000 | 100,700 | 1,058,700 |
| Thereafter | 179,000 | 4,036 | 183,036 |
| | <u>\$ 2,704,000</u> | <u>\$ 653,554</u> | <u>\$ 3,357,554</u> |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. LONG-TERM DEBT (Continued)

d. Revenue Bonds (Continued)

Sewer

The government issues bonds in which the government pledges income derived from the acquired or constructed assets to pay for service of this debt. Sewer revenue bonds outstanding at June 30, 2014 are as follows:

| <u>Purpose</u> | <u>Issue Date</u> | <u>Term</u> | <u>Issue Amount</u> | <u>Interest Rate</u> | <u>Annual Payment</u> | <u>Amount Outstanding</u> |
|----------------------------|-------------------|-------------|---------------------|----------------------|-----------------------|---------------------------|
| Sewer System 2001 | April 2001 | 20 yrs | \$ 1,058,000 | 4.00% | variable | \$ 434,000 |
| Wasterwater Treatment 2003 | April 2003 | 20 yrs | 1,940,000 | 4.00% | variable | 1,009,000 |
| Wastewater 2003 | August 2003 | 20 yrs | 1,512,000 | 3.75% | variable | 689,000 |
| | | | | | | <u>\$ 2,132,000</u> |

| | <u>Balance June 30, 2013</u> | <u>Issuances</u> | <u>Repayments</u> | <u>Balance June 30, 2014</u> |
|----------------------------|----------------------------------|------------------|---------------------|----------------------------------|
| Sewer System 2001 | \$ 494,000 | \$ - | \$ (60,000) | \$ 434,000 |
| Wasterwater Treatment 2003 | 1,112,000 | - | (103,000) | 1,009,000 |
| Wastewater 2003 | 782,000 | - | (93,000) | 689,000 |
| | <u>\$ 2,388,000</u> | <u>\$ -</u> | <u>\$ (256,000)</u> | <u>\$ 2,132,000</u> |

Waste water revenue bond debt service requirements to maturity are as follows:

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 244,000 | \$ 41,424 | \$ 285,424 |
| 2016 | 248,000 | 36,521 | 284,521 |
| 2017 | 255,000 | 31,533 | 286,533 |
| 2018 | 259,000 | 26,421 | 285,421 |
| 2019 | 263,000 | 21,211 | 284,211 |
| 2020-2024 | 863,000 | 34,393 | 897,393 |
| | <u>\$ 2,132,000</u> | <u>\$ 191,503</u> | <u>\$ 2,323,503</u> |

The revenue bond ordinances specify that revenues less operating expenses for each fiscal year be at least 125% of the principal and interest payable from the revenue bond account in any subsequent year. Further, the City is required to charge rates and rentals to all recipients of wastewater services and revise and maintain such rates sufficient to pay the current expenses of operation and maintenance of the system. The City shall establish various restricted asset accounts and distribute the net revenues for the fund to the restricted asset accounts as defined for debt service reserves.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

9. RETIREMENT PLANS

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the City are recognized as revenues and expenditures in the fund financial statements during the period.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS), a state wide defined contribution retirement plan established in 1945 and governed by Title 19, Chapter 3 of the Montana Code Annotated, provides retirement services to substantially all public employees. PERS is a mandatory multiple-employer, cost sharing plan. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the highest 36 consecutive months. Members' rights become vested after five years of service. The authority to establish, amend or provide cost of living adjustments for the plan is assigned to the State legislature.

PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year end. It is available from the Public Employees' Retirement Division, 1712 Ninth Avenue, PO Box 200131, Helena, MT 59620-0131, (406) 444-3154.

Contribution rates for the plan are required and determined by State law. Covered employees are required by State statute to contribute 7.9% of their salary (6.9% if hired prior to July 1, 2011) to the plan. The City is required to contribute 7.07% of members' compensation. The State is required to contribute 0.1% of members' compensation, which was \$1,128 for fiscal year 2014. Covered payroll for the year ending June 30, 2014 was \$1,127,503. Whether the State of Montana or the local government employers are ultimately responsible for any underfunding of PERS is unclear in State law.

The amounts contributed to the plan during the years ended June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. The amounts contributed by both the City and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

| | 2012 | 2013 | 2014 |
|-------------------------------------|-------------|-------------|-------------|
| Public Employees' Retirement System | \$ 157,499 | \$ 169,245 | \$ 180,063 |

Municipal Police Officers' Retirement System (MPORS)

Funding is provided by local units of government, their covered employees, and the State of Montana. Participants are eligible for retirement benefits after 20 years of service and age 50. The minimum age requirement does not apply to participants first employed prior to July 1, 1975. The benefit is 1/2 of average monthly salary during the highest 36 consecutive months of earnings plus 1% of average monthly salary for each additional year of service in excess of 20 years, to a maximum of 60%. Benefits are paid as a modified cash refund annuity. Rights become vested after 5 years of service.

Plan members are required to contribute 9% of their compensation. The City is required to contribute 14.41% of members' compensation. The State is required to contribute 29.37% of members' compensation, which was \$213,770 for fiscal year 2014. Covered payroll for the year ended June 30, 2014 was \$727,852.

The amounts contributed to the plan during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by both the City and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

| | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|
| Municipal Police Officers' Retirement System | \$ 158,698 | \$ 166,662 | \$ 170,390 |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

10. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND

All volunteer firemen are covered by the Fire Department Relief Association Disability and Pension Plan which is established by State law. The plan is a defined contribution/defined benefit plan. State law requires that contributions be made and the benefits be paid. The City is required to maintain the funding in the plan at (a) a level equal to at least 0.21% but no more than 0.52% of the total assessed value of taxable property, determined as provided in 15-8-111, within the limits of the city or town or (b) at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. An actuarial evaluation has been prepared for the disability and pension fund.

The City acts as an agent for this fund. It receives the revenue and then dispenses all receipts to the Fire Department Relief Association and Pension Fund.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing a deferred compensation plan, the City provides other post-employment benefits (OPEB) allowing its retired employees to continue their medical and dental care coverage through the City's group health plan until death (Retiree Health Plan). The plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an implied rate subsidy in the financial statements and footnotes. The City's contract with Allegiance Benefits details the plan eligibility. Montana Municipal Interlocal Authority (MMIA) is the administrator of the benefit plan which covers both active and retired members. In accordance with MCA 2-18-704, the City's retirees may continue coverage for themselves and their covered eligible dependents if they are eligible for public employees' retirement by virtue of their employment with the City. The City's current labor contracts do not include any obligations for payments to retirees. The City also allows terminated employees to continue their health care coverage for 18 months past the date of termination as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

OPEB is recorded on an accrual basis for all enterprise and internal service funds. OPEB is recorded on a modified accrual basis for the governmental funds. Plan contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Funding Policy. The plan is funded by the City and plan members receiving benefits. The City contributes up to \$800 per month per full time employee for health insurance benefits. This amount is prorated for part time employees working a minimum of 25 hours per week. Employees contribute the remaining balance of the cost for health insurance. The employee's cost varies based on the plan chosen and whether family coverage is selected. The City's plan offers several health insurance options. The options offer different deductible and coinsurance amounts. The City's plan offers retiree coverage, paid entirely by the retiree. Retiree cost depends on the plan and type of coverage selected and whether they are eligible for Medicare. For the fiscal year ended June 30, 2014, two retired members were receiving benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

MMIA, as the plan administrator for many Montana cities and towns, engaged an actuary to assist the cities, including the City of Belgrade, with the alternative measurement method for June 30, 2014.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

| | |
|---|-----------|
| Annual required contribution/Annual OPEB cost (expense) | \$ 50,212 |
| Interest on net OPEB obligation | 315 |
| Adjustment to annual required contribution (end of year amortization factor 17.292) | 15,725 |
| Annual OPEB cost (expense) | 66,252 |
| Contributions made | - |
| Increase in net OPEB obligation | 66,252 |
| Net OPEB obligation - beginning of year | 19,591 |
| Net OPEB obligation - end of year | \$ 85,843 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the two preceding fiscal years were as follows:

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| June 30, 2012 | \$ - | 0.00% | \$ - |
| June 30, 2013 | \$ 19,591 | 0.00% | \$ 19,591 |
| June 30, 2014 | \$ 66,252 | 0.00% | \$ 85,843 |

Funded Status and Funding Progress. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in these financial statements presents the actuarial accrued liability.

Actuarial Methods and Assumptions. The following key assumptions were chosen by the actuary and agreed to by the City:

1. Discount Rate: 2.0% utilized by MMIA actuarially determined financials
2. Investment Rate of Return: 2.0%
3. Premium increases: 7.4% for 2014, 5.7% for 2015, 6.3% for 2016, 5.9% for 2017, 6.2% for 2018, 6.5% for 2019, and 6.7% for 2020 and later from the Centers for Medicare and Medicaid Services as published in National Health Care Expenditures Projections 2011-2021.
4. Average salary increase: 1.7%
5. Rate for Single plus spouse is double the single rate.
6. Average life expectancy: 78 years.
7. All members will stay on the plan for their entire life expectancy.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples, as detailed above, include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations, and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2014 year end OPEB obligation is reported in the City's funds as follows:

| Functions/Programs | FY 2014 Expense | Net OPEB Obligation at Year End |
|-----------------------------------|----------------------------|--|
| Primary Government: | | |
| Governmental activities: | | |
| General government | \$ 7,287 | \$ 9,569 |
| Public safety | 34,415 | 44,305 |
| Public works | 1,426 | 1,887 |
| Public welfare | 1,084 | 1,358 |
| Culture and recreation | 6,523 | 8,280 |
| Housing and community development | 484 | 637 |
| Total governmental activities | 51,219 | 66,036 |
| Business-type activities: | | |
| Water | 7,570 | 10,019 |
| Sewer | 7,563 | 9,888 |
| Total business-type activities | 15,133 | 19,907 |
| Total primary government | \$ 66,352 | \$ 85,943 |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

12. CLASSIFICATION OF NET POSITION

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure in future years, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position – This category represents the net position of the City which is not restricted for any project or other purpose.

In the Fund Financial Statements, commitments and assignments segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various commitments and assignments are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

13. SEGMENT INFORMATION

Because both of the City’s enterprise funds are each reported as a major fund in the fund financial statements, segment disclosures herein are not required.

14. INTERFUND ASSETS AND LIABILITIES

All funds with payroll make a transfer to the Health Insurance and PERS Special Revenue Funds based on budgeted wages for that fund as well as to Comp Insurance for Liability and Property Insurance. The Water, Sewer, Building Inspection, and Planning Funds transfer administrative fees to the General Fund as well. The General Fund also makes a transfer to the Fire Dept Fund for the amount needed to cover the budgeted expenditures. The traffic and animal control fines in the General Fund and drug forfeiture fines in the Drug Forfeiture Fund that are collected by the court in June but not transferred to the City until July are accrued as due to and due from.

A summary of due from/to other funds at June 30, 2014, is as follows:

| | Due From | Due To |
|------------------------|-----------------|---------------|
| General Fund | \$ 10,071 | \$ - |
| Special Revenue Funds | | |
| Drug Forfeiture | 330 | - |
| Trust and Agency Funds | | |
| Court Restitution | - | 10,401 |
| | \$ 10,401 | \$ 10,401 |

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

15. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including: a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e., employee injuries, and f) medical insurance costs of employees.

A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, and professional liabilities. The City participates in two state-wide public risk pools operated by the Montana Municipal Interlocal Authority (MMIA), for workers' compensation and for tort liability coverage. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and professional liability are allocated between the City's enterprise funds and the general fund based on total appropriations. The premiums for the non-contributory employee medical plan are similarly allocated between the enterprise funds and the group health insurance fund, a special revenue fund supported by a special purpose tax levy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Interlocal Authority, which established a workers' compensation plan and a tort liability plan, both public entity risk pools currently operating as common risk management and insurance programs for the member governments. The liability limits are \$750,000 per person and \$1.5 million per accident, except if any one occurrence is not subject to government liability limitations in which case the limits are \$12.5 million per occurrence for any claim that is not subject to the limitations on government liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with a \$750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City has no excess policy coverage. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total budgeted salaries and wages and an annual premium for tort liability. This amount is allocated between the City's enterprise funds and the liability insurance fund based on total appropriations. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued \$4.41 million and \$6.155 million, respectively, of bonds to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service; these notes were retired in 2011.

The City also owns a policy with MMIA for loss or damage to property. This is an all risk policy, essentially all property owned by the City being insured for 100% of replacement cost, subject to a \$1,000 deductible per occurrence. MMIA reinsures their property insurance with a national municipal pool, Public Entities' Property Insurance.

16. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with GASB Statement No. 32, the City has removed the balances related to the deferred compensation plan, as these amounts represent neither assets nor liabilities to the City, and the plan is administered by an independent third party.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

17. INTERLOCAL AGREEMENTS

The City entered into an interlocal agreement during the fiscal year ended June 30, 2005 to facilitate paying for engineering fees for an Environmental Assessment for the new I-90 interchange to the airport. In the agreement dated June 9, 2005 between the City of Belgrade, Gallatin County, and the Gallatin Airport, the Airport Authority agreed to pay up to \$300,000 towards the assessment for the interchange. The agreement also stated that in the event the interchange was not constructed, the Airport Authority would be reimbursed 1/3 by Gallatin County and 1/3 by the City of Belgrade, not to exceed \$100,000 each. If the interchange is constructed no reimbursement is due and the \$300,000 would be considered a contribution by the Airport Authority to the overall cost of the interchange.

In 2013, the new I-90 interchange received approval and funding and construction began August 26, 2013 and it is anticipated the new interchange will be completed in the summer of 2015. Since construction has begun, the City will not need to reimburse the Airport Authority the \$100,000 mentioned in the agreement.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 17, 2015, the date on which the financial statements were available to be issued.

19. CONTINGENT LIABILITIES

The City is occasionally named as the defendant in litigated claims against the City which arise out of the normal course of operations by the City. Management of the City intends to vigorously defend each claim and believes no material losses will be incurred on such claims.

The Volunteer Fire Department pension funding could result in additional liability to the City. See Footnote 10.

W Construction, LLC v. City of Belgrade, et al.

The City of Belgrade was party to litigation in *W Construction, LLC v. City of Belgrade, et al.* This matter involved claims by W Construction against the City and an engineering firm retained by the City in connection with a public works project. W Construction alleged that the City breached the public works contract with W Construction in numerous respects, including wrongful termination. W Construction's most recent statement of damages sought a total amount of \$3,952,153. The City asserted a counterclaim against W Construction for liquidated damages and additional engineering fees, in the amount of \$195,552.

In August 2014, the City settled the litigation prior to trial. As part of the settlement, the City paid W Construction the compromise amount of \$650,000 and assigned to W Construction the City's claims against the engineering firm, without recourse. In exchange for the payment and assignment, W Construction released the City from liability and dismissed the claims against the City in the lawsuit. The settlement amount of \$650,000 (paid in December 2014) has been accrued in the accompanying June 30, 2014 financial statements as legal settlement payable.

Matthew L. Wagemann v. City of Belgrade, et al.

The City of Belgrade and Chief of Police are defendants in *Matthew L. Wagemann v. City of Belgrade, et al.* The Complaint alleges violation of constitutional rights, wrongful arrest and imprisonment, and defamation. The City believes that it will be successful in the outcome of the case, but there is a risk in the outcome of any lawsuit. A judgment against the City is expected to be covered by insurance through Montana Municipal Interlocal Authority.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

20. MAJOR PURPOSE PRESENTATION

The table presented below displays the City's fund balances by major purpose as displayed on page II-16 of the governmental funds balance sheet. GASB Statement No. 54 requires the disclosure of the purpose of each major special revenue fund.

| | General Fund | Volunteer Fire | CDBG 1992 and Prior | CDBG 1993 and After | S.I.D. 78 | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|-------------------------|---------------------------|--------------------------------|--------------------------------|----------------------|--|---|
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | | | | | | | |
| General government | - | - | - | - | - | 416,102 | 416,102 |
| Public safety | - | 108,315 | - | - | - | 671,500 | 779,815 |
| Public works | - | - | - | - | - | 1,236,198 | 1,236,198 |
| Culture and recreation | - | - | - | - | - | 61,574 | 61,574 |
| Debt service | - | - | - | - | - | 576,548 | 576,548 |
| Total restricted | <u>-</u> | <u>108,315</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,961,922</u> | <u>3,070,237</u> |
| Committed | | | | | | | |
| General government | - | - | - | - | - | 79,407 | 79,407 |
| Public safety | - | - | - | - | - | 7,833 | 7,833 |
| Culture and recreation | - | - | - | - | - | 125,006 | 125,006 |
| Housing and community dev | - | - | 337,299 | 1,207,616 | - | - | 1,544,915 |
| Total committed | <u>-</u> | <u>-</u> | <u>337,299</u> | <u>1,207,616</u> | <u>-</u> | <u>212,246</u> | <u>1,757,161</u> |
| Assigned | | | | | | | |
| Public works | - | - | - | - | 540,272 | - | 540,272 |
| Capital projects | - | - | - | - | - | 93,319 | 93,319 |
| Employee leave | 104,313 | - | - | - | - | 33,581 | 137,894 |
| Total assigned | <u>104,313</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>540,272</u> | <u>126,900</u> | <u>771,485</u> |
| Unassigned | <u>340,801</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>340,801</u> |
| Total fund balances | <u>\$ 445,114</u> | <u>\$ 108,315</u> | <u>\$ 337,299</u> | <u>\$ 1,207,616</u> | <u>\$ 540,272</u> | <u>\$ 3,301,068</u> | <u>\$ 5,939,684</u> |

**C. Required Supplementary Information
Other than Management Discussion
and Analysis**

CITY OF BELGRADE MONTANA
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
Year Ended June 30, 2014

The annual other post-employment benefits (OPEB) costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014 for the Retiree Health Plan are as follows:

| ANNUAL OPEB COST | | | | |
|---------------------|------------|------------------|-------------------------------------|---------------------|
| | Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| Retiree Health Plan | 6/30/2012 | \$ - | 0.00% | \$ - |
| | 6/30/2013 | \$ 19,591 | 0.00% | \$ 19,591 |
| | 6/30/2014 | \$ 66,252 | 0.00% | \$ 85,843 |

The funded status of the plan was as follows:

| FUNDED STATUS | |
|--|------------------|
| (a) Actuarial accrued liability (AAL) | \$ 99,617 |
| (b) Actuarial value of plan assets (UAAL) | - |
| Unfunded actuarial accrued liability (funding excess) [(a) - (b)] | <u>\$ 99,617</u> |
| Funded ratio (b) / (a) | 0.0% |
| (c) Covered payroll | \$ 1,745,992 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c) | 5.7% |

| SCHEDULE OF FUNDING PROGRESS | | | | | | | |
|------------------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| Retiree Medical Plan | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
| | 7/1/2012 | \$ - | \$ 99,617 | \$ 99,617 | 0.0% | \$ 1,745,992 | 5.7% |

**Budget to Actual Comparison – General and Special Revenue
Major Funds**

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------------|-------------------------|-------------------|-------------------|----------------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive (Negative) |
| Budgetary fund balance, July 1 | \$ 412,394 | \$ 412,394 | \$ 412,394 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 394,400 | 394,400 | 419,686 | 25,286 |
| Special assessments | - | - | - | - |
| Licenses and permits | 115,500 | 115,500 | 120,076 | 4,576 |
| Intergovernmental | 663,385 | 663,385 | 691,944 | 28,559 |
| Charges for services | 6,415 | 6,415 | 7,763 | 1,348 |
| Fines and forfeitures | 143,750 | 143,750 | 115,358 | (28,392) |
| Interest on investments | 1,800 | 1,800 | 858 | (942) |
| Loan repayment | - | - | - | - |
| Transfers from other funds | 99,238 | 99,238 | 83,238 | (16,000) |
| Other | 9,750 | 9,750 | 8,443 | (1,307) |
| Amounts available for appropriation | <u>1,846,632</u> | <u>1,846,632</u> | <u>1,859,760</u> | <u>13,128</u> |
| Charges to appropriations (outflows): | | | | |
| Current | | | | |
| General government | 416,881 | 421,661 | 403,807 | 17,854 |
| Public safety | 942,487 | 916,587 | 872,141 | 44,446 |
| Public works | - | - | - | - |
| Public welfare | 47,407 | 48,832 | 44,817 | 4,015 |
| Culture and recreation | 74,083 | 75,598 | 68,653 | 6,945 |
| Housing and community development | - | - | - | - |
| Other | 1,100 | 4,500 | 4,372 | 128 |
| Capital outlay | 15,500 | 17,500 | 4,856 | 12,644 |
| Debt service | - | - | - | - |
| Transfers to other funds | 28,000 | 28,000 | 16,000 | 12,000 |
| Total charges to appropriations | <u>1,525,458</u> | <u>1,512,678</u> | <u>1,414,646</u> | <u>98,032</u> |
| Budgetary fund balance, June 30 | <u>\$ 321,174</u> | <u>\$ 333,954</u> | <u>\$ 445,114</u> | <u>\$ 111,160</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - VOLUNTEER FIRE
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---------------------------------------|-------------------------|-------------------|------------------------|----------------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| | | | | Positive (Negative) |
| Budgetary fund balance, July 1 | \$ 111,046 | \$ 111,046 | \$ 111,046 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 529,800 | 540,800 | 512,773 | (28,027) |
| Special assessments | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 7,714 | 7,714 | 7,943 | 229 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest on investments | 100 | 100 | 175 | 75 |
| Loan repayment | - | - | - | - |
| Transfers from other funds | 28,000 | 28,000 | 16,000 | (12,000) |
| Other | - | - | 1,192 | 1,192 |
| Amounts available for appropriation | <u>676,660</u> | <u>687,660</u> | <u>649,129</u> | <u>(38,531)</u> |
| Charges to appropriations (outflows): | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 467,134 | 493,384 | 492,574 | 810 |
| Public works | - | - | - | - |
| Public welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Housing and community development | - | - | - | - |
| Other | - | - | - | - |
| Capital outlay | - | 23,840 | 23,648 | 192 |
| Debt service | 50,450 | 21,450 | 18,592 | 2,858 |
| Transfers to other funds | 6,000 | 6,000 | 6,000 | - |
| Total charges to appropriations | <u>523,584</u> | <u>544,674</u> | <u>540,814</u> | <u>3,860</u> |
| Budgetary fund balance, June 30 | <u>\$ 153,076</u> | <u>\$ 142,986</u> | <u>\$ 108,315</u> | <u>\$ (34,671)</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - CDBG 1992 AND PRIOR
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---------------------------------------|-------------------------|-----------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Budgetary fund balance, July 1 | 262,544 | 262,544 | 262,544 | - |
| Resources (inflows): | | | | |
| Taxes | - | - | - | - |
| Special assessments | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest on investments | - | - | 1,338 | 1,338 |
| Loan repayment | 46,300 | 46,300 | 80,717 | 34,417 |
| Transfers from other funds | - | - | - | - |
| Other | - | - | - | - |
| | <u>308,844</u> | <u>308,844</u> | <u>344,599</u> | <u>35,755</u> |
| Amounts available for appropriation | | | | |
| Charges to appropriations (outflows): | | | | |
| Current | | | | |
| General government | 120 | 120 | - | 120 |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Public welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Housing and community development | 300,000 | 300,000 | 7,300 | 292,700 |
| Other | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| | <u>300,120</u> | <u>300,120</u> | <u>7,300</u> | <u>292,820</u> |
| Total charges to appropriations | | | | |
| Budgetary fund balance, June 30 | <u>\$ 8,724</u> | <u>\$ 8,724</u> | <u>\$ 337,299</u> | <u>\$ 328,575</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - CDBG 1993 AND AFTER
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---------------------------------------|----------------------------|----------------------------|----------------------------|---|
| | Original | Final | Budgetary Basis | Final Budget Positive (Negative) |
| Budgetary fund balance, July 1 | \$ 1,202,639 | \$ 1,202,639 | \$ 1,202,639 | \$ - |
| Resources (inflows): | | | | |
| Taxes | - | - | - | - |
| Special assessments | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest on investments | - | - | 3,679 | 3,679 |
| Loan repayment | 18,500 | 18,500 | 22,050 | 3,550 |
| Transfers from other funds | - | - | - | - |
| Other | - | - | - | - |
| Amounts available for appropriation | <u>1,221,139</u> | <u>1,221,139</u> | <u>1,228,368</u> | <u>7,229</u> |
| Charges to appropriations (outflows): | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Public welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Housing and community development | 40,477 | 41,977 | 20,752 | 21,225 |
| Other | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | 9,000 | 4,000 | - | 4,000 |
| Transfers to other funds | 15,000 | 15,000 | - | 15,000 |
| Total charges to appropriations | <u>64,477</u> | <u>60,977</u> | <u>20,752</u> | <u>40,225</u> |
| Budgetary fund balance, June 30 | <u><u>\$ 1,156,662</u></u> | <u><u>\$ 1,160,162</u></u> | <u><u>\$ 1,207,616</u></u> | <u><u>\$ 47,454</u></u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE
NOTE A TO RSI**

