

**CITY OF GLENDIVE  
DAWSON COUNTY  
GLENDIVE, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

**OLNESS & ASSOCIATES, P. C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**2810 CENTRAL AVENUE, SUITE B  
BILLINGS, MONTANA 59102  
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CITY OF GLENDIVE

ORGANIZATION

June 30, 2014

MAYOR

Jerry Jimison

COUNCIL

Kevin Pena	Member
Matthew Hull	Member
Leon Baker	Member
Gerald Reichert	Member
Mike Dryden	Member
Rhett Coon	Member
Betsey Hedrick	Member
Doug Baker	Member

CITY OFFICIALS

Kevin Dorwart	Director of Operations/Finance
Ty Ulrich	Police Chief
George Lane	Fire Chief
Kerry Burman	City Judge
Darci Saeman	Treasurer/Finance Clerk
Jessica Ayre	Administrative Clerk
Sherri Schoopman	Water/Sewer/Garbage Collector

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Glendive  
Glendive, 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 of the City of Glendive, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government'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 the government, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the government'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 the government's internal control over financial reporting and compliance.

*Olness & Associates, PC*

Billings, Montana  
May 11, 2015

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the City of Glendive for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

The City of Glendive's total net position increased \$2,754,181. Total net position was \$15,992,747 at the end of fiscal year 2014. Of this amount \$6,061,144 may be used to meet the City's ongoing obligations to citizens and creditors. The remainder includes \$7,952,319 in capital assets, net of related debt and \$1,979,284 restricted for debt service, landfill closure/post closure and other amounts to adhere to statutory or other requirements.

The City's General fund fund balance was \$2,156,784 as of June 30, 2014. The 2014 General fund fund balance is \$436,963 higher than the previous year. The total fund balance is 63% of 2014-2015 budgeted General fund operating expenditures. The City Council's goal is to keep General fund cash reserves at no less than 38% of operating expenditures as well as growing such reserves when possible. Such reserves are used to help finance the operations of the City from July until December (when taxes are receipted). Reserves also help earn interest income which are used to offset operating expenses as well as placing the City in a stronger financial position in which to borrow funds. A reserve of 35% (\$1,434,898) was retained as a cash reserve for the 2014-2015 fiscal year. With cash on hand of \$2,117,392 at June 30, 2014 there was \$682,494 available to fund 2014-2015 expenditures.

The General Fund experienced an increase in revenues during the year of approximately \$400,670 while at the same time expenditures increased by approximately \$469,769. The majority of the increase in revenues and expenditures was the result of the CTEP Makoshika Path project. Also, there were increases in taxes as a result of higher taxable values and an increase in intergovernmental revenue.

The Water fund experienced operating income of \$476,201 for the year compared to \$378,379 for the prior year. Water debt was reduced by \$181,720 through debt service payments. No additional debt was incurred and the fund had debt balances of \$562,513 at year end. The water fund's net position increased \$456,264 for the fiscal year.

Sewer Fund operating income was \$536,655 compared to \$437,816 for the prior year. A substantial portion of these revenues were collected in anticipation of a new sewer treatment plant. Sewer debt was reduced by \$98,248 through debt service payments and increased by \$95,325 as the result of additional debt. The fund's net position increased \$994,381 for the year.

The Garbage Disposal (Landfill) Fund had operating income of \$281,737 for the year as compared to \$111,327 for the prior year. Landfill debt was reduced by \$57,620 through debt service payments. The fund's net position increased \$285,361 for the year.

The Solid Waste fund experienced an operating loss of \$8,722 as compared to operating loss of \$38,083 for the prior year. Debt within the fund decreased \$6,792 through debt service payments. Net position of the fund decreased \$10,196.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental funds, fund 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 government's operation in more detail than the government-wide statements by providing information about the most significant funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements contain four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) budgetary comparisons.

**Government-wide financial statements.** One of the most important questions asked about the government'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 (pages 10 and 11) report information about the government 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 net position and changes in it. You can think of net position - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

Governmental activities - Basic services are reported here, including police, fire, public works, the parks/recreation departments, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities - Fees are charged to customers to cover all or most of the cost of certain services the City provides. The water and sewer system, garbage collection, garbage disposal (landfill), and ambulance services are reported here.

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

**Fund Financial Statements** The fund financial statements (pages 12 through 19) provide detailed information about the most significant funds - not the government as a whole. Some funds are required to be established by State law or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. The City of Glendive utilizes the following funds:

**Governmental Funds** - Governmental funds are used to account for essentially the same functions as in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide reconciliations between the governmental funds and governmental activities. These reconciliations are found on pages 13 and 15.

