

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
Fiscal Year Ended June 30, 2014

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-6
Independent Auditor’s Report	7-8
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund Types	15
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund Types	16
Statement of Cash Flows – Proprietary Fund Types	17
Statement of Net Position – Fiduciary Fund Types	18
Notes to Financial Statements	19-37
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	38-39
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	40
Independent Auditor’s Report on Compliance and 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	41-42
Report on Prior Audit Recommendations	43

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2014

Gary R. Craft

Mayor

**CITY COUNCIL**

Sally Buckles  
Fritz Bieler  
Bettie Schlueter  
Gary Richardson

Council Member  
Council Member  
Council Member  
Council Member

**CITY OFFICIALS**

Steven Shapiro  
Dennis Giulio  
Diana Van Haecke  
Rick Streib  
Dennis Wortman

Attorney  
City Judge  
Clerk / Treasurer  
City Manager  
Public Works Director

**City of Boulder**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2014**

As management of the City of Boulder, Montana, we offer readers of the City of Boulder, Montana's financial statements, this narrative overview, and analysis of the financial activities of the City of Boulder for the fiscal year ending June 30, 2014. We encourage readers to consider the information presented in conjunction with accompanying notes to those financial statements.

**THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Boulder, Montana using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements distinguish functions of the City of Boulder that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety – police and fire, cultural and recreational services, economic development and public works. The business-type activities of the City include water, wastewater, and ambulance service.

**FUND FINANCIAL STATEMENTS**

Traditional users of the City's financial statements will find the fund financial statement presentation more familiar. With the implementation of GASB 34 the focus is now on major funds rather than fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria; 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e. governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**GOVERNMENTAL FUNDS**

**Governmental funds.** Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

**City of Boulder**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2014**

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes the fund balances.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (i.e. public safety, parks and recreation, roads and streets, etc.) and Gas Tax. These funds are considered to be major funds. Data from the other governmental funds is combined into single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in this report as well as in the supplemental sheets provided.

**Proprietary Funds.** The City maintains three types of proprietary funds or enterprise funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, wastewater (sewer) and ambulance. These funds are considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position over time may serve useful as an indicator of a government's financial position. The City's largest portion of net position reflects land, buildings, improvements other than buildings (main assets-water and sanitary sewer lines), equipment and vehicles, and infrastructure. These assets are used to provide services to the citizens of Boulder and are not available for future spending. The City's investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## **REPORTING THE CITY OF BOULDER AS A WHOLE**

This report includes the City of Boulder reported as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

**City of Boulder**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2014**

- A. The **Statement of Net Position** shows the “assets” (what is owned), “liabilities” (what is owed) and the “net position” (the resources that would remain if all obligations were settled) of the City of Boulder. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The **Statement of Activities**, A supplement sheet is attached to this report and shows the amounts of activity-specific and general City of Boulder revenues used to support the City of Boulders’ various functions.

The Statement of Net Position and the Statement of Activities are shown in one category (governmental) show the City of Boulder functions, including Public Safety, Public Health, Culture and Recreation, and Debt service.

**Reporting the City of Boulders’ Most Significant Funds**

The fund statements report balances and activities of the most significant or “major” funds separately and combine activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the City of Boulders’ operations, and the existence of legal budget requirements.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance show governmental funds, such as the general fund, special revenue funds (if any), and dept service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the City of Boulders’ activities.

Fund statements include a reconciliation of governmental fund statements to the City of Boulder statements. Most significant differences result from the use of different presentation bases. The City of Boulder statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the City of Boulder statements but not in the fund statements.

**Current-year results in comparison with the prior year**

The City of Boulder total net position increased \$526,124. Total net position were \$3,027,682.

**An analysis of the overall financial position**

The City’s government activities experienced an overall decrease in net position of \$32,991.

The business-type activities experienced an overall increase in net position of \$559,115.

The Boulder Sewer Fund had activity with the funding approved for the Wastewater Treatment Facility (WWTF) Project to include loans and grants.

**City of Boulder**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2014**

**An analysis of significant variations between original and final budget**

The sewer fund reported budget amendments to include the budget for the WWTF project. The WWTF project was approved in May, 2013 with the initial WWTF budget received in November, 2013.

**A description of significant capital asset and long-term activity**

Long-term debt activity includes SRF water bond, loan with local bank for millings project, loan with local bank for pool repairs, and an InterCap Loan for pool repairs. The SRF water bond was rewritten with a 2% interest rate. The loan will now be paid off in 2020.

**Currently**

The City of Boulder completed loan and grant applications for the improvements to construct a new wastewater treatment facility northwest of the existing facultative lagoons. Morrison-Maierle, Inc. reviewed the city information for finalizing the PER and reviewed the alternative analysis for the upgrades to the wastewater treatment facility. The City of Boulder was awarded two grants: TSEP for \$625,000; and, RRGL for \$100,000. The City of Boulder pursued options of either SRF or USDA/RD loan/grant to finance the remainder balance. In September, 2013 the City of Boulder agreed to finance through USDA/RD with the understanding water meters will need to be installed.