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2014**

| | General Fund | Volunteer Fire | CDBG 1992 and Prior | CDBG 1993 and After |
|---|-------------------------|---------------------------|--------------------------------|--------------------------------|
| Sources/inflows of resources | | | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 1,859,760 | \$ 649,129 | \$ 344,599 | \$ 1,228,368 |
| Differences - budget to GAAP: | | | | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (412,394) | (111,046) | (262,544) | (1,202,639) |
| Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes. | (83,238) | (16,000) | - | - |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 1,364,128</u> | <u>\$ 522,083</u> | <u>\$ 82,055</u> | <u>\$ 25,729</u> |
| Uses/outflows of resources | | | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,414,646 | \$ 540,814 | \$ 7,300 | \$ 20,752 |
| Differences - budget to GAAP: | | | | |
| Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes. | (16,000) | (6,000) | - | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 1,398,646</u> | <u>\$ 534,814</u> | <u>\$ 7,300</u> | <u>\$ 20,752</u> |

D. Supplemental Information

Combining Financial Statements

Nonmajor Governmental Funds

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Special Revenue Funds | | | | | |
|---|--|-------------------------------------|-------------------------|---------------------------------------|------------------------------------|------------------|
| | Comprehensive Liability Insurance | Parks - Cash in Lieu | City Library | City / County Planning | Permissive Medical Levy | PERS |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 7,382 | \$ 49,264 | \$ 128,844 | \$ 109,288 | \$ 13,034 | \$ 58,681 |
| Receivables | | | | | | |
| Property taxes | 3,580 | - | 23,315 | 5,742 | 1,397 | 6,716 |
| Customers, net | - | - | - | - | - | 310 |
| Special assessments | - | - | - | - | - | - |
| Other governments | - | - | - | 5,500 | - | - |
| Due from other City funds | - | - | - | - | - | - |
| Seized property | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | 11,295 | 67,113 | - | - |
| | <u>10,962</u> | <u>49,264</u> | <u>163,454</u> | <u>187,643</u> | <u>14,431</u> | <u>65,707</u> |
| Total assets | <u>\$ 10,962</u> | <u>\$ 49,264</u> | <u>\$ 163,454</u> | <u>\$ 187,643</u> | <u>\$ 14,431</u> | <u>\$ 65,707</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - | - | - |
| Due to other City funds | - | - | - | - | - | - |
| Due to other governments | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows of tax revenues | 3,580 | - | 23,315 | 5,742 | 1,397 | 6,716 |
| Deferred inflows of special assessments | - | - | - | - | - | - |
| | <u>3,580</u> | <u>-</u> | <u>23,315</u> | <u>5,742</u> | <u>1,397</u> | <u>6,716</u> |
| Total deferred inflows of resources | <u>3,580</u> | <u>-</u> | <u>23,315</u> | <u>5,742</u> | <u>1,397</u> | <u>6,716</u> |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | 49,264 | 12,310 | 161,614 | - | - |
| Committed | 7,382 | - | 125,006 | - | 13,034 | 58,991 |
| Assigned | - | - | 2,823 | 20,287 | - | - |
| Unassigned | - | - | - | - | - | - |
| | <u>7,382</u> | <u>49,264</u> | <u>140,139</u> | <u>181,901</u> | <u>13,034</u> | <u>58,991</u> |
| Total fund balances | <u>7,382</u> | <u>49,264</u> | <u>140,139</u> | <u>181,901</u> | <u>13,034</u> | <u>58,991</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,962</u> | <u>\$ 49,264</u> | <u>\$ 163,454</u> | <u>\$ 187,643</u> | <u>\$ 14,431</u> | <u>\$ 65,707</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Special Revenue Funds | | | | |
|---|-----------------------|--------------------|---------------------------------|-----------------------|----------------------|
| | Group Health | Drug Forfeiture | Building Code Enforcement | Lighting Districts | Victim's Advocate |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 184,631 | \$ 11,243 | \$ 69,857 | \$ 137,244 | \$ - |
| Receivables | | | | | |
| Property taxes | 20,602 | - | - | - | - |
| Customers, net | - | - | - | - | - |
| Special assessments | - | - | - | 971 | - |
| Other governments | - | - | - | - | - |
| Due from other City funds | - | 330 | - | - | - |
| Seized property | - | 8,535 | - | - | - |
| Notes receivable | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | 10,471 | - | - |
| | <u>-</u> | <u>-</u> | <u>10,471</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 205,233</u> | <u>\$ 20,108</u> | <u>\$ 80,328</u> | <u>\$ 138,215</u> | <u>\$ -</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - | - |
| Due to other City funds | - | - | - | - | - |
| Due to other governments | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | | |
| Deferred inflows of tax revenues | 20,602 | - | - | - | - |
| Deferred inflows of special assessments | - | - | - | 971 | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>971</u> | <u>-</u> |
| Total deferred inflows of resources | <u>20,602</u> | <u>-</u> | <u>-</u> | <u>971</u> | <u>-</u> |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 184,631 | 20,108 | 69,857 | 137,244 | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | 10,471 | - | - |
| Unassigned | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>184,631</u> | <u>20,108</u> | <u>80,328</u> | <u>137,244</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 205,233</u> | <u>\$ 20,108</u> | <u>\$ 80,328</u> | <u>\$ 138,215</u> | <u>\$ -</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| <u>Special Revenue Funds</u> | | | | | | |
|---|----------------------------|--------------------|-------------------------------------|------------------------|-------------------|-------------------------------|
| | <u>Police Training</u> | <u>Gas Tax</u> | <u>Crime Control - DARE</u> | <u>Impact Fees</u> | <u>CTEP</u> | <u>DUI Task Force</u> |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 27,890 | \$ 15,941 | \$ 6,572 | \$ 522,124 | \$ 13,219 | \$ 1,261 |
| Receivables | | | | | | |
| Property taxes | - | - | - | - | - | - |
| Customers, net | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Other governments | - | - | - | - | - | - |
| Due from other City funds | - | - | - | - | - | - |
| Seized property | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 27,890</u> | <u>\$ 15,941</u> | <u>\$ 6,572</u> | <u>\$ 522,124</u> | <u>\$ 13,219</u> | <u>\$ 1,261</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - | - | - |
| Due to other City funds | - | - | - | - | - | - |
| Due to other governments | - | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred inflows of tax revenues | - | - | - | - | - | - |
| Deferred inflows of special assessments | - | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 27,890 | 15,941 | - | 522,124 | 13,219 | - |
| Committed | - | - | 6,572 | - | - | 1,261 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>27,890</u> | <u>15,941</u> | <u>6,572</u> | <u>522,124</u> | <u>13,219</u> | <u>1,261</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 27,890</u> | <u>\$ 15,941</u> | <u>\$ 6,572</u> | <u>\$ 522,124</u> | <u>\$ 13,219</u> | <u>\$ 1,261</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Special Revenue Funds | | | |
|---|--------------------------|------------------------------|-----------------------|--------------|
| | Public Safety Mill | VFD Relief Association | Street Maintenance | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 81,135 | \$ 526,629 | \$ 547,670 | \$ 2,511,909 |
| Receivables | | | | |
| Property taxes | 32,316 | 14,371 | - | 108,039 |
| Customers, net | - | - | - | 310 |
| Special assessments | - | - | 3,448 | 4,419 |
| Other governments | 15,738 | - | - | 21,238 |
| Due from other City funds | - | - | - | 330 |
| Seized property | - | - | - | 8,535 |
| Notes receivable | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | 88,879 |
| | | | | |
| Total assets | \$ 129,189 | \$ 541,000 | \$ 551,118 | \$ 2,743,659 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - |
| Due to other City funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| | | | | |
| Total liabilities | - | - | - | - |
| Deferred inflows of resources: | | | | |
| Deferred inflows of tax revenues | 32,316 | 14,371 | - | 108,039 |
| Deferred inflows of special assessments | - | - | 3,448 | 4,419 |
| | | | | |
| Total deferred inflows of resources | 32,316 | 14,371 | 3,448 | 112,458 |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 96,873 | 526,629 | 547,670 | 2,385,374 |
| Committed | - | - | - | 212,246 |
| Assigned | - | - | - | 33,581 |
| Unassigned | - | - | - | - |
| | | | | |
| Total fund balances | 96,873 | 526,629 | 547,670 | 2,631,201 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 129,189 | \$ 541,000 | \$ 551,118 | \$ 2,743,659 |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>Debt Service Funds</u> | | |
|---|---|-----------------------------|------------------|
| | <u>G.O. Bonds Library Expansion</u> | <u>S.I.D. Revolving</u> | <u>S.I.D. 54</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 27,635 | \$ 542,289 | \$ - |
| Receivables | | | |
| Property taxes | 6,361 | - | - |
| Customers, net | - | - | - |
| Special assessments | - | - | - |
| Other governments | - | - | - |
| Due from other City funds | - | - | - |
| Seized property | | | |
| Notes receivable | - | - | - |
| Restricted cash and cash equivalents | - | - | - |
| | <u>33,996</u> | <u>542,289</u> | <u>-</u> |
| Total assets | <u>\$ 33,996</u> | <u>\$ 542,289</u> | <u>\$ -</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Advances | - | - | - |
| Due to other City funds | - | - | - |
| Due to other governments | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | |
| Deferred inflows of tax revenues | 6,361 | - | - |
| Deferred inflows of special assessments | - | - | - |
| | <u>6,361</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>6,361</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | |
| Nonspendable | - | - | - |
| Restricted | 27,635 | 542,289 | - |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| | <u>27,635</u> | <u>542,289</u> | <u>-</u> |
| Total fund balances | <u>27,635</u> | <u>542,289</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 33,996</u> | <u>\$ 542,289</u> | <u>\$ -</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>Debt Service Funds</u> | | | |
|---|---------------------------|------------------|------------------|------------------|
| | <u>S.I.D. 72</u> | <u>S.I.D. 73</u> | <u>S.I.D. 75</u> | <u>S.I.D. 76</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 6,624 |
| Receivables | | | | |
| Property taxes | - | - | - | - |
| Customers, net | - | - | - | - |
| Special assessments | - | - | 2,246 | 425 |
| Other governments | - | - | - | - |
| Due from other City funds | - | - | - | - |
| Seized property | - | - | - | - |
| Notes receivable | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,246</u> | <u>\$ 7,049</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - |
| Due to other City funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | |
| Deferred inflows of tax revenues | - | - | - | - |
| Deferred inflows of special assessments | - | - | 2,246 | 425 |
| | <u>-</u> | <u>-</u> | <u>2,246</u> | <u>425</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>2,246</u> | <u>425</u> |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | 6,624 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,624</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,246</u> | <u>\$ 7,049</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

| | Debt Service Funds | |
|---|-------------------------------|--------------|
| | Sidewalk Revolving | Total |
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 576,548 |
| Receivables | | |
| Property taxes | - | 6,361 |
| Customers, net | - | - |
| Special assessments | - | 2,671 |
| Other governments | - | - |
| Due from other City funds | - | - |
| Seized property | - | - |
| Notes receivable | - | - |
| Restricted cash and cash equivalents | - | - |
| | - | - |
| Total assets | \$ - | \$ 585,580 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ - | \$ - |
| Advances | - | - |
| Due to other City funds | - | - |
| Due to other governments | - | - |
| | - | - |
| Total liabilities | - | - |
| Deferred inflows of resources: | | |
| Deferred inflows of tax revenues | - | 6,361 |
| Deferred inflows of special assessments | - | 2,671 |
| | - | 2,671 |
| Total deferred inflows of resources | - | 9,032 |
| Fund balances: | | |
| Nonspendable | - | - |
| Restricted | - | 576,548 |
| Committed | - | - |
| Assigned | - | - |
| Unassigned | - | - |
| | - | - |
| Total fund balances | - | 576,548 |
| Total liabilities, deferred inflows of resources and fund balances | \$ - | \$ 585,580 |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | <u>Capital Project Funds</u> | | | |
|---|---------------------------------|---------------------------------|---|------------------|
| | <u>General Improvements</u> | <u>Library Improvements</u> | <u>Fire Department Improvements</u> | <u>Total</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 63,469 | \$ 4,051 | \$ 20,799 | \$ 88,319 |
| Receivables | | | | |
| Property taxes | - | - | - | - |
| Customers, net | - | - | - | - |
| Special assessments | - | - | - | - |
| Other governments | - | - | - | - |
| Due from other City funds | - | - | - | - |
| Seized property | - | - | - | - |
| Notes receivable | - | - | - | - |
| Restricted cash and cash equivalents | - | 5,000 | - | 5,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 63,469</u> | <u>\$ 9,051</u> | <u>\$ 20,799</u> | <u>\$ 93,319</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Advances | - | - | - | - |
| Due to other City funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | |
| Deferred inflows of tax revenues | - | - | - | - |
| Deferred inflows of special assessments | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | 63,469 | 9,051 | 20,799 | 93,319 |
| Unassigned | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>63,469</u> | <u>9,051</u> | <u>20,799</u> | <u>93,319</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 63,469</u> | <u>\$ 9,051</u> | <u>\$ 20,799</u> | <u>\$ 93,319</u> |