**Proprietary funds** - Fees charged to customers for the services provided 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 enterprise funds (a component of 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. The City of Glendive operates five enterprise funds: water, sewer, solid waste, garbage disposal (landfill) and the ambulance. All of these funds are considered major funds, except the ambulance fund.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the same basis of accounting as proprietary funds. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** - The City of Glendive adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for its major governmental funds in the section entitled Required Supplementary Information.

**CITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following schedules provide a summary comparison of the City's governmental and business-type net position and changes in net position.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,858,680	\$ 3,756,400	\$ 4,933,242	\$ 4,562,277	\$ 8,791,922	\$ 8,318,677
Capital assets	3,105,660	2,118,248	6,781,231	5,409,242	9,886,891	7,527,490
Total assets	6,964,340	5,874,648	11,714,473	9,971,519	18,678,813	15,846,167
Other liabilities	60	87,073	42,086	15,049	42,146	102,122
Long-term liabilities	445,851	239,498	2,180,581	2,238,787	2,626,432	2,478,285
Total liabilities	445,911	326,571	2,222,667	2,253,836	2,668,578	2,580,407
Unavailable revenue	17,488	27,194	-	-	17,488	27,194
Total deferred inflows	17,488	27,194	-	-	17,488	27,194
Net position:						
Net investment in capital assets	2,861,484	2,087,896	5,090,835	3,640,633	7,952,319	5,728,529
Restricted	1,641,736	1,681,449	337,548	333,384	1,979,284	2,014,833
Unrestricted	1,997,721	1,751,538	4,063,423	3,743,666	6,061,144	5,495,204
	<u>\$ 6,500,941</u>	<u>\$ 5,520,883</u>	<u>\$ 9,491,806</u>	<u>\$ 7,717,683</u>	<u>\$ 15,992,747</u>	<u>\$ 13,238,566</u>

A significant portion of the City's net position (50%) reflects its net investment in capital assets. These assets include land, buildings, machinery and equipment, as well as infrastructure. Infrastructure assets include streets, sidewalks, and water and sewer mains. Capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt would need to be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$1,979,284 of the City's net position represents resources that are subject to restrictions on how they may be used.

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

Included in this category is a bond reserve of \$129,753, which represents required reserves through the bond agreements for future debt and \$207,795 in landfill closure/postclosure, which is required through state provisions to be used for closure and postclosure costs associated with the landfill. The City also has amounts restricted by enabling legislation.

The third component of the City's net position includes the unrestricted net position in the total amount of \$6,061,144 which represents 38% of total net position. These assets are not restricted as to use and can be used for the general operation of the City.

Governmental activities net position increased \$980,058 during the year. The majority of the increase is the result of budgeted projects or purchases not being completed and a capital grant for the Makoshika Path project.

Net position of the business-type activities increased \$1,774,123 during the year. Key elements of this increase are as follows:

Approximately \$145,000 of this increase was the result of increases in cash and cash equivalents. This included a decrease to replacement and depreciation cash. Operating cash increased. Cash Held by Trustee, which represents the City's contractual obligation to fund landfill closure and post closure care increased by approximately \$32,000. This is the result of annual deposits to the fund based upon the remaining life of the landfill.

A substantial portion of the increase can be attributable to an increase in user rates in anticipation of a new sewer treatment plant and water system upgrades and capital contributions for the new sewer treatment plant.

**Changes in Net Position.** Governmental and business-type activities increased the City's net position by \$2,754,181 in 2014. The table below indicates the changes in net position for governmental and business-type activities in 2014 and compares these to the prior year.