Progress has included the bid advertisements for both the wastewater treatment plant and collection system upgrades and the installation of water meters throughout the City. Swank Enterprises has been awarded the bid with the construction expected to begin in October, 2014. Bullock Contracting has been awarded the bid for the installation of the water meters. Notice to proceed has not been finalized at this time.

**City of Boulder**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2014**

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
Current and other assets	\$ 462,798	\$ 468,200	\$ (5,402)	\$ 892,342	\$ 827,260	\$ 65,082
Capital assets	488,000	539,515	(51,515)	2,029,345	1,585,852	443,493
Total assets	\$ 950,798	\$ 1,007,715	\$ (56,917)	\$ 2,921,687	\$ 2,413,112	\$ 508,575
Long-term debt outstanding	\$ 185,483	\$ 213,209	\$ (27,726)	\$ 637,472	\$ 690,725	\$ (53,253)
Other liabilities	7,788	3,988	3,800	14,060	11,347	2,713
Total liabilities	\$ 193,271	\$ 217,197	\$ (23,926)	\$ 651,532	\$ 702,072	\$ (50,540)
Invested in capital assets, net of debt	\$ 371,524	\$ 393,604	\$ (22,080)	\$ 1,482,335	\$ 977,852	\$ 504,483
Restricted	257,266	275,355	(18,089)	54,420	142,220	(87,800)
Unrestricted (deficit)	128,737	121,559	7,178	733,400	590,968	142,432
Total net position	\$ 757,527	\$ 790,518	\$ (32,991)	\$ 2,270,155	\$ 1,711,040	\$ 559,115

**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	FY14	FY13	Change	FY14	FY13	Change
			Inc (Dec)			Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 49,598	\$ 43,347	\$ 6,251	\$ 712,984	\$ 621,672	\$ 91,312
Operating grants and contributions	33,084	33,732	(648)	-	-	-
Capital grants and contributions	-	-	-	385,050	-	385,050
<i>General revenues (by major source):</i>						
Property taxes for general purposes	183,236	183,403	(167)	-	-	-
Licenses and permits	4,827	9,121	(4,294)	-	-	-
Miscellaneous	4,698	2,058	2,640	108	1,607	(1,499)
Interest/investment earnings	2,434	3,797	(1,363)	883	66	817
Local option taxes	64,750	62,672	2,078	-	-	-
Unrestricted federal/state shared revenues	151,709	145,091	6,618	-	-	-
Contributions & donations	2,184	1,298	886	710	630	80
Total revenues	\$ 496,520	\$ 484,519	\$ 12,001	\$ 1,099,735	\$ 623,975	\$ 475,760
<b>Program expenses</b>						
General government	\$ 136,913	\$ 137,854	\$ (941)			
Public safety	157,301	140,849	16,452			
Public works	139,321	71,718	67,603			
Public health	673	196	477			
Culture and recreation	52,335	49,960	2,375			
Debt service - interest	8,213	7,501	712			
Miscellaneous	7,676	8,274	(598)			
Water Utility				\$ 254,026	\$ 331,662	\$ (77,636)
Sewer Utility				184,708	223,588	(38,880)
Ambulance				101,886	106,563	(4,677)
Total expenses	\$ 502,432	\$ 416,352	\$ 86,080	\$ 540,620	\$ 661,813	\$ (121,193)
<b>Increase (decrease) in net position</b>	\$ (5,912)	\$ 68,167	\$ (74,079)	\$ 559,115	\$ (37,838)	\$ 596,953

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Boulder  
Jefferson County  
Boulder, Montana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Boulder, Jefferson County, Montana, 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.

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Boulder, Jefferson County, Montana, as of and for the year ended 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.

## **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2014, the City of Boulder, Jefferson County, Montana adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 6, 38 through 39, and 40 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the City of Boulder, Jefferson County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Boulder, Jefferson County, Montana's internal control over financial reporting and compliance.