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

| | Total Nonmajor Governmental Funds |
|---|--|
| | |
| ASSETS | |
| Cash and cash equivalents | \$ 3,176,776 |
| Receivables | |
| Property taxes | 114,400 |
| Customers, net | 310 |
| Special assessments | 7,090 |
| Other governments | 21,238 |
| Due from other City funds | 330 |
| Seized property | 8,535 |
| Notes receivable | - |
| Restricted cash and cash equivalents | 93,879 |
| | <u>3,422,558</u> |
| Total assets | <u>\$ 3,422,558</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ - |
| Advances | - |
| Due to other City funds | - |
| Due to other governments | - |
| | <u>-</u> |
| Total liabilities | <u>-</u> |
| Deferred inflows of resources: | |
| Deferred inflows of tax revenues | 114,400 |
| Deferred inflows of special assessments | 7,090 |
| | <u>121,490</u> |
| Total deferred inflows of resources | <u>121,490</u> |
| Fund balances: | |
| Nonspendable | - |
| Restricted | 2,961,922 |
| Committed | 212,246 |
| Assigned | 126,900 |
| Unassigned | - |
| | <u>-</u> |
| Total fund balances | <u>3,301,068</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,422,558</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2014

| | Comprehensive Liability Insurance | Parks - Cash in Lieu | City Library | City / County Planning | Permissive Medical Levy | PERS |
|--|--|-------------------------------------|-------------------------|---------------------------------------|------------------------------------|------------------|
| REVENUES | | | | | | |
| Taxes | \$ 40,387 | \$ - | \$ 177,588 | \$ 128,808 | \$ 16,119 | \$ 58,016 |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 1,750 | - | - |
| Intergovernmental | - | - | 151,641 | - | - | 229,157 |
| Charges for services | - | - | 4,113 | 17,860 | - | - |
| Fines and forfeitures | - | - | 5,143 | - | - | - |
| Interest on investments | 2 | 148 | 291 | 444 | - | 45 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | 26,292 | 48,037 | - | - | - |
| | <u>40,389</u> | <u>26,440</u> | <u>386,813</u> | <u>148,862</u> | <u>16,119</u> | <u>287,218</u> |
| Total revenues | | | | | | |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 96,331 | - | - | 58,482 | - | 33,182 |
| Public safety | - | - | - | - | - | 318,652 |
| Public works | - | - | - | - | - | 7,818 |
| Public welfare | - | - | - | - | - | 5,941 |
| Culture and recreation | - | 1,063 | 272,336 | - | - | 35,756 |
| Housing and community development | - | - | - | - | - | 2,659 |
| Other | - | - | - | - | - | - |
| Capital outlay | - | 25,900 | 12,985 | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | 4,332 | - | - | - |
| Interest and fiscal fees | - | - | 729 | - | - | - |
| | <u>96,331</u> | <u>26,963</u> | <u>290,382</u> | <u>58,482</u> | <u>-</u> | <u>404,008</u> |
| Total expenditures | | | | | | |
| Revenues over (under) expenditures | <u>(55,942)</u> | <u>(523)</u> | <u>96,431</u> | <u>90,380</u> | <u>16,119</u> | <u>(116,790)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 56,000 | - | - | - | - | 115,750 |
| Transfers out | - | - | (47,000) | (27,000) | (25,000) | - |
| Long-term debt issued | - | - | - | - | - | - |
| | <u>56,000</u> | <u>-</u> | <u>(47,000)</u> | <u>(27,000)</u> | <u>(25,000)</u> | <u>115,750</u> |
| Total other financing sources and uses | | | | | | |
| Net change in fund balance | 58 | (523) | 49,431 | 63,380 | (8,881) | (1,040) |
| FUND BALANCES, | | | | | | |
| beginning of year | <u>7,324</u> | <u>49,787</u> | <u>90,708</u> | <u>118,521</u> | <u>21,915</u> | <u>60,031</u> |
| FUND BALANCES, | | | | | | |
| end of year | <u>\$ 7,382</u> | <u>\$ 49,264</u> | <u>\$ 140,139</u> | <u>\$ 181,901</u> | <u>\$ 13,034</u> | <u>\$ 58,991</u> |

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2014

| | <u>Group Health</u> | <u>Drug Forfeiture</u> | <u>Building Code Enforcement</u> | <u>Lighting Districts</u> | <u>Victim's Advocate</u> |
|--|-------------------------|----------------------------|--|-------------------------------|------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 200,769 | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | 89,369 | - |
| Licenses and permits | - | - | 81,802 | - | - |
| Intergovernmental | 4,190 | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeitures | - | 5,427 | - | - | 9,115 |
| Interest on investments | 206 | 46 | 140 | 405 | - |
| Loan repayment | - | - | - | - | - |
| Other | - | 695 | 8 | - | - |
| | <u>205,165</u> | <u>6,168</u> | <u>81,950</u> | <u>89,774</u> | <u>9,115</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 45,219 | - | - | - | 9,115 |
| Public safety | 212,183 | 4,977 | 17,476 | - | - |
| Public works | 8,854 | - | - | - | - |
| Public welfare | 6,641 | - | - | - | - |
| Culture and recreation | 40,476 | - | - | - | - |
| Housing and community development | 2,846 | - | - | 74,437 | - |
| Other | - | - | - | - | - |
| Capital outlay | - | 9,500 | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - |
| | <u>316,219</u> | <u>14,477</u> | <u>17,476</u> | <u>74,437</u> | <u>9,115</u> |
| Total expenditures | | | | | |
| Revenues over (under) expenditures | <u>(111,054)</u> | <u>(8,309)</u> | <u>64,474</u> | <u>15,337</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 171,250 | - | - | - | - |
| Transfers out | - | (1,000) | (8,000) | - | - |
| Long-term debt issued | - | - | - | - | - |
| | <u>171,250</u> | <u>(1,000)</u> | <u>(8,000)</u> | <u>-</u> | <u>-</u> |
| Total other financing sources and uses | | | | | |
| Net change in fund balances | 60,196 | (9,309) | 56,474 | 15,337 | - |
| FUND BALANCES, | | | | | |
| beginning of year | <u>124,435</u> | <u>29,417</u> | <u>23,854</u> | <u>121,907</u> | <u>-</u> |
| FUND BALANCES, | | | | | |
| end of year | <u>\$ 184,631</u> | <u>\$ 20,108</u> | <u>\$ 80,328</u> | <u>\$ 137,244</u> | <u>\$ -</u> |

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2014

| | <u>Police Training</u> | <u>Gas Tax</u> | <u>Crime Control - DARE</u> | <u>Impact Fees</u> | <u>CTEP</u> | <u>DUI Task Force</u> |
|--|----------------------------|--------------------|-------------------------------------|------------------------|------------------|-------------------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | 100 | - | - | - | - |
| Intergovernmental | - | 125,845 | - | - | - | - |
| Charges for services | - | - | - | 210,425 | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | 106 | 10 | 20 | 1,260 | 40 | 3 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | <u>106</u> | <u>125,955</u> | <u>20</u> | <u>211,685</u> | <u>40</u> | <u>3</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | 16,419 | - | - | - | - | - |
| Public works | - | 110,589 | - | - | - | - |
| Public welfare | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Housing and community development | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Capital outlay | 12,669 | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| Total expenditures | <u>29,088</u> | <u>110,589</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>(28,982)</u> | <u>15,366</u> | <u>20</u> | <u>211,685</u> | <u>40</u> | <u>3</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 10,000 | - | - | - | - | - |
| Transfers out | - | (2,000) | - | - | - | - |
| Long-term debt issued | - | - | - | - | - | - |
| Total other financing sources and uses | <u>10,000</u> | <u>(2,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>(18,982)</u> | <u>13,366</u> | <u>20</u> | <u>211,685</u> | <u>40</u> | <u>3</u> |
| FUND BALANCES, beginning of year | <u>46,872</u> | <u>2,575</u> | <u>6,552</u> | <u>310,439</u> | <u>13,179</u> | <u>1,258</u> |
| FUND BALANCES, end of year | <u>\$ 27,890</u> | <u>\$ 15,941</u> | <u>\$ 6,572</u> | <u>\$ 522,124</u> | <u>\$ 13,219</u> | <u>\$ 1,261</u> |

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2014

| | <u>Public Safety Mill</u> | <u>VFD Relief Association</u> | <u>Street Maintenance</u> | <u>Special Revenue Totals</u> |
|--|-----------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 391,570 | \$ 112,658 | \$ - | \$ 1,125,915 |
| Special assessments | - | - | 124,514 | 213,883 |
| Licenses and permits | - | - | 87 | 83,739 |
| Intergovernmental | - | 16,911 | - | 527,744 |
| Charges for services | - | - | 1,250 | 233,648 |
| Fines and forfeitures | - | - | - | 19,685 |
| Interest on investments | 169 | 1,431 | 1,614 | 6,380 |
| Loan repayment | - | - | - | - |
| Other | - | - | - | 75,032 |
| | <u>391,739</u> | <u>131,000</u> | <u>127,465</u> | <u>2,286,026</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | - | 242,329 |
| Public safety | 333,947 | - | - | 903,654 |
| Public works | - | - | 41,341 | 168,602 |
| Public welfare | - | - | - | 12,582 |
| Culture and recreation | - | - | - | 349,631 |
| Housing and community development | - | - | - | 79,942 |
| Other | - | - | - | - |
| Capital outlay | 35,889 | - | 34,830 | 131,773 |
| Debt service | | | | |
| Principal | - | - | - | 4,332 |
| Interest and fiscal fees | - | - | - | 729 |
| | <u>369,836</u> | <u>-</u> | <u>76,171</u> | <u>1,893,574</u> |
| Total expenditures | | | | |
| Revenues over (under) expenditures | <u>21,903</u> | <u>131,000</u> | <u>51,294</u> | <u>392,452</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | 353,000 |
| Transfers out | (25,000) | (45,000) | - | (180,000) |
| Long-term debt issued | - | - | - | - |
| | <u>(25,000)</u> | <u>(45,000)</u> | <u>-</u> | <u>173,000</u> |
| Total other financing sources and uses | | | | |
| Net change in fund balance | (3,097) | 86,000 | 51,294 | 565,452 |
| FUND BALANCES, beginning of year | <u>99,970</u> | <u>440,629</u> | <u>496,376</u> | <u>2,065,749</u> |
| FUND BALANCES, end of year | <u>\$ 96,873</u> | <u>\$ 526,629</u> | <u>\$ 547,670</u> | <u>\$ 2,631,201</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
Year Ended June 30, 2014

| | <u>G.O. Bonds</u> <u>Library Expansion</u> | <u>S.I.D.</u> <u>Revolving</u> | <u>S.I.D. 54</u> | <u>S.I.D. 72</u> |
|--|---|-----------------------------------|------------------|------------------|
| REVENUES | | | | |
| Taxes | \$ 51,259 | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest on investments | 89 | 1,649 | - | - |
| Loan repayment | - | - | - | - |
| Other | - | - | - | - |
| | <u>51,348</u> | <u>1,649</u> | <u>-</u> | <u>-</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Public welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Housing and community development | - | - | - | - |
| Other | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 25,000 | - | - | - |
| Interest and fiscal fees | 14,245 | - | - | - |
| | <u>39,245</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | | | | |
| Revenues over (under) expenditures | <u>12,103</u> | <u>1,649</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | 8,525 |
| Transfers out | - | (39,159) | (1,000) | - |
| Long-term debt issued | - | - | - | - |
| | <u>-</u> | <u>(39,159)</u> | <u>(1,000)</u> | <u>8,525</u> |
| Total other financing sources and uses | | | | |
| Net change in fund balance | 12,103 | (37,510) | (1,000) | 8,525 |
| FUND BALANCES, | | | | |
| beginning of year | <u>15,532</u> | <u>579,799</u> | <u>1,000</u> | <u>(8,525)</u> |
| FUND BALANCES, | | | | |
| end of year | <u>\$ 27,635</u> | <u>\$ 542,289</u> | <u>\$ -</u> | <u>\$ -</u> |