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 559,972	\$ 424,558	\$ 3,832,711	\$ 3,438,996	\$ 4,392,683	\$ 3,863,554
Operating grants and contributions	528,025	409,355	-	-	528,025	409,355
Capital grants and contributions	346,289	-	474,773	44,900	821,062	44,900
General revenues:						
Taxes	1,524,986	1,448,890	-	-	1,524,986	1,448,890
Licenses and permits	57,885	54,935	-	-	57,885	54,935
Intergovernmental	756,782	725,393	-	-	756,782	725,393
Interest	5,448	11,411	14,019	18,075	19,467	29,486
Miscellaneous	7,689	20,046	383	2,674	8,072	22,720
Gain on disposal of capital assets	-	-	-	20,000	-	20,000
Total revenues	<u>3,787,076</u>	<u>3,094,588</u>	<u>4,321,886</u>	<u>3,524,645</u>	<u>8,108,962</u>	<u>6,619,233</u>
Expenses:						
General government	294,702	253,067	-	-	294,702	253,067
Public safety	1,478,346	1,539,349	-	-	1,478,346	1,539,349
Public works	494,089	496,798	-	-	494,089	496,798
Public health	1,839	2,038	-	-	1,839	2,038
Culture and recreation	365,669	299,877	-	-	365,669	299,877
Housing and community development	104,333	-	-	-	104,333	-
Water	-	-	877,379	892,284	877,379	892,284
Sewer	-	-	313,453	297,545	313,453	297,545
Solid Waste	-	-	659,779	680,358	659,779	680,358
Landfill	-	-	514,470	483,843	514,470	483,843
Ambulance	-	-	182,682	189,597	182,682	189,597
Other current charges	62,142	75,766	-	-	62,142	75,766
Interest on long-term debt	5,898	1,836	-	-	5,898	1,836
Total expenses	<u>2,807,018</u>	<u>2,668,731</u>	<u>2,547,763</u>	<u>2,543,627</u>	<u>5,354,781</u>	<u>5,212,358</u>
Change in net position	980,058	425,857	1,774,123	981,018	2,754,181	1,406,875
Net position, beginning	5,520,883	5,095,026	7,717,683	6,736,665	13,238,566	11,831,691
Net position, ending	<u>\$ 6,500,941</u>	<u>\$ 5,520,883</u>	<u>\$ 9,491,806</u>	<u>\$ 7,717,683</u>	<u>\$ 15,992,747</u>	<u>\$ 13,238,566</u>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet certain criterion. Governments may choose to report other governmental and enterprise funds as major funds, even

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

though they do not meet this test. The General Fund is always reported as a major fund.

**Governmental Funds Overview** The focus of City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2014, the combined ending fund balances of City governmental funds was \$3,727,036. Governmental funds rely primarily on property taxes and maintain a cash reserve to provide liquidity until tax revenues are received in December. Remaining cash balances may be re-appropriated in accordance with the purposes of the specific funds.

The City of Glendive has two major governmental funds, the General Fund and the Capital Projects Fund.

1. **General Fund.** This is the primary operating fund of the City of Glendive government. It accounts for many of the City's general and administrative services, such as legislative, legal, police, fire, and parks/recreation. It also accounts for portions of other services such as financial and public works.

The General Fund experienced an increase in fund balance of approximately \$436,963. The fund experienced revenue increases in taxes, licenses and permits, intergovernmental revenues and charges for services. The increase in intergovernmental revenues was mainly due to a CTEP grant for the Makoshika Path project. Expenditures of the fund increased approximately \$469,769 mainly due to the Makoshika Path project.

2. **Capital Projects Fund.** This fund accumulates resources for specific larger capital outlay expenditures. Once resources are accumulated, specific assets are then acquired through this fund. The fund's assets meet the tests for it to be considered a major fund in 2013/14. Revenues of the fund are limited to transfers from other funds as well as investment earnings.

The Capital Projects Fund experienced a decrease in fund balance of approximately \$213,542. The fund experienced revenue decreases in investment earnings and increases in transfers. The increase in transfers is mostly attributable to an increase in transfers for the Multi-Use Building. Expenditures of the fund increased \$430,571 due to expenditures for the Multi-Use Building.

**Proprietary Funds Overview** The City's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. The City has four major enterprise-type proprietary funds: Water, Sewer, Landfill and Solid Waste.

**Water Fund.** Unrestricted net position was \$1,139,366 as of June 30, 2014. The net investment in capital assets is \$2,292,363, which represents 66% of total net position. Additional restricted net position includes \$22,731 for bond reserves. The Water fund received \$1,332,029 from customers. Net position of the Water fund increased \$456,264. A substantial portion of the increase can be attributable to an increase in user rates in anticipation of water system upgrades.

The Sewer fund unrestricted net position was \$888,627 as of June 30, 2014. The net investment in capital assets is \$2,123,581, which represents 68% of total net position. Additional restricted net position includes \$88,642 for bond reserves. The Sewer fund received \$831,023 from its customers. The net investment in capital assets was affected by acquisitions of \$1,263,746 and depreciation of \$61,549. Net position increased \$994,381 mainly due to a rate increase and capital contributions to fund wastewater upgrades.

**Landfill Fund.** The Landfill fund unrestricted net position was \$1,519,181 as of June 30, 2014. Additional restricted assets include bond reserves and landfill closure/postclosure. Net position of the Landfill fund increased \$285,361. Trustee cash increased as a result of Federal and State mandates which require that the City fund a trust account to provide for closure and post closure expenses when the existing landfill is closed. The City pays into the trust annually based upon landfill space used during the year.

**Solid Waste Fund.** The Solid Waste fund unrestricted net position was \$308,674 as of June 30, 2014. The net investment in capital assets is \$41,865, which represents 12% of total net position. The Solid Waste fund received \$649,219 from its customers. Net position of the Solid Waste fund decreased approximately \$10,196 during the year.