*Derrington, Downey and Associates, CPA's, P.C.*

June 29, 2015

**City of Boulder, Jefferson County, Montana**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 398,868	\$ 719,116	\$ 1,117,984
Taxes and assessments receivable, net	81,408	-	81,408
Internal balances	(20,085)	20,085	-
Accounts receivable - net	-	56,308	56,308
Due from other governments	-	42,413	42,413
Inventories	2,607	720	3,327
Total current assets	<u>\$ 462,798</u>	<u>\$ 838,642</u>	<u>\$ 1,301,440</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 53,700	\$ 53,700
Capital assets - construction in progress	-	505,892	505,892
Capital assets - depreciable, net	488,000	1,523,453	2,011,453
Total noncurrent assets	<u>\$ 488,000</u>	<u>\$ 2,083,045</u>	<u>\$ 2,571,045</u>
Total assets	<u>\$ 950,798</u>	<u>\$ 2,921,687</u>	<u>\$ 3,872,485</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 442	\$ 232	\$ 674
Accrued payables	7,346	5,943	13,289
Revenues collected in advance	-	7,650	7,650
Current portion of long-term capital liabilities	33,132	81,865	114,997
Current portion of compensated absences payable	7,312	24,435	31,747
Total current liabilities	<u>\$ 48,232</u>	<u>\$ 120,125</u>	<u>\$ 168,357</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 235	\$ 235
Noncurrent portion of long-term liabilities	59,315	57,809	117,124
Noncurrent portion of long-term capital liabilities	83,344	465,145	548,489
Noncurrent portion of compensated absences	2,380	8,218	10,598
Total noncurrent liabilities	<u>\$ 145,039</u>	<u>\$ 531,407</u>	<u>\$ 676,446</u>
Total liabilities	<u>\$ 193,271</u>	<u>\$ 651,532</u>	<u>\$ 844,803</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 371,524	\$ 1,482,335	\$ 1,853,859
Restricted for debt service	1,834	-	1,834
Restricted for bond indenture requirements	-	53,700	53,700
Restricted for capital projects	66,014	-	66,014
Restricted for special projects	139,841	-	139,841
Restricted for other purposes	49,577	-	49,577
Non-spendable	-	720	720
Unrestricted	128,737	733,400	862,137
Total net position	<u>\$ 757,527</u>	<u>\$ 2,270,155</u>	<u>\$ 3,027,682</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 136,913	\$ 16,437	\$ -	\$ -	\$ (120,476)	\$ -	\$ (120,476)
Public safety	157,301	24,194	791	-	(132,316)	-	(132,316)
Public works	139,321	910	32,293	-	(106,118)	-	(106,118)
Public health	673	-	-	-	(673)	-	(673)
Culture and recreation	52,335	8,057	-	-	(44,278)	-	(44,278)
Debt service - interest	8,213	-	-	-	(8,213)	-	(8,213)
Miscellaneous	7,676	-	-	-	(7,676)	-	(7,676)
Total governmental activities	\$ <u>502,432</u>	\$ <u>49,598</u>	\$ <u>33,084</u>	\$ <u>-</u>	\$ <u>(419,750)</u>	\$ <u>-</u>	\$ <u>(419,750)</u>
Business-type activities:							
Water Utility	\$ 254,026	\$ 302,769	\$ -	\$ -	-	48,743	48,743
Sewer Utility	184,708	323,331	-	385,050	-	523,673	523,673
Ambulance	101,886	86,884	-	-	-	(15,002)	(15,002)
Total business-type activities	\$ <u>540,620</u>	\$ <u>712,984</u>	\$ <u>-</u>	\$ <u>385,050</u>	\$ <u>-</u>	\$ <u>557,414</u>	\$ <u>557,414</u>
Total primary government	\$ <u>1,043,052</u>	\$ <u>762,582</u>	\$ <u>33,084</u>	\$ <u>385,050</u>	\$ <u>(419,750)</u>	\$ <u>557,414</u>	\$ <u>137,664</u>
General Revenues:							
Property taxes for general purposes					\$ 183,236	\$ -	\$ 183,236
Licenses and permits					4,827	-	4,827
Miscellaneous					4,698	108	4,806
Interest/investment earnings					2,434	883	3,317
Local option taxes					64,750	-	64,750
Unrestricted federal/state shared revenues					151,709	-	151,709
Contributions & donations					2,184	710	2,894
Total general revenues, special items and transfers					\$ <u>413,838</u>	\$ <u>1,701</u>	\$ <u>415,539</u>
Change in net position					\$ <u>(5,912)</u>	\$ <u>559,115</u>	\$ <u>553,203</u>
Net position - beginning					\$ 790,518	\$ 1,711,040	\$ 2,501,558
Restatements					(27,079)	-	(27,079)
Net position - beginning - restated					\$ <u>763,439</u>	\$ <u>1,711,040</u>	\$ <u>2,474,479</u>
Net position - end					\$ <u>757,527</u>	\$ <u>2,270,155</u>	\$ <u>3,027,682</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Gas Tax Apportionment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 164,398	\$ 95,490	\$ 138,980	\$ 398,868
Taxes and assessments receivable, net	57,862	-	23,546	81,408
Inventories	2,481	126	-	2,607
Total current assets	<u>\$ 224,741</u>	<u>\$ 95,616</u>	<u>\$ 162,526</u>	<u>\$ 482,883</u>
Total assets	<u>\$ 224,741</u>	<u>\$ 95,616</u>	<u>\$ 162,526</u>	<u>\$ 482,883</u>
Current liabilities:				
Accounts payable	\$ 442	\$ -	\$ -	\$ 442
Accrued payables	6,470	-	876	7,346
Total current liabilities	<u>\$ 6,912</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ 7,788</u>
Noncurrent liabilities:				
Advances payable	\$ 20,085	\$ -	\$ -	\$ 20,085
Total noncurrent liabilities	<u>\$ 20,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,085</u>
Total liabilities	<u>\$ 26,997</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ 27,873</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources	\$ 57,862	\$ -	\$ 23,546	\$ 81,408
Total deferred inflows of resources	<u>\$ 57,862</u>	<u>\$ -</u>	<u>\$ 23,546</u>	<u>\$ 81,408</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 2,481	\$ 126	\$ 49,577	\$ 52,184
Restricted	-	95,490	22,513	118,003
Committed	-	-	66,014	66,014
Unassigned fund balance	137,401	-	-	137,401
Total fund balance	<u>\$ 139,882</u>	<u>\$ 95,616</u>	<u>\$ 138,104</u>	<u>\$ 373,602</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2014**