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE (CONTINUED)
Year Ended June 30, 2014

| | <u>S.I.D. 73</u> | <u>S.I.D. 75</u> | <u>S.I.D. 76</u> | <u>Sidewalk Revolving</u> | <u>Debt Service Totals</u> |
|--|------------------|------------------|------------------|-------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 51,259 |
| Special assessments | - | 189 | 6,624 | - | 6,813 |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Interest on investments | - | - | - | - | 1,738 |
| Loan repayment | - | - | - | - | - |
| Other | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>-</u> | <u>189</u> | <u>6,624</u> | <u>-</u> | <u>59,810</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Public welfare | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Housing and community development | - | - | - | - | - |
| Other | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Principal | - | - | - | - | 25,000 |
| Interest and fiscal fees | - | - | - | - | 14,245 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,245</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>189</u> | <u>6,624</u> | <u>-</u> | <u>20,565</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 30,634 | - | - | 39,159 |
| Transfers out | (16,024) | - | (30,517) | (21,697) | (108,397) |
| Long-term debt issued | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources and uses | <u>(16,024)</u> | <u>30,634</u> | <u>(30,517)</u> | <u>(21,697)</u> | <u>(69,238)</u> |
| Net change in fund balance | (16,024) | 30,823 | (23,893) | (21,697) | (48,673) |
| FUND BALANCES, | | | | | |
| beginning of year | <u>16,024</u> | <u>(30,823)</u> | <u>30,517</u> | <u>21,697</u> | <u>625,221</u> |
| FUND BALANCES, | | | | | |
| end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,624</u> | <u>\$ -</u> | <u>\$ 576,548</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
Year Ended June 30, 2014

| | General Improvements | Library Improvements | Fire Dept Improvements | Capital Projects Totals | Total Nonmajor Governmental Funds |
|--|---------------------------------|---------------------------------|-----------------------------------|--|--|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 1,177,174 |
| Special assessments | - | - | - | - | 220,696 |
| Licenses and permits | - | - | - | - | 83,739 |
| Intergovernmental | - | - | - | - | 527,744 |
| Charges for services | - | - | - | - | 233,648 |
| Fines and forfeitures | - | - | - | - | 19,685 |
| Interest on investments | 193 | 28 | 58 | 279 | 8,397 |
| Loan repayment | - | - | - | - | - |
| Other | - | - | - | - | 75,032 |
| | <u>193</u> | <u>28</u> | <u>58</u> | <u>279</u> | <u>2,346,115</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | - | - | - | - | 242,329 |
| Public safety | - | - | - | - | 903,654 |
| Public works | - | - | - | - | 168,602 |
| Public welfare | - | - | - | - | 12,582 |
| Culture and recreation | - | - | - | - | 349,631 |
| Housing and community development | - | - | - | - | 79,942 |
| Other | - | - | - | - | - |
| Capital outlay | - | - | 304,000 | 304,000 | 435,773 |
| Debt service | | | | | |
| Principal | - | - | - | - | 29,332 |
| Interest and fiscal fees | - | - | - | - | 14,974 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,974</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>304,000</u> | <u>304,000</u> | <u>2,236,819</u> |
| Revenues over (under) expenditures | <u>193</u> | <u>28</u> | <u>(303,942)</u> | <u>(303,721)</u> | <u>109,296</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | 392,159 |
| Transfers out | - | - | - | - | (288,397) |
| Long-term debt issued | - | 4,589 | 304,008 | 308,597 | 308,597 |
| | <u>-</u> | <u>4,589</u> | <u>304,008</u> | <u>308,597</u> | <u>412,359</u> |
| Total other financing sources and uses | <u>-</u> | <u>4,589</u> | <u>304,008</u> | <u>308,597</u> | <u>412,359</u> |
| Net change in fund balance | 193 | 4,617 | 66 | 4,876 | 521,655 |
| FUND BALANCES, beginning of year | <u>63,276</u> | <u>4,434</u> | <u>20,733</u> | <u>88,443</u> | <u>2,779,413</u> |
| FUND BALANCES, end of year | <u>\$ 63,469</u> | <u>\$ 9,051</u> | <u>\$ 20,799</u> | <u>\$ 93,319</u> | <u>\$ 3,301,068</u> |

See the Independent Auditors' Report.

Budgetary Comparison Schedules – Other Major Funds

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - OTHER MAJOR FUNDS
S.I.D. 78 Sanitary Sewer and Water System
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---------------------------------------|-------------------------|-------------------|------------------------|---|
| | Original | Final | Budgetary Basis | Final Budget Positive (Negative) |
| Budgetary fund balance, July 1 | \$ 354,225 | \$ 354,225 | \$ 354,225 | \$ - |
| Resources (inflows): | | | | |
| Taxes | - | - | - | - |
| Special assessments | 320,000 | 320,000 | 341,565 | 21,565 |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest on investments | - | - | 1,427 | 1,427 |
| Bond proceeds | - | - | - | - |
| Transfers from other funds | - | - | - | - |
| Other | - | - | - | - |
| | <u>674,225</u> | <u>674,225</u> | <u>697,217</u> | <u>22,992</u> |
| Amounts available for appropriation | | | | |
| Charges to appropriations (outflows): | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public service | - | - | - | - |
| Public welfare | - | - | - | - |
| Other | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | 156,945 | 156,945 | 156,945 | - |
| Transfers to other funds | - | - | - | - |
| | <u>156,945</u> | <u>156,945</u> | <u>156,945</u> | <u>-</u> |
| Total charges to appropriations | | | | |
| Budgetary fund balance, June 30 | <u>\$ 517,280</u> | <u>\$ 517,280</u> | <u>\$ 540,272</u> | <u>\$ 22,992</u> |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2014

S.I.D. 78
Sanitary Sewer
and Water System

Sources/inflows of resources

| | |
|---|------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 697,217 |
| Differences - budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (354,225) |
| Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes. | - |
| The proceeds from the issuance of long-term debt are budgetary resources but are not <i>revenues</i> for financial reporting purposes. | - |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ 342,992 |

Uses/outflows of resources

| | |
|--|------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 156,945 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes. | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ 156,945 |

See the Independent Auditors' Report.

**Combining Statement of Revenues, Expenditures, and Changes in Fund
Equity Budget (GAAP Basis) and Actual**

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS
Year Ended June 30, 2014

| | <u>Comprehensive Liability Insurance</u> | | | <u>Parks - Cash in Lieu</u> | | |
|---|--|------------------------|---|-----------------------------|-------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ 41,000 | 40,387 | (613) | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | - | 2 | 2 | 100 | 148 | 48 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | 26,290 | 26,292 | 2 |
| | <u>41,000</u> | <u>40,389</u> | <u>(611)</u> | <u>26,390</u> | <u>26,440</u> | <u>50</u> |
| Total revenues | | | | | | |
| EXPENDITURES - BUDGET UNIT | <u>97,000</u> | <u>96,331</u> | <u>669</u> | <u>27,525</u> | <u>26,963</u> | <u>562</u> |
| Revenues over (under) expenditures | <u>(56,000)</u> | <u>(55,942)</u> | <u>58</u> | <u>(1,135)</u> | <u>(523)</u> | <u>612</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | 56,000 | 56,000 | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | <u>56,000</u> | <u>56,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u><u>-</u></u> | <u>58</u> | <u><u>58</u></u> | <u><u>(1,135)</u></u> | <u>(523)</u> | <u><u>612</u></u> |
| FUND BALANCE beginning of year | | <u>7,324</u> | | | <u>49,787</u> | |
| FUND BALANCE end of year | | <u><u>\$ 7,382</u></u> | | | <u><u>\$ 49,264</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>City Library</u> | | | <u>City/County Planning</u> | | |
|--|----------------------|--------------------------|---|-----------------------------|--------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ 183,325 | 177,588 | (5,737) | \$ 95,071 | 128,808 | 33,737 |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 1,700 | 1,750 | 50 |
| Intergovernmental | 140,267 | 151,641 | 11,374 | - | - | - |
| Charges for services | 3,880 | 4,113 | 233 | 17,300 | 17,860 | 560 |
| Fines and forfeitures | 4,800 | 5,143 | 343 | - | - | - |
| Interest on investments | - | 291 | 291 | 100 | 444 | 344 |
| Loan repayment | - | - | - | - | - | - |
| Other | 46,600 | 48,037 | 1,437 | - | - | - |
| Total revenues | <u>378,872</u> | <u>386,813</u> | <u>7,941</u> | <u>114,171</u> | <u>148,862</u> | <u>34,691</u> |
| EXPENDITURES - BUDGET UNIT | <u>297,393</u> | <u>290,382</u> | <u>7,011</u> | <u>92,174</u> | <u>58,482</u> | <u>33,692</u> |
| Revenues over (under) expenditures | <u>81,479</u> | <u>96,431</u> | <u>14,952</u> | <u>21,997</u> | <u>90,380</u> | <u>68,383</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (47,000) | (47,000) | - | (27,000) | (27,000) | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | <u>(47,000)</u> | <u>(47,000)</u> | <u>-</u> | <u>(27,000)</u> | <u>(27,000)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u><u>34,479</u></u> | <u>49,431</u> | <u><u>14,952</u></u> | <u><u>(5,003)</u></u> | <u>63,380</u> | <u><u>68,383</u></u> |
| FUND BALANCE | | | | | | |
| beginning of year | | <u>90,708</u> | | | <u>118,521</u> | |
| FUND BALANCE | | | | | | |
| end of year | | <u><u>\$ 140,139</u></u> | | | <u><u>\$ 181,901</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | Permissive Medical Levy | | | PERS | | |
|---|-------------------------|-----------|------------------------------------|-----------|-----------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes | \$ 16,500 | 16,119 | (381) | \$ 58,970 | 58,016 | (954) |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | 261,743 | 229,157 | (32,586) |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | - | - | - | - | 45 | 45 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | 16,500 | 16,119 | (381) | 320,713 | 287,218 | (33,495) |
| EXPENDITURES - BUDGET | | | | | | |
| UNIT | - | - | - | 452,895 | 404,008 | 48,887 |
| Revenues over (under) expenditures | 16,500 | 16,119 | (381) | (132,182) | (116,790) | 15,392 |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | 147,000 | 115,750 | (31,250) |
| Transfers out | (25,000) | (25,000) | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | (25,000) | (25,000) | - | 147,000 | 115,750 | - |
| Revenues and other sources over (under) expenditures | (8,500) | (8,881) | (381) | 14,818 | (1,040) | (15,858) |
| FUND BALANCE | | | | | | |
| beginning of year | | 21,915 | | | 60,031 | |
| FUND BALANCE | | | | | | |
| end of year | | \$ 13,034 | | | \$ 58,991 | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Group Health</u> | | | <u>Drug Forfeiture</u> | | |
|--|----------------------|--------------------------|---|------------------------|-------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ 204,500 | 200,769 | (3,731) | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | 4,069 | 4,190 | 121 | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | 6,300 | 5,427 | (873) |
| Interest on investments | - | 206 | 206 | 100 | 46 | (54) |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | 695 | 695 | - |
| | <u>208,569</u> | <u>205,165</u> | <u>(3,404)</u> | <u>7,095</u> | <u>6,168</u> | <u>(927)</u> |
| Total revenues | | | | | | |
| | <u>208,569</u> | <u>205,165</u> | <u>(3,404)</u> | <u>7,095</u> | <u>6,168</u> | <u>(927)</u> |
| EXPENDITURES - BUDGET UNIT | <u>361,000</u> | <u>316,219</u> | <u>44,781</u> | <u>27,029</u> | <u>14,477</u> | <u>12,552</u> |
| Revenues over (under) expenditures | <u>(152,431)</u> | <u>(111,054)</u> | <u>41,377</u> | <u>(19,934)</u> | <u>(8,309)</u> | <u>11,625</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | 175,000 | 171,250 | (3,750) | - | - | - |
| Transfers out | - | - | - | (1,000) | (1,000) | - |
| Sale of capital assets | - | - | - | 13,000 | - | (13,000) |
| Proceeds from long-term debt | - | - | - | - | - | - |
| | <u>175,000</u> | <u>171,250</u> | <u>(3,750)</u> | <u>12,000</u> | <u>(1,000)</u> | <u>(13,000)</u> |
| Total other financing sources | | | | | | |
| | <u>175,000</u> | <u>171,250</u> | <u>(3,750)</u> | <u>12,000</u> | <u>(1,000)</u> | <u>(13,000)</u> |
| Revenues and other sources over (under) expenditures | <u><u>22,569</u></u> | <u>60,196</u> | <u><u>37,627</u></u> | <u><u>(7,934)</u></u> | <u>(9,309)</u> | <u><u>(1,375)</u></u> |
| FUND BALANCE | | | | | | |
| beginning of year | | <u>124,435</u> | | | <u>29,417</u> | |
| FUND BALANCE | | | | | | |
| end of year | | <u><u>\$ 184,631</u></u> | | | <u><u>\$ 20,108</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Building Code Enforcement</u> | | | <u>Lighting Districts</u> | | |
|--|----------------------------------|-------------------------|---|---------------------------|--------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | 89,010 | 89,369 | 359 |
| Licenses and permits | 81,150 | 81,802 | 652 | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | - | 140 | 140 | - | 405 | 405 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | 8 | 8 | - | - | - |
| Total revenues | <u>81,150</u> | <u>81,950</u> | <u>800</u> | <u>89,010</u> | <u>89,774</u> | <u>764</u> |
| EXPENDITURES - BUDGET UNIT | <u>37,093</u> | <u>17,476</u> | <u>19,617</u> | <u>76,085</u> | <u>74,437</u> | <u>1,648</u> |
| Revenues over (under) expenditures | <u>44,057</u> | <u>64,474</u> | <u>20,417</u> | <u>12,925</u> | <u>15,337</u> | <u>2,412</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (15,000) | (8,000) | 7,000 | - | - | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | <u>(15,000)</u> | <u>(8,000)</u> | <u>7,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u><u>29,057</u></u> | <u>56,474</u> | <u><u>27,417</u></u> | <u><u>12,925</u></u> | <u>15,337</u> | <u><u>2,412</u></u> |
| FUND BALANCE | | | | | | |
| beginning of year | | <u>23,854</u> | | | <u>121,907</u> | |
| FUND BALANCE | | | | | | |
| end of year | | <u><u>\$ 80,328</u></u> | | | <u><u>\$ 137,244</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Victim's Advocate</u> | | | <u>Police Training</u> | | |
|---|--------------------------|--------------------|---|------------------------|-------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | 11,000 | 9,115 | (1,885) | - | - | - |
| Interest on investments | - | - | - | 100 | 106 | 6 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | <u>11,000</u> | <u>9,115</u> | <u>(1,885)</u> | <u>100</u> | <u>106</u> | <u>6</u> |
| EXPENDITURES - BUDGET UNIT | <u>11,000</u> | <u>9,115</u> | <u>1,885</u> | <u>31,050</u> | <u>29,088</u> | <u>1,962</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,950)</u> | <u>(28,982)</u> | <u>1,968</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | 10,000 | 10,000 | - |
| Transfers out | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u><u>-</u></u> | <u>-</u> | <u><u>-</u></u> | <u><u>(20,950)</u></u> | <u>(18,982)</u> | <u><u>1,968</u></u> |
| FUND BALANCE beginning of year | | <u>-</u> | | | <u>46,872</u> | |
| FUND BALANCE end of year | | <u><u>\$ -</u></u> | | | <u><u>\$ 27,890</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | Gas Tax | | |
|---|----------------|------------------|---|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | |
| Taxes | \$ - | - | - |
| Special assessments | - | - | - |
| Licenses and permits | - | 100 | 100 |
| Intergovernmental | 125,844 | 125,845 | 1 |
| Charges for services | - | - | - |
| Fines and forfeitures | - | - | - |
| Interest on investments | 50 | 10 | (40) |
| Loan repayment | - | - | - |
| Other | - | - | - |
| | <u>125,894</u> | <u>125,955</u> | <u>61</u> |
| EXPENDITURES - BUDGET UNIT | <u>125,540</u> | <u>110,589</u> | <u>14,951</u> |
| Revenues over (under) expenditures | <u>354</u> | <u>15,366</u> | <u>15,012</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | - | - |
| Transfers out | (5,000) | (2,000) | 3,000 |
| Sale of capital assets | - | - | - |
| Proceeds from long-term debt | - | - | - |
| | <u>(5,000)</u> | <u>(2,000)</u> | <u>3,000</u> |
| Revenues and other sources over (under) expenditures | <u>(4,646)</u> | <u>13,366</u> | <u>18,012</u> |
| FUND BALANCE beginning of year | | <u>2,575</u> | |
| FUND BALANCE end of year | | <u>\$ 15,941</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Crime Control - DARE</u> | | | <u>Impact Fees</u> | | |
|---|-----------------------------|------------------------|---|----------------------|--------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | 100,000 | 210,425 | 110,425 |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | - | 20 | 20 | - | 1,260 | 1,260 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>-</u> | <u>20</u> | <u>20</u> | <u>100,000</u> | <u>211,685</u> | <u>111,685</u> |
| EXPENDITURES - BUDGET UNIT | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>20</u> | <u>20</u> | <u>100,000</u> | <u>211,685</u> | <u>111,685</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | (30,000) | - | 30,000 |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,000)</u> | <u>-</u> | <u>30,000</u> |
| Revenues and other sources over (under) expenditures | <u><u>-</u></u> | <u>20</u> | <u><u>20</u></u> | <u><u>70,000</u></u> | <u>211,685</u> | <u><u>141,685</u></u> |
| FUND BALANCE | | | | | | |
| beginning of year | | <u>6,552</u> | | | <u>310,439</u> | |
| FUND BALANCE | | | | | | |
| end of year | | <u><u>\$ 6,572</u></u> | | | <u><u>\$ 522,124</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>CTEP</u> | | | <u>DUI Task Force</u> | | |
|---|-----------------|-------------------------|---|-----------------------|------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | - | 40 | 40 | - | 3 | 3 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>-</u> | <u>40</u> | <u>40</u> | <u>-</u> | <u>3</u> | <u>3</u> |
| EXPENDITURES - BUDGET UNIT | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>40</u> | <u>40</u> | <u>-</u> | <u>3</u> | <u>3</u> |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures | <u><u>-</u></u> | <u>40</u> | <u><u>40</u></u> | <u><u>-</u></u> | <u>3</u> | <u><u>3</u></u> |
| FUND BALANCE beginning of year | | <u>13,179</u> | | | <u>1,258</u> | |
| FUND BALANCE end of year | | <u><u>\$ 13,219</u></u> | | | <u><u>\$ 1,261</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | Public Safety Mill | | | VFD Relief Association | | |
|--|--------------------|-----------|------------------------------------|------------------------|------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes | \$ 383,300 | 391,570 | 8,270 | \$ 114,800 | 112,658 | (2,142) |
| Special assessments | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | 16,100 | 16,911 | 811 |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest on investments | 300 | 169 | (131) | 1,000 | 1,431 | 431 |
| Loan repayment | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenues | 383,600 | 391,739 | 8,139 | 131,900 | 131,000 | (900) |
| EXPENDITURES - BUDGET UNIT | 393,754 | 369,836 | 23,918 | - | - | - |
| Revenues over (under) expenditures | (10,154) | 21,903 | 32,057 | 131,900 | 131,000 | (900) |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | (25,000) | (25,000) | - | (45,000) | (45,000) | - |
| Sale of capital assets | - | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - | - |
| Total other financing sources | (25,000) | (25,000) | - | (45,000) | (45,000) | - |
| Revenues and other sources over (under) expenditures | (35,154) | (3,097) | 32,057 | 86,900 | 86,000 | (900) |
| FUND BALANCE | | | | | | |
| beginning of year | | 99,970 | | | 440,629 | |
| FUND BALANCE | | | | | | |
| end of year | | \$ 96,873 | | | \$ 526,629 | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | Street Maintenance | | |
|---|---------------------------|---------------|---|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | |
| Taxes | \$ - | - | - |
| Special assessments | 137,975 | 124,514 | (13,461) |
| Licenses and permits | - | 87 | 87 |
| Intergovernmental | - | - | - |
| Charges for services | - | 1,250 | 1,250 |
| Fines and forfeitures | - | - | - |
| Interest on investments | 1,050 | 1,614 | 564 |
| Loan repayment | - | - | - |
| Other | - | - | - |
| | - | - | - |
| Total revenues | 139,025 | 127,465 | (11,560) |
| EXPENDITURES - BUDGET UNIT | 152,000 | 76,171 | 75,829 |
| Revenues over (under) expenditures | (12,975) | 51,294 | 64,269 |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Sale of capital assets | - | - | - |
| Proceeds from long-term debt | - | - | - |
| | - | - | - |
| Total other financing sources | - | - | - |
| Revenues and other sources over (under) expenditures | (12,975) | 51,294 | 64,269 |
| FUND BALANCE beginning of year | | 496,376 | |
| FUND BALANCE end of year | | \$ 547,670 | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Total Special Revenue Funds</u> | | |
|---|------------------------------------|----------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | |
| Taxes | \$ 1,097,466 | 1,125,915 | 28,449 |
| Special assessments | 226,985 | 213,883 | (13,102) |
| Licenses and permits | 82,850 | 83,739 | 889 |
| Intergovernmental | 548,023 | 527,744 | (20,279) |
| Charges for services | 121,180 | 233,648 | 112,468 |
| Fines and forfeitures | 22,100 | 19,685 | (2,415) |
| Interest on investments | 2,800 | 6,380 | 3,580 |
| Loan repayment | - | - | - |
| Other | 73,585 | 75,032 | 1,447 |
| Total revenues | <u>2,174,989</u> | <u>2,286,026</u> | <u>111,037</u> |
| EXPENDITURES - BUDGET UNIT | <u>2,181,538</u> | <u>1,893,574</u> | <u>287,964</u> |
| Revenues over (under) expenditures | <u>(6,549)</u> | <u>392,452</u> | <u>399,001</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 388,000 | 353,000 | (35,000) |
| Transfers out | (220,000) | (180,000) | 40,000 |
| Sale of capital assets | 13,000 | - | (13,000) |
| Proceeds from long-term debt | - | - | - |
| Total other financing sources | <u>181,000</u> | <u>173,000</u> | <u>(8,000)</u> |
| Revenues and other sources over (under) expenditures | <u><u>174,451</u></u> | <u>565,452</u> | <u><u>391,001</u></u> |
| FUND BALANCE beginning of year | | <u>2,065,749</u> | |
| FUND BALANCE end of year | | <u><u>\$ 2,631,201</u></u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS
Year Ended June 30, 2014

| | <u>G.O. Bond - S.I.D. Library Expansion</u> | | |
|--|---|------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| REVENUES | | | |
| Taxes | \$ 52,300 | 51,259 | (1,041) |
| Special assessments | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Interest on investments | - | 89 | 89 |
| Other | - | - | - |
| | <u>52,300</u> | <u>51,348</u> | <u>(952)</u> |
| Total revenue | | | |
| EXPENDITURES | | | |
| Current - General government | - | - | - |
| Debt service | | | |
| Principal | 25,000 | 25,000 | - |
| Interest and fiscal fees | <u>14,295</u> | <u>14,245</u> | <u>50</u> |
| | <u>39,295</u> | <u>39,245</u> | <u>50</u> |
| Total expenditures | | | |
| Revenues over (under) expenditures | <u>13,005</u> | <u>12,103</u> | <u>(902)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | - | - | - |
| Proceeds of long-term debt | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>13,005</u> | 12,103 | <u>(902)</u> |
| FUND BALANCE beginning of year | | <u>15,532</u> | |
| FUND BALANCE end of year | | <u>\$ 27,635</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | S.I.D. Revolving | | | S.I.D. 54 | | |
|--|------------------|------------|------------------------------------|-----------|---------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Interest on investments | - | 1,649 | 1,649 | - | - | - |
| Other | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total revenue | - | 1,649 | 1,649 | - | - | - |
| EXPENDITURES | | | | | | |
| Current - General government | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Revenues over (under) expenditures | - | 1,649 | 1,649 | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers out | - | (39,159) | (39,159) | (1,000) | (1,000) | - |
| Proceeds of long-term debt | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total other financing sources (uses) | - | (39,159) | (39,159) | (1,000) | (1,000) | - |
| | - | (39,159) | (39,159) | (1,000) | (1,000) | - |
| Revenues and other sources over (under) expenditures and other uses | - | (37,510) | (37,510) | (1,000) | (1,000) | - |
| | - | (37,510) | (37,510) | (1,000) | (1,000) | - |
| FUND BALANCE beginning of year | | 579,799 | | | 1,000 | |
| FUND BALANCE end of year | | \$ 542,289 | | | \$ - | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>S.I.D. 72</u> | | | <u>S.I.D. 73</u> | | |
|---|------------------|----------------|---|------------------|-----------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Interest on investments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | | | |
| Current - General government | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | 8,525 | 8,525 | - | - | - |
| Operating transfers out | - | - | - | (16,024) | (16,024) | - |
| Proceeds of long-term debt | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>8,525</u> | <u>8,525</u> | <u>(16,024)</u> | <u>(16,024)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>-</u> | <u>8,525</u> | <u>8,525</u> | <u>(16,024)</u> | <u>(16,024)</u> | <u>-</u> |
| FUND BALANCE | | | | | | |
| beginning of year | | <u>(8,525)</u> | | | <u>16,024</u> | |
| FUND BALANCE | | | | | | |
| end of year | | <u>\$ -</u> | | | <u>\$ -</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | S.I.D. 75 | | | S.I.D. 76 | | |
|--|-----------|----------|------------------------------------|-----------|----------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | 189 | 189 | 6,700 | 6,624 | (76) |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Interest on investments | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total revenue | - | 189 | 189 | 6,700 | 6,624 | (76) |
| EXPENDITURES | | | | | | |
| Current - General government | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - |
| Revenues over (under) expenditures | - | 189 | 189 | 6,700 | 6,624 | (76) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | 30,634 | 30,634 | - | - | - |
| Operating transfers out | - | - | - | (30,517) | (30,517) | - |
| Proceeds of long-term debt | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 30,634 | 30,634 | (30,517) | (30,517) | - |
| Revenues and other sources over (under) expenditures and other uses | - | 30,823 | 30,823 | (23,817) | (23,893) | (76) |
| FUND BALANCE beginning of year | | (30,823) | | | 30,517 | |
| FUND BALANCE end of year | | \$ - | | | \$ 6,624 | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Sidewalk Revolving</u> | | Variance Positive (Negative) |
|--|---------------------------|-----------------|---|
| | <u>Budget</u> | <u>Actual</u> | |
| REVENUES | | | |
| Taxes | \$ - | - | - |
| Special assessments | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Interest on investments | - | - | - |
| Other | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | |
| Current - General government | - | - | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest and fiscal fees | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | (21,697) | (21,697) | - |
| Proceeds of long-term debt | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(21,697)</u> | <u>(21,697)</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>(21,697)</u> | (21,697) | <u>-</u> |
| FUND BALANCE beginning of year | | <u>21,697</u> | |
| FUND BALANCE end of year | | <u>\$ -</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Total Debt Service Funds</u> | | |
|--|---------------------------------|-------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | |
| Taxes | \$ 52,300 | 51,259 | (1,041) |
| Special assessments | 6,700 | 6,813 | 113 |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Interest on investments | - | 1,738 | 1,738 |
| Other | - | - | - |
| | <u>59,000</u> | <u>59,810</u> | <u>810</u> |
| EXPENDITURES | | | |
| Current - General government | - | - | - |
| Debt service | | | |
| Principal | 25,000 | 25,000 | - |
| Interest and fiscal fees | 14,295 | 14,245 | 50 |
| | <u>39,295</u> | <u>39,245</u> | <u>50</u> |
| | | | |
| Revenues over (under) expenditures | <u>19,705</u> | <u>20,565</u> | <u>860</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 39,159 | 39,159 |
| Operating transfers out | (69,238) | (108,397) | (39,159) |
| Proceeds of long-term debt | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| Total other financing sources (uses) | <u>(69,238)</u> | <u>(69,238)</u> | <u>-</u> |
| | | | |
| Revenues and other sources over (under) expenditures and other uses | <u>(49,533)</u> | (48,673) | <u>860</u> |
| FUND BALANCE | | | |
| beginning of year | | <u>625,221</u> | |
| FUND BALANCE | | | |
| end of year | | <u>\$ 576,548</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECT FUNDS
Year Ended June 30, 2014