<b>Total fund balances - governmental funds</b>	\$ 373,602
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	488,000
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	81,408
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(185,483)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>757,527</u></u></b>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General</u>	<u>Gas Tax Apportionment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 196,765	\$ -	\$ 41,441	\$ 238,206
Licenses and permits	4,827	-	-	4,827
Intergovernmental	152,500	32,293	1,340	186,133
Charges for services	23,492	-	8,329	31,821
Fines and forfeitures	16,437	-	-	16,437
Miscellaneous	2,089	-	4,794	6,883
Investment earnings	1,935	94	405	2,434
Total revenues	<u>\$ 398,045</u>	<u>\$ 32,387</u>	<u>\$ 56,309</u>	<u>\$ 486,741</u>
<b>EXPENDITURES</b>				
General government	\$ 105,966	\$ -	\$ 25,945	\$ 131,911
Public safety	145,024	-	3,699	148,723
Public works	56,434	59,517	2,745	118,696
Public health	673	-	-	673
Culture and recreation	40,356	-	10,039	50,395
Debt service - principal	29,435	-	-	29,435
Debt service - interest	8,213	-	-	8,213
Miscellaneous	-	-	7,676	7,676
Capital outlay	10,000	-	-	10,000
Total expenditures	<u>\$ 396,101</u>	<u>\$ 59,517</u>	<u>\$ 50,104</u>	<u>\$ 505,722</u>
Excess (deficiency) of revenues	<u>\$ 1,944</u>	<u>\$ (27,130)</u>	<u>\$ 6,205</u>	<u>\$ (18,981)</u>
Net Change in Fund Balance	<u>\$ 1,944</u>	<u>\$ (27,130)</u>	<u>\$ 6,205</u>	<u>\$ (18,981)</u>
Fund balances - beginning	\$ 137,938	\$ 122,746	\$ 131,899	\$ 392,583
Fund balance - ending	<u>\$ 139,882</u>	<u>\$ 95,616</u>	<u>\$ 138,104</u>	<u>\$ 373,602</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

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

**Net change in fund balances - total governmental funds** \$ (18,981)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	10,000
- Depreciation expense	(34,436)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue)	9,779
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The change in compensated absences is shown as an expense in the Statement of Activities

(1,709)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments	29,435
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**Change in net position - Statement of Activities**

\$ (5,912)

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

**Business-Type Activities - Enterprise Funds**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Ambulance</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 207,577	\$ 432,906	\$ 78,633	\$ 719,116
Advances receivable	20,085	-	-	20,085
Accounts receivable - net	10,581	9,105	36,622	56,308
Due from other governments	-	42,413	-	42,413
Inventories	720	-	-	720
Total current assets	<u>\$ 238,963</u>	<u>\$ 484,424</u>	<u>\$ 115,255</u>	<u>\$ 838,642</u>
Noncurrent assets:				
Restricted cash and investments	\$ 53,700	\$ -	\$ -	\$ 53,700
Capital assets - construction in progress	-	505,892	-	505,892
Capital assets - depreciable, net	1,364,920	94,770	63,763	1,523,453
Total noncurrent assets	<u>\$ 1,418,620</u>	<u>\$ 600,662</u>	<u>\$ 63,763</u>	<u>\$ 2,083,045</u>
Total assets	<u>\$ 1,657,583</u>	<u>\$ 1,085,086</u>	<u>\$ 179,018</u>	<u>\$ 2,921,687</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 122	\$ 41	\$ 69	\$ 232
Accrued payables	2,835	2,833	275	5,943
Revenues collected in advance	7,650	-	-	7,650
Current portion of long-term capital liabilities	74,000	-	7,865	81,865
Current portion of compensated absences payable	11,534	11,534	1,367	24,435
Total current liabilities	<u>\$ 96,141</u>	<u>\$ 14,408</u>	<u>\$ 9,576</u>	<u>\$ 120,125</u>
Noncurrent liabilities:				
Deposits payable	\$ 235	\$ -	\$ -	\$ 235
Noncurrent portion of long-term liabilities	25,978	25,978	5,853	57,809
Noncurrent portion of long-term capital liabilities	463,000	-	2,145	465,145
Noncurrent portion of compensated absences	3,778	3,778	662	8,218
Total noncurrent liabilities	<u>\$ 492,991</u>	<u>\$ 29,756</u>	<u>\$ 8,660</u>	<u>\$ 531,407</u>
Total liabilities	<u>\$ 589,132</u>	<u>\$ 44,164</u>	<u>\$ 18,236</u>	<u>\$ 651,532</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 827,920	\$ 600,662	\$ 53,753	\$ 1,482,335
Restricted for bond indenture requirements	53,700	-	-	53,700
Non-spendable	720	-	-	720
Unrestricted	186,111	440,260	107,029	733,400
Total net position	<u>\$ 1,068,451</u>	<u>\$ 1,040,922</u>	<u>\$ 160,782</u>	<u>\$ 2,270,155</u>
Total liabilities and net position	<u>\$ 1,657,583</u>	<u>\$ 1,085,086</u>	<u>\$ 179,018</u>	<u>\$ 2,921,687</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Ambulance</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 302,769	\$ 323,331	\$ 86,884	\$ 712,984
Miscellaneous revenues	108	-	710	818
Total operating revenues	<u>\$ 302,877</u>	<u>\$ 323,331</u>	<u>\$ 87,594</u>	<u>\$ 713,802</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 105,740	\$ 105,736	\$ 21,941	\$ 233,417
Supplies	18,689	13,917	28,258	60,864
Purchased services	57,127	24,612	27,069	108,808
Fixed charges	6,180	10,822	2,984	19,986
Loss/bad debt expense	-	-	8,812	8,812
Depreciation	34,674	29,621	11,922	76,217
Total operating expenses	<u>\$ 222,410</u>	<u>\$ 184,708</u>	<u>\$ 100,986</u>	<u>\$ 508,104</u>
Operating income (loss)	<u>\$ 80,467</u>	<u>\$ 138,623</u>	<u>\$ (13,392)</u>	<u>\$ 205,698</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ -	\$ 385,050	\$ -	\$ 385,050
Interest revenue	283	463	137	883
Debt service interest expense	(31,616)	-	(900)	(32,516)
Total non-operating revenues (expenses)	<u>\$ (31,333)</u>	<u>\$ 385,513</u>	<u>\$ (763)</u>	<u>\$ 353,417</u>
Income (loss) before contributions and transfers	<u>\$ 49,134</u>	<u>\$ 524,136</u>	<u>\$ (14,155)</u>	<u>\$ 559,115</u>
Change in net position	<u>\$ 49,134</u>	<u>\$ 524,136</u>	<u>\$ (14,155)</u>	<u>\$ 559,115</u>
Net Position - Beginning of the year	\$ 1,019,317	\$ 516,786	\$ 174,937	\$ 1,711,040
Net Position - End of the year	<u>\$ 1,068,451</u>	<u>\$ 1,040,922</u>	<u>\$ 160,782</u>	<u>\$ 2,270,155</u>