| | <u>General Improvements</u> | | | <u>Library Improvements</u> | | |
|--|-----------------------------|------------------|---|-----------------------------|-----------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Interest on investments | - | 193 | 193 | - | 28 | 28 |
| Other | - | - | - | - | - | - |
| Total revenue | <u>-</u> | <u>193</u> | <u>193</u> | <u>-</u> | <u>28</u> | <u>28</u> |
| EXPENDITURES | | | | | | |
| Current - General government | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>193</u> | <u>193</u> | <u>-</u> | <u>28</u> | <u>28</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - | - |
| Proceeds of long-term debt | - | - | - | 4,589 | 4,589 | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,589</u> | <u>4,589</u> | <u>-</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>-</u> | <u>193</u> | <u>193</u> | <u>4,589</u> | <u>4,617</u> | <u>28</u> |
| FUND BALANCE beginning of year | | <u>63,276</u> | | | <u>4,434</u> | |
| FUND BALANCE end of year | | <u>\$ 63,469</u> | | | <u>\$ 9,051</u> | |

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECT FUNDS (CONTINUED)
Year Ended June 30, 2014

| | <u>Fire Department Improvements</u> | | | <u>Total Capital Project Funds</u> | | |
|--|-------------------------------------|------------------|---|------------------------------------|------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | \$ - | - | - |
| Special assessments | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Interest on investments | - | 58 | 58 | - | 279 | 279 |
| Other | - | - | - | - | - | - |
| Total revenue | <u>-</u> | <u>58</u> | <u>58</u> | <u>-</u> | <u>279</u> | <u>279</u> |
| EXPENDITURES | | | | | | |
| Current - General government | 330,000 | 304,000 | 26,000 | 330,000 | 304,000 | 26,000 |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - | - |
| Total expenditures | <u>330,000</u> | <u>304,000</u> | <u>26,000</u> | <u>330,000</u> | <u>304,000</u> | <u>26,000</u> |
| Revenues over (under) expenditures | <u>(330,000)</u> | <u>(303,942)</u> | <u>26,058</u> | <u>(330,000)</u> | <u>(303,721)</u> | <u>26,279</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - | - |
| Proceeds of long-term debt | 330,000 | 304,008 | (25,992) | 334,589 | 308,597 | (25,992) |
| Total other financing sources (uses) | <u>330,000</u> | <u>304,008</u> | <u>(25,992)</u> | <u>334,589</u> | <u>308,597</u> | <u>(25,992)</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>-</u> | <u>66</u> | <u>66</u> | <u>4,589</u> | <u>4,876</u> | <u>287</u> |
| FUND BALANCE beginning of year | | <u>20,733</u> | | | <u>88,443</u> | |
| FUND BALANCE end of year | | <u>\$ 20,799</u> | | | <u>\$ 93,319</u> | |

See the Independent Auditors' Report.

PART III

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS



**INDEPENDENT AUDITORS' 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***

Honorable Mayor, City Commissioners, and City Manager of the
City of Belgrade, Montana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belgrade, Montana (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 17, 2015.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2014-C1).

We noted certain matters that we reported to management of the City in a separate letter dated February 17, 2015.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended 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 the 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.

Amatics CPA Group
Bozeman, Montana
February 17, 2015

**CITY OF BELGRADE MONTANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-C1

Criteria: In accordance with MCA 7-6-207(2), the governing body shall accept and approve and make a complete minute entry of the acceptance and approval of pledged securities at least quarterly.

Condition: Based on our inquiry and review of Commission meeting minutes, it appears the City Commission has not been accepting and approving the pledged securities on at least a quarterly basis.

Effect: The City is out of compliance with MCA pledged securities requirements.

Cause: The City was approving the pledged securities for the first part of the current fiscal year, then stopped doing so after the approval of the pledged securities for the quarter ended September 30, 2013.

Recommendation: The City Commission should record a complete minute entry of the acceptance and approval of the pledged securities at least quarterly.

Response: The City works hard to comply with all state and federal laws and requirements. Unfortunately, a recurring item to accept and approve the City's investments did not get placed on the annual calendar used to prepare the City Council's agendas and a minute entry of acceptance was not made to accept and approve the City's investments in 2014.

The City during that time had been using the same depository and repurchase agreement backed by appropriate governmental securities.

As soon as the auditors made us aware of the issue, the item was placed on the agenda for the next regular meeting and an agenda reminder calendared.

**CITY OF BELGRADE MONTANA
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2014**

The results of our tests disclosed the following instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, which were required to be reported under *Government Auditing Standards* as of June 30, 2013.

2013-C1 Criteria: In accordance with MCA 7-6-4030, the governing body's final budget must be balanced so that appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

Condition: The following funds were budgeted for deficit spending (appropriations in excess of the projected beginning balance plus the estimated revenue):

| Fund | Budgeted deficit |
|---------------------------------------|------------------|
| PERS special revenue fund | \$174,954 |
| Library capital improvements | \$63,533 |
| SID 75 debt service fund | \$37,677 |
| Victims Advocate special revenue fund | \$6,000 |

Effect: The City is out of compliance with MCA budget requirements.

Cause: The City did not amend the formally adopted budget to balance the funds' budgets. There were revenue sources in the PERS fund (on-behalf payments), Library capital improvements fund (proceeds from long-term debt), and Victims Advocate fund (pass through monies) which were not reflected in the budgets.

Recommendation: The City should monitor budgeted spending and make appropriate amendments to ensure each fund's final budget is balanced so appropriations do not exceed the projected beginning balance plus the estimated revenue of the fund for the fiscal year.

Status: Only one fund was budgeted for deficit spending and the amount was immaterial. This finding has been noted in the management letter for fiscal year 2014.



February 17, 2015

To the Honorable Mayor, City Commissioners, and City Manager of the
City of Belgrade, 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 Belgrade, Montana for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards

As stated in our engagement letter dated October 21, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the City's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with such provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 11, 2014.

Significant Audit Findings

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 of Belgrade are described in Note 1 to the financial statements. Under GASB Statement No. 65, new accounting policies for items previously reported as assets and liabilities were adopted during the fiscal year ended June 30, 2014. The application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



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 estimate affecting the financial statements was:

Management's estimate of the capital assets' useful lives, potential impairments, and depreciation are estimates. We evaluated the key factors and assumptions used to develop the estimates in determining that the capital asset balance 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 summary of significant accounting policies and the disclosure of annual debt service requirements for long-term debt.

The disclosures in the financial statements are neutral, consistent and clear

Difficulties Encountered in Performing the Audit

We are pleased to report that we encountered no difficulties 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. All adjusting journal entries proposed by us were subsequently recorded by management. Refer to the attachment to this letter for a detailed listing of the adjusting journal entries.

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 auditors' 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 February 17, 2015.

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 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 audit standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedule of Funding Progress – OPEB, and Budgetary Comparison Schedules for the General Fund and major special revenue funds, 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 RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and budgetary comparison information, which accompany the basic 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.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Current Year Findings

- I. Criteria: In accordance with MCA 7-6-4030, the governing body’s final budget must be balanced so that appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

Condition: The following fund was budgeted for deficit spending (appropriations in excess of the projected beginning balance plus the estimated revenue):

| <u>Fund</u> | <u>Budgeted deficit</u> |
|------------------------------|-------------------------|
| Gas tax special revenue fund | \$2,071 |

Effect: The City is immaterially out of compliance with MCA budget requirements.

Cause: The City did not adopt budget resolutions to bring the fund’s budget in balance so that appropriations did not exceed the projected beginning balance plus the estimated revenue of the fund.

Recommendation: The City should monitor budgeted spending and make appropriate amendments to ensure each fund’s final budget is balanced so appropriations do not exceed the projected beginning balance plus the estimated revenue of the fund for the fiscal year.

Response: The City will more closely monitor budgeted spending to insure appropriations do not exceed the projected beginning balance plus the estimated revenue for each of its funds and make appropriate budget amendments when required.

Prior Year Observations and Current Status

- I. Criteria: Per MCA 15-10-420, the Determination of Tax Revenue and Mill Levy Limitations calculation should begin with the ad valorem tax revenue authorized to be assessed from the prior year.

Condition: The beginning number used by the City in calculating the rural planning current levy was incorrect due to an error from the prior year (see finding II below).

Effect: The calculation of the authorized mill levy for the current fiscal year for rural planning was incorrect and the City levied 0.05 mills (approximately \$1,050) more than the correct computation would have allowed.

Cause: The authorized mill levy for rural planning was not correctly calculated due to a carryover error from the prior year.

Recommendation: The City should work with the Montana Department of Administration to calculate the number of mills that will carry forward to next year's budget.

Status: The authorized mill levy for rural planning was correctly calculated for the current year.

- II. Criteria: Per MCA 15-10-420, the Determination of Tax Revenue and Mill Levy Limitations current year levy computation should include the taxable value per mill from the appropriate certified taxable valuation information.

Condition: In calculating the city planning current year levy, the City used the rural planning taxable value per mill.

Effect: The calculation of the city planning authorized mill levy was incorrect. Due to this error, the City had 1.46 mills (approximately \$16,000) that could have been levied and were not. These mills are carried forward to be levied in a future year.

Cause: The authorized mill levy for city planning was not correctly calculated.

Recommendation: The City should work with the Montana Department of Administration to adjust the number of mills that will carry forward to next year's budget for the city planning mill levy calculation.

Status: The authorized mill levy for city planning was correctly calculated for the current year.