See accompanying Notes to the Financial Statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2014**

	<b>Business - Type Activities- Enterprise Funds</b>			
	<b>Water Utility</b>	<b>Sewer Fund</b>	<b>Ambulance Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 303,129	\$ 320,038	\$ 74,254	\$ 697,421
Cash received from miscellaneous sources	108	-	710	818
Cash payments to suppliers	(23,645)	(24,740)	(28,258)	(76,643)
Cash payments for professional services	(57,127)	(24,612)	(30,053)	(111,792)
Cash payments to employees	(100,641)	(100,637)	(23,554)	(224,832)
Net cash provided (used) by operating activities	<u>\$ 121,824</u>	<u>\$ 170,049</u>	<u>\$ (6,901)</u>	<u>\$ 284,972</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	\$ -	\$ (505,891)	\$ (13,819)	\$ (519,710)
Principal paid on debt	(71,000)	-	(5,760)	(76,760)
Interest paid on debt	(31,616)	-	(900)	(32,516)
Proceeds from bonds, loans and advances	-	-	15,770	15,770
Net cash provided (used) by capital and related financing activities	<u>\$ (102,616)</u>	<u>\$ (505,891)</u>	<u>\$ (4,709)</u>	<u>\$ (613,216)</u>
<b>Cash flows from non-capital financing activities:</b>				
Cash received from other sources	\$ 5,000	\$ 342,637	\$ -	\$ 347,637
Net cash provided (used) from non-capital financing activities	<u>\$ 5,000</u>	<u>\$ 342,637</u>	<u>\$ -</u>	<u>\$ 347,637</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 283	\$ 463	\$ 137	\$ 883
Net cash provided (used) by investing activities	<u>\$ 283</u>	<u>\$ 463</u>	<u>\$ 137</u>	<u>\$ 883</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 24,491</u>	<u>\$ 7,258</u>	<u>\$ (11,473)</u>	<u>\$ 20,276</u>
<b>Cash and cash equivalents at beginning</b>	<u>236,786</u>	<u>425,648</u>	<u>90,106</u>	<u>752,540</u>
<b>Cash and cash equivalents at end</b>	<u><u>\$ 261,277</u></u>	<u><u>\$ 432,906</u></u>	<u><u>\$ 78,633</u></u>	<u><u>\$ 772,816</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 80,467	\$ 138,623	\$ (13,392)	\$ 205,698
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	34,674	29,621	11,922	76,217
Changes in assets and liabilities:				
Accounts receivable, net	360	(3,293)	(3,818)	(6,751)
Deposits payable	1,224	(1)	-	1,223
Compensated absences and accrued wages	5,099	5,099	(1,613)	8,585
Net cash provided (used) by operating activities	<u>\$ 121,824</u>	<u>\$ 170,049</u>	<u>\$ (6,901)</u>	<u>\$ 284,972</u>

See accompanying notes to the financial statements

**City of Boulder, Jefferson County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

			<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$	82,371	
Total assets	\$	82,371	
<b>LIABILITIES</b>			
Warrants payable	\$	82,371	
Total liabilities	\$	82,371	
<b>NET POSITION</b>			

See accompanying Notes to the Financial Statements

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, 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 or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

**Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the City appointed a voting majority of the component units' board; the City is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City.

*Primary Government*

The City is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the City. The City utilizes the manager form of government. The City is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund 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.

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

*Major Funds:*

The City reports the following major governmental funds:

*General Fund* – This is the City’s primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.

*Gas Tax Apportionment Fund* – A special revenue fund that is used to account for the gasoline taxes collected by the City and used for road maintenance.

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

*Major Funds:*

The City reports the following major proprietary funds:

*Water Fund* – An enterprise fund that accounts for the activities of the City’s water distribution operations.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

*Sewer Fund* – An enterprise fund that accounts for the activities of the City’s sewer collection and treatment operations and includes the storm sewer system.

*Ambulance Fund* – An enterprise fund that accounts for the activities of the City's ambulance service.

***Fiduciary Funds***

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the City as an agent for individuals, private organizations, other local governmental entities and the City’s claims and payroll clearing funds

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 200
Cash in banks:	
Demand deposits	352,577
Savings deposits	842,703
Time deposits	58,575
Total	\$ 1,254,055

**Credit Risk**

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

- (a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 f the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2014 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 500,000
Collateralized	
- Collateral held by the pledging bank's trust department but not in the City's name.	713,483
Total deposits and investments	\$ <u><u>1,213,483</u></u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ration of less than 6%.

The amount of collateral held for City deposits at June 30, 2014, equaled or exceeded the amount required by State statutes.

**Cash equivalents**

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the City's cash management pool to be cash equivalents.

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the City as of June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Water Fund - Future Debt Reserve	\$ <u>53,700</u>

**NOTE 4. RECEIVABLES**

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 5. INVENTORIES**

The cost of inventories are recorded as an expenditure when purchased. At year end, if the value of inventory is significant, it is recorded as an asset.

**NOTE 6. CAPITAL ASSETS**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	30 – 100 years
Improvements	60 – 90 years
Equipment	3 – 25 years
Infrastructure	40 – 60 years
Source of Supply	100 – 150 years
Treatment Plant	15 – 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance July 1, 2013	<u>Additions</u>	<u>Restatements</u>	Balance June 30, 2014
Buildings	\$ 281,882	\$ -	\$ -	\$ 281,882
Improvements other than buildings	107,410	-	-	107,410
Machinery and equipment	403,019	10,000	-	413,019
Infrastructure	165,107	-	-	165,107
Total other capital assets at historical cost	<u>\$ 957,418</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 967,418</u>
Less: accumulated depreciation	\$ (417,903)	\$ (34,436)	\$ (27,079)	\$ (479,418)
Total	<u>\$ 539,515</u>	<u>\$ (24,436)</u>	<u>\$ (27,079)</u>	<u>\$ 488,000</u>

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 3,293
Public safety	8,577
Public works	20,626
Culture and recreation	<u>1,940</u>
Total governmental activities depreciation expense	<u>\$ 34,436</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 505,891	\$ -	\$ -	\$ 505,891
Other capital assets:					
Buildings	\$ 27,090	\$ -	\$ -	\$ -	\$ 27,090
Machinery and equipment	264,554	15,770	(13,099)	-	267,225
Source of supply	106,036	-	-	-	106,036
Treatment plant	78,804	-	-	-	78,804
Transmission and distribution	<u>2,236,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,236,675</u>
Total other capital assets at historical cost	\$ 2,713,159	\$ 15,770	\$ (13,099)	\$ -	\$ 2,715,830
Less: accumulated depreciation	<u>\$ (1,127,307)</u>	<u>\$ (76,217)</u>	<u>\$ 11,148</u>	<u>\$ -</u>	<u>\$ (1,192,376)</u>
Total	<u>\$ 1,585,852</u>	<u>\$ 445,444</u>	<u>\$ (1,951)</u>	<u>\$ -</u>	<u>\$ 2,029,345</u>

**NOTE 7. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Governmental Activities:

	Balance			Balance		Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
Contracted debt	\$ 107,513	\$ -	\$ (24,633)	\$ 82,880	\$ 28,236	
Compensated absences	7,983	1,709	-	9,692	7,312	
Intercap loans	38,398	-	(4,802)	33,596	4,896	
Other post-employment benefits*	59,315	-	-	59,315	-	
Total	<u>\$ 213,209</u>	<u>\$ 1,709</u>	<u>\$ (29,435)</u>	<u>\$ 185,483</u>	<u>\$ 40,444</u>	

\*See Note 8

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance			Balance		Due Within
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
Revenue bonds	\$ 608,000	\$ -	\$ (71,000)	\$ 537,000	\$ 74,000	
Compensated absences	24,916	9,180	(1,443)	32,653	24,435	
Capital leases	-	15,770	(5,760)	10,010	7,865	
Other post-employment benefits*	57,809	-	-	57,809	-	
Total	<u>\$ 690,725</u>	<u>\$ 24,950</u>	<u>\$ (78,203)</u>	<u>\$ 637,472</u>	<u>\$ 106,300</u>	

\*See Note 8

*Revenue Bonds* - The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service.