Restriction of Use

This information is intended solely for the use of management, the Mayor, City Manager, City Commission and the Montana Department of Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Amatics CPA Group

Attachment

**CITY OF BELGRADE
JUNE 30, 2014 AUDIT**

PROPOSED ADJUSTING JOURNAL ENTRIES

| Fund | Account | Debit | Credit | Book or Pass |
|-------------|--|--------------|---------------|---------------------|
| Sewer | 231310 Bond Payable SRF \$1,058,000 | | 26,000 | Book |
| Sewer | 231312 Bond Payable SRF \$1,512,000 | 26,000 | | |
| | <i>[To correct sewer bonds payable balances for refinance amount.]</i> | | | |
| General | 122100 Accounts Receivable | | 31,139 | Book |
| General | 223000 Deferred Rev | 31,139 | | |
| | <i>[To adjust court receivables and deferred revenue.]</i> | | | |

CITY OF BELGRADE
STATEMENT OF NET POSITION - CONVERSION WORKSHEET
JUNE 30, 2014

| | Total Governmental Funds | Dr. (Cr) Adjustments | Dr. (Cr) Reclassifications | Total Governmental Activities |
|--|---|---------------------------------|---------------------------------------|--|
| ASSETS | | | | |
| Cash and investments | \$ 5,607,156 | - | (1) | \$ 5,607,156 |
| Restricted cash and investments | 218,753 | | | 218,753 |
| Receivables, net | 4,369,879 | - | (1) | 4,369,879 |
| Inventories | - | | | - |
| Seized property | 8,535 | | | 8,535 |
| Fiduciary receivable | | | 10,401 (A) | 10,401 |
| Deferred charges | - | - | (12) | - |
| Internal balances | 10,401 | (1) | (10,401) (A) | - |
| Capital assets (Note 1): | | | | |
| Land and construction in progress | - | 322,196 | (2) | 322,196 |
| Other capital assets, net of depreciation | - | - | (1) | 3,679,553 |
| | - | 4,503,648 | (2) | - |
| | - | (824,095) | (8) | - |
| Total assets | <u>\$ 10,214,724</u> | | | <u>\$ 14,216,473</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 6,586 | - | (1) | \$ 6,586 |
| Due to other governments | - | | | - |
| Due to other city funds | - | | - | - |
| Fiduciary fund payable | | | - | - |
| Compensated absences payable | | | (43,000) (C) | 43,000 |
| Advances | 636,133 | 617,087 | (5) | - |
| | | 1,025 | (7) | |
| | | 18,021 | (9) | |
| Current portion long-term debt | - | (225,799) | (10) | 225,799 |
| Long-term liabilities (Note 2) | | | | - |
| Compensated absences | | - | (1) | 218,125 |
| | | (224,804) | (3) | |
| | | (36,321) | (11) | |
| Due in more than one year | | (3,582,962) | (3) | 3,595,417 |
| | | (12,455) | (10) | |
| Unamortized discount | | - | (10) | - |
| Other post-employment health benefits | | (51,219) | (13) | 66,036 |
| | | (14,817) | (3) | |
| Total liabilities | <u>642,719</u> | | | <u>4,154,963</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of tax revenues | 180,496 | 180,496 | (4) | - |
| Deferred outflows of special assessments | 3,451,825 | 3,451,825 | (6) | - |
| Total deferred outflows | <u>3,632,321</u> | | | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | - | | (180,533) (F) | 180,533 |
| Nonspendable | - | | | - |
| Restricted | 3,070,237 | | 3,070,237 (F) | - |
| General Government | - | | (416,102) (F) | 416,102 |
| Public Safety | - | | (779,815) (F) | 779,815 |
| Public Works | - | | (1,236,198) (F) | 1,236,198 |
| Public Welfare | - | | - | - |
| Culture and Recreation | - | | (49,264) (F) | 49,264 |
| Housing and Comm Dev | - | | - | - |
| Other | - | | - | - |
| Restricted for capital purchase - library donations | | | (12,310) (F) | 12,310 |
| Restricted for debt service | | - | (4,030,315) (F) | 4,030,315 |
| Committed | 1,757,161 | | 1,757,161 (F) | - |
| Assigned | 771,485 | | 771,485 (F) | - |
| Unassigned | 340,801 | | 340,801 (F) | - |
| Unrestricted | - | (4,121,826) | 764,853 (F) | 3,356,973 |
| Total net position | <u>5,939,684</u> | | | <u>10,061,510</u> |
| Total liabilities, deferred outflows, and net position | <u>\$ 10,214,724</u> | | | <u>\$ 14,216,473</u> |

CITY OF BELGRADE
STATEMENT OF ACTIVITIES - CONVERSION WORKSHEET
JUNE 30, 2014

| | <u>Total Governmental Funds</u> | <u>Dr. (Cr) Adjustments</u> | <u>Dr. (Cr) Reclassifications</u> | <u>Total Governmental Activities</u> |
|---------------------------------------|---|---------------------------------|---------------------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 2,109,633 | 7,492 (4) | | \$ 2,102,141 |
| Special assessments | 562,261 | 3,148 (7) | 376,439 (E) | - |
| | | 182,674 (6) | | |
| Licenses and permits | 203,815 | | 203,815 (E) | - |
| Intergovernmental | 1,227,631 | | 1,227,631 (G) | - |
| Grants and cont - unrestricted | | | (842,605) (G) | 842,605 |
| Operating grants and cont | | | (362,001) (G) | 362,001 |
| Capital grants and cont | | | (23,025) (G) | 23,025 |
| Charges for services | 241,411 | | (712,948) (E) | 954,359 |
| Fines and forfeitures | 135,043 | 2,349 (9) | 132,694 (E) | - |
| Interest on investments | 15,874 | | | 15,874 |
| Loan repayment | 102,767 | 102,767 (5) | | - |
| Other | 84,667 | | | 84,667 |
| Donated infrastructure | - | | | - |
| Total revenues | <u>4,683,102</u> | | | <u>4,384,672</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 646,136 | 90,505 (8) | | 753,266 |
| | | 9,338 (11) | | |
| | | 7,287 (13) | | |
| Public safety | 2,268,369 | 122,919 (8) | | 2,449,021 |
| | | 23,318 (11) | | |
| | | 34,415 (13) | | |
| Public works | 168,602 | 522,362 (8) | | 692,231 |
| | | (159) (11) | | |
| | | 1,426 (13) | | |
| Public welfare | 57,399 | 1,084 (13) | | 59,554 |
| | | 1,071 (11) | | |
| | | - | (8) | |
| Culture and recreation | 418,284 | 2,058 (11) | | 515,174 |
| | | 88,309 (8) | | |
| | | 6,523 (13) | | |
| Housing and Comm Develop | 107,994 | (38,584) (5) | | 70,589 |
| | | - | (8) | |
| | | 695 (11) | | |
| | | 484 (13) | | |
| Other | 4,372 | 85,806 (12) | | 90,178 |
| Capital outlay | 464,277 | (464,277) (2) | | - |
| Debt service | | | | |
| Principal payments | 70,343 | (70,343) (10) | | - |
| Interest and fiscal fees | 149,500 | - | (10) | 149,500 |
| Total expenditures | <u>4,355,276</u> | | | <u>4,779,513</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 491,397 | | 310,397 (D) | 181,000 |
| Operating transfers out | (310,397) | | (310,397) (D) | - |
| Discount on bonds | - | - | (10) | - |
| Proceeds of long-term debt | 308,597 | 308,597 (10) | | - |
| Sale of fixed assets | - | | | - |
| Donated infrastructure | - | - | (2) | - |
| Total other financing sources (uses) | <u>489,597</u> | | | <u>181,000</u> |
| Net change in fund balances | 817,423 | | | (213,841) |
| FUND BALANCE - | | | | |
| beginning of year | <u>5,122,261</u> | (5,153,090) | | <u>10,275,351</u> |
| FUND BALANCE - | | | | |
| end of year | <u>\$ 5,939,684</u> | | | <u>\$ 10,061,510</u> |

CITY OF BELGRADE
ADJUSTING JOURNAL ENTRIES
JUNE 30, 2014

| Adjusting Entry Number | Account | Debit | Credit |
|---------------------------|--|-----------|-----------|
| (2) | Land and construction in progress | 322,196 | |
| | Other capital assets, net of depreciation | 4,503,648 | |
| | Capital asset expenditures | | 464,277 |
| | Donated infrastructure | | - |
| | Net position - beginning | | 4,361,567 |
| | To record capital assets and to capitalize capital asset expenditures. | | |
| (3) | Net position - beginning | 3,822,583 | |
| | Other post-employment health benefits | | 14,817 |
| | Long-term debt - Due in more than one year | | 3,582,962 |
| | Long-term compensated absences | | 224,804 |
| | To record beginning balance in long-term liabilities. | | |
| (4) | Deferred inflows of tax revenues | 180,496 | |
| | Net position - beginning | | 187,988 |
| | Property tax revenue | | (7,492) |
| | To adjust revenue based on modified accrual accounting in the fund financial statements to the accrual basis for the government-wide financial statements for property taxes. | | |
| (5) | Advances | 617,087 | |
| | Loan repayment revenue | 102,767 | |
| | Community development expenditure | | 38,584 |
| | Net position - beginning | | 681,270 |
| | To adjust revenue based on modified accrual accounting in the fund financial statements to the accrual basis for the government-wide financial statements for community loans. | | |
| (6) | Deferred inflows of special assessments | 3,451,825 | |
| | Special assessment revenue | 182,674 | |
| | Net position - beginning | | 3,634,499 |
| | To adjust revenue based on modified accrual accounting in the fund financial statements to the accrual basis for the government-wide financial statements for SID's. | | |
| (7) | Advances | 1,025 | |
| | Special assessment revenue | | (3,148) |
| | Net position - beginning | | 4,173 |
| | To adjust revenue based on modified accrual accounting in the fund financial statements to the accrual basis for the government-wide financial statements for lighting and street maintenance. | | |
| (8) | General government expenditure | 90,505 | |
| | Public safety expenditure | 122,919 | |
| | Public works expenditure | 522,362 | |
| | Culture and recreation | 88,309 | |
| | Housing and Comm Development | - | |
| | Other capital assets, net | | 824,095 |
| | To record depreciation expense and allocate to governmental activities. | | |

| | | | |
|------|--|---------|---------|
| (9) | Advances from customers | 18,021 | |
| | Fines and forfeitures | | (2,349) |
| | Net position - beginning | | 20,370 |
| | To adjust revenue based on modified accrual accounting in the fund financial statements to the accrual basis for the government-wide financial statements for Municipal Court fine receivable. | | |
| (10) | Capital debt issued other financing source | 308,597 | |
| | Debt service - principal expenditure | | 70,343 |
| | Long-term liabilities more than one year | | 12,455 |
| | Long-term liabilities less than one year | | 225,799 |
| | To adjust debt related other financing source and uses to zero and to adjust effect on long-term liabilities. | | |
| (11) | General Government Expenditures | 9,338 | |
| | Public Safety Expenditures | 23,318 | |
| | Public Works Expenditures | | 159 |
| | Public Welfare Expenditures | 1,071 | |
| | Culture and Recreation Expenditures | 2,058 | |
| | Housing and Community Development Expenditures | 695 | |
| | Long-term compensated absences | | 36,321 |
| | To adjust for change in compensated absences in current year. | | |
| (12) | Prepaid Expenses - Bond Issuance Costs | - | |
| | Net position - beginning | | 85,806 |
| | Other Expenditures | 85,806 | |
| | To write off remaining bond issuance costs. | | |
| (13) | General Government Expenditures | 7,287 | |
| | Public Safety Expenditures | 34,415 | |
| | Public Works Expenditures | 1,426 | |
| | Public Welfare Expenditures | 1,084 | |
| | Culture and Recreation Expenditures | 6,523 | |
| | Housing and Community Development Expenditures | 484 | |
| | Other post-employment health benefits | | 51,219 |
| | To accrue OPEB. | | |

CITY OF BELGRADE
RECLASSIFICATION JOURNAL ENTRIES
JUNE 30, 2014

| Reclassification Entry | Account | Debit | Credit |
|---------------------------|---|-----------|-----------|
| (A) | Internal balances | | 10,401 |
| | Due to other City funds | - | |
| | Fiduciary fund receivable | 10,401 | |
| | To reclassify for reporting purposes. | | |
| (C) | Long-term compensated absences payable | 43,000 | |
| | Compensated absences payable | | 43,000 |
| | To reclass current portion of long-term compensated absences payable. | | |
| (D) | Transfers in | 310,397 | |
| | Transfers out | | 310,397 |
| | To offset transfers and correct internal service transfers. | | |
| (E) | Fines and forfeitures revenues | 132,694 | |
| | Licenses and permits revenues | 203,815 | |
| | Special assessment revenues | 376,439 | |
| | Charges for services revenues | | 712,948 |
| | Reclass certain revenues into charges for services for reporting purposes. | | |
| (F) | Net investment in capital assets | | 180,533 |
| | Restricted net assets | 3,070,237 | |
| | Restricted for general government | | 416,102 |
| | Restricted for public safety | | 779,815 |
| | Restricted for public works | | 1,236,198 |
| | Restricted for public welfare | | - |
| | Restricted for culture and recreation | | 49,264 |
| | Restricted for housing and community development | | - |
| | Restricted for debt service | | 576,548 |
| | Restricted for capital purchase library donations | | 12,310 |
| | Restricted for debt service | | 3,453,767 |
| | Committed | 1,757,161 | |
| | Assigned | 771,485 | |
| | Unassigned | 340,801 | |
| | Unrestricted net position | 764,853 | |
| | To reclass to proper net asset categories. | | |
| (G) | Intergovernmental revenues | 1,227,631 | |
| | Unrestricted grants and contributions | | 842,605 |
| | Capital grants and contributions | | 23,025 |
| | Operating grants and contributions | | 362,001 |
| | To reclass grants to those restricted for operations and capital purchases. | | |