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Water System Improvements	5/1/00	2.00%	20 yrs	7/20/20	\$ <u>1,294,000</u>	Varies	\$ <u>537,000</u>

Reported in the Business-Type Activities

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2014.

On May 15, 2014, the City's Series 2000 revenue bond had an interest rate reduction from 4.00% to 2.00%

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 74,000	\$ 6,352
2016	80,000	8,780
2017	81,000	7,180
2018	83,000	5,550
2019	85,000	3,880
2020	86,000	2,170
2021	48,000	440
Total	<u>\$ 537,000</u>	<u>\$ 34,352</u>

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Milling Project	7/26/05	8.25%	10 yrs	7/26/15	\$ 165,000	\$ 37,557
Swimming Pool Renovations	6/23/10	5.25%	11 yrs	6/23/21	<u>65,149</u>	<u>45,323</u>
Total					<u>\$ 230,149</u>	<u>\$ 82,880</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 28,236	\$ 4,238
2016	20,849	2,760
2017	6,225	1,775
2018	6,551	1,449
2019	6,895	1,105
2020	7,255	745
2021	6,869	362
Total	<u>\$ 82,880</u>	<u>\$ 12,434</u>

**Intercap Loans**

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

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Interacap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Unexpected Cost of Water Treatment Plant	4/30/10	Varies	20 yrs	8/15/20	\$ <u>50,000</u>	\$ <u>33,596</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,896	\$ 324
2016	4,992	275
2017	5,090	224
2018	5,190	173
2019	5,292	121
2020	5,395	68
2021	2,741	14
<b>Total</b>	<b>\$ <u>33,596</u></b>	<b>\$ <u>1,199</u></b>

**Capital Leases**

The City has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
Defibrillator	11/18/13	3.55%	3 yrs	8/25/15	\$ <u>2,220</u>	\$ <u>10,010</u>

Reported in business-type activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,865	\$ 1,014
2016	2,145	76
<b>Total</b>	<b>\$ <u>10,010</u></b>	<b>\$ <u>1,090</u></b>

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Compensated Absences**

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Funding Policy.* The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

*Funding Status and funding Progress.* The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Accrued Liability (AAL)	\$	117,124
Actuarial value of plan assets	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	117,124
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	234,764
UAAL as a percentage of covered payroll		49.89%

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

*Annual OPEB Cost and Net OPEB Obligation.* The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	-
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	-
Annual OPEB cost (expense)	\$	-
Contributions made	\$	-
Increase in net OPEB obligation	\$	-
Net OPEB obligation - beginning of year	\$	117,124
Net OPEB obligation - end of year	\$	117,124

*Actuarial Methods and Assumptions.* The following actuarial methods and assumptions were used:

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	0.17%
Average salary increase (Consumer Price Index)	2.80%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2015	6.4%
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.7%
2021	6.7%
2022 and thereafter	6.9%

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2014, was as follows:

<u>Purpose</u>	<u>Advances to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
General fund loan from Water fund	Water Fund - Major Proprietary	General Fund - Major Governmental	\$ <u>20,085</u>

**NOTE 10. STATE-WIDE RETIREMENT PLANS**

All full-time City employees are covered under the Montana Public Employees Retirement System (PERS). The plan is established by State law and administered by the State of Montana. The plan is cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

<u>PERS**</u>	
Employer	8.07%
Employee	7.90%*
State	0.10%

\* For PERS members hired before 7/1/2011 that rate is 6.9%

\*\* For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the City's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling: Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

The City's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>
2012	\$ 18,052
2013	\$ 18,893
2014	\$ 22,055

**NOTE 11. LOCAL RETIREMENT PLANS**

**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. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**Fire Department Relief Association Disability and Pension Fund**

City volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State Law. The Association is managed by a Board of Trustees made up of members of the fire department, and is accounted for as an agency fund of the City.

A member of a volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. Volunteer serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the pension benefits are set by the Association's Board of Trustees.

**NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
General Fund	\$ 2,481	Inventory
Gas Tax Apportionment	126	Inventory
All other aggregate	<u>49,577</u>	Nonexpendable permanent fund principal
	<u>\$ 52,184</u>	

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Gas Tax Apportionment	\$ 95,490	Public works
All other aggregate	10,253	General government
	3,402	Public safety
	1,027	Public works
	<u>7,831</u>	Culture and recreation
Total	<u>\$ 118,003</u>	

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All other aggregate	<u>\$ 66,014</u>	Public safety

**NOTE 13. RESTATEMENTS**

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	<u>\$ 27,079</u>	Correction of capital asset accumulated depreciation

**NOTE 14. SERVICES PROVIDED TO OTHER GOVERNMENTS**

**County Provided Services**

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

**NOTE 15. RISK MANAGEMENT**

The City faces 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF BOULDER  
JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

The City participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3.750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

**NOTE 16. PENDING LITIGATION**

The following is a list of litigation pending against the City of Boulder and the amount of damages claimed by the Plaintiff. The City Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>McCauley v. City of Boulder, Jefferson County No. DV-2014-107</i>	Not Stated	Not Stated

**NOTE 17. SUBSEQUENT EVENTS**

The City of Boulder made a decision to raise the rates related to sewer use in October 2014. This decision was based having the necessary funds to pay back loans from USDA. The increased rates would also aid in paying for the operating and maintenance costs that will be related to the new wastewater treatment facility.

CITY OF BOULDER  
 JEFFERSON COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 18. SIGNIFICANT CONSTRUCTION COMMITMENTS AND/OR OTHER CONTINGENCIES**

The City of Boulder is in the process of constructing a new Wastewater Treatment Facility. The reason for this project is that the Department of Environmental Quality established new requirements that the City had to comply with. The current lagoon system had leakages and was reaching its capacity. Along with the construction of a new Wastewater Treatment Facility, the City will also be replacing some of the sewer main line in the City as well.

As of April 2015, the City has expended a total of \$2,856,877 related to the project of which \$2,350,986, respectively, was subsequent to year end. The projected date of completion for the entire project is December of 2015. The following table details the various funding sources that are being used by the City to complete this project.

<u>Funding Source</u>	
USDA Loan #1	\$ 3,550,000
USDA Loan #2	250,000
USDA Grant #1	1,691,500
USDA Grant #2	290,500
City of Boulder	253,000
TSEP	625,000
DNRC-RRGL	<u>100,000</u>
TOTAL	<u>\$ 6,760,000</u>

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**City of Boulder, Jefferson County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 202,442	\$ 199,329	\$ 196,765	\$ (2,564)
Licenses and permits	4,540	4,540	4,827	287
Intergovernmental	149,790	149,790	152,500	2,710
Charges for services	21,900	21,900	23,492	1,592
Fines and forfeitures	18,000	18,000	16,437	(1,563)
Miscellaneous	300	300	2,089	1,789
Investment earnings	3,500	3,500	1,935	(1,565)
Amounts available for appropriation	<u>\$ 400,472</u>	<u>\$ 397,359</u>	<u>\$ 398,045</u>	<u>\$ 686</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 124,780	\$ 124,780	\$ 105,966	\$ 18,814
Public safety	171,725	171,725	145,024	26,701
Public works	59,067	68,433	56,434	11,999
Public health	1,190	1,190	673	517
Culture and recreation	50,783	50,783	40,356	10,427
Debt service - principal	29,437	29,437	29,435	2
Debt service - interest	8,214	8,214	8,213	1
Capital outlay	19,500	20,500	10,000	10,500
Total charges to appropriations	<u>\$ 464,696</u>	<u>\$ 475,062</u>	<u>\$ 396,101</u>	<u>\$ 78,961</u>
Net change in fund balance			<u>\$ 1,944</u>	
Fund balance - beginning of the year			<u>\$ 137,938</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 139,882</u></u>	

**City of Boulder, Jefferson County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**

	<b>General</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>	<b>B</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>	<b>OR</b>
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$ 202,442	\$ 199,329	\$ 196,765	\$ (2,564)	\$
Licenses and permits	4,540	4,540	4,827	287	
Intergovernmental	149,790	149,790	152,500	2,710	
Charges for services	21,900	21,900	23,492	1,592	
Fines and forfeitures	18,000	18,000	16,437	(1,563)	
Miscellaneous	300	300	2,089	1,789	
Investment earnings	3,500	3,500	1,935	(1,565)	
Amounts available for appropriation	<u>\$ 400,472</u>	<u>\$ 397,359</u>	<u>\$ 398,045</u>	<u>\$ 686</u>	<u>\$</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
General government	\$ 124,780	\$ 124,780	\$ 105,966	\$ 18,814	\$
Public safety	171,725	171,725	145,024	26,701	
Public works	59,067	68,433	56,434	11,999	
Public health	1,190	1,190	673	517	
Culture and recreation	50,783	50,783	40,356	10,427	
Debt service - principal	29,437	29,437	29,435	2	
Debt service - interest	8,214	8,214	8,213	1	
Capital outlay	19,500	20,500	10,000	10,500	
Total charges to appropriations	<u>\$ 464,696</u>	<u>\$ 475,062</u>	<u>\$ 396,101</u>	<u>\$ 78,961</u>	<u>\$</u>
Net change in fund balance			<u>\$ 1,944</u>		
Fund balance - beginning of the year			<u>\$ 137,938</u>		
Fund balance - beginning of the year - restated			<u>\$ 137,938</u>		
<b>Fund balance - end of the year</b>			<u><u>\$ 139,882</u></u>		

**City of Boulder, Jefferson County, Montana**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 252,409	\$ 252,409	0%	\$ 261,362	96.6%
July 1, 2012	\$ -	\$ 117,124	\$ 117,124	0%	\$ 234,764	49.9%

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and City Council  
City of Boulder  
Jefferson County  
Boulder, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Boulder, Jefferson County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Boulder's basic financial statements and have issued our report thereon dated June 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Boulder, Jefferson County, Montana'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 City of Boulder, Jefferson County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Boulder's internal control over financial reporting.

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

### **Purpose of this Report**

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

*Derring, Downey and Associates, CPAs, P.C.*

June 29, 2015

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957*

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Mayor and City Council  
City of Boulder  
Jefferson County  
Boulder, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Revenue Bond Requirement	Implemented

*Denning, Downey and Associates, CPAs, P.C.*

June 29, 2015