**General Fund Budgetary Highlights** The City's budget is prepared in accordance with the provisions of the Montana Code Annotated. The most significant budgeted fund is the General Fund. In September 2013, the City Council appropriated \$3,442,182 for General Fund expenditures. Reserves for the General Fund were established at \$1,201,866. The budget anticipated using \$1,677,979 in cash available and generating revenues in the amount of \$2,966,190 to fund the anticipated expenditures and reserves.

The variance between actual and budgeted revenues is due to a combination of increased revenues as well as some decreased revenues. The majority of the revenue increases were the result of increases in Local Option Tax, Oil and Gas Production Tax, Entitlement Share, Miscellaneous, Charges, City Court Fines, Pool Fees, and other miscellaneous revenue. Additionally the City received proceeds from debt which were not anticipated. The increase in Local Option Tax, Oil, Gas Production Tax, Misc. Charges and Court Fines is somewhat attributable to more activity in the area as the result of oil exploration. The increase in entitlement share was the result of budgeting a similar amount as the prior year. The increase in fees is the result of the pool being open in June. The major increase was in proceeds from loans which resulted from borrowing associated with the Multi-Purpose Project. The majority of decreases in actual revenues over anticipated amounts occurred within personal property taxes, state grants, and transfers for pensions and insurance. State Grants decreased due to a portion of anticipated grant funding not being received. Personal property

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

taxes were less than anticipated due to the timing of taxes being assessed. Decreases in transfers resulted in actual payroll not meeting budgeted amounts for various reasons as well as fewer individuals on the health insurance plan.

The variance between budgeted and actual expenditures is due to the combination of a few larger variances and numerous smaller variances within the fund. The larger variances include variances for Facilities Administration, Law Enforcement Administration, Crime Control, Street Maintenance, Vehicle Maintenance, Parks, and Miscellaneous in the amounts of \$25,491, (\$28,653), \$109,043, \$58,880, \$42,027, \$111,305, and \$153,275 respectively. The variance in Law Enforcement is due to temporarily vacated positions administration is over due to coverage by the Chief and Assistant Chief as well as overtime for dispatch positions for coverage. Crime control is under budget due to vacated positions. Facilities administration variances are mainly due to furniture and fixtures not being purchased for the new building this year. Street Maintenance and Vehicle Maintenance were under budget mainly due to a lack of workforce during the year as well as the City not having a Mechanic. Parks were under budget due to the CTEP Makoshika Path project which was budgeted not being totally completed at year end. The City also budgeted for the remainder of the flood plain study which was not completed by the US Corps of Engineers by year end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City of Glendive's net investment in capital assets for its governmental and business-type funds as of June 30, 2014 totals \$7,952,319. The City's capital investment includes all land, buildings, machinery and equipment, and improvements other than buildings. The City's asset capitalization threshold is set at \$5,000 with a useful life of one year or more for all assets. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. Infrastructure assets are included in these figures for all infrastructure acquired since July 1, 2004.

Major capital asset events during the current fiscal year included the following:

- Makoshika Road Culvert-\$31,252
- Street Overlays-\$152,152
- Receipting Software-\$6,075
- Portion of Multi-Purpose Facility (General Fund)-\$582,947
- Portion of Pool (General Fund)-\$1,630
- Ford Van (Water, Sewer)-\$10,500
- Water Plant PER Engineering-\$40,146
- Portion of Waste Water Treatment Plant-\$1,071,895
- Portion of Husky Lift Station-\$186,852
- Lidded Roll-off Container-\$5,555
- Compactor Wheel Tips-\$14,650
- Landfill Scale-\$17,448
- Ambulance Portion of Multi Use Building-\$467,203

The City also incurred costs associated with construction in progress for the Makoshika Path project, the waste water treatment plant and Husky Lift Station. These projects are at various stages and will be added to capital assets upon completion.

**Long-term debt.** The City does not have any General Obligation Debt. The majority of the City's debt is associated with Revenue Bond issues within the business-type activities. Long-term debt also includes various General Promise to pay loans as well as debt associated with the various curb/sidewalk/gutter projects. Additional information on the City of Glendive's long-term debt can be found in the notes to the financial statements. During the year the City financed the purchase/construction of the following:

Multi-Purpose Building (General Promise to Pay General Fund)	\$250,000
Multi-Purpose Building (Revenue Bond Ambulance)	\$150,000

**Economic Factors and Next Year's Budget.** The following factors are expected to have an effect on the City's financial position or results of operations and were taken into account in developing the 2014-2015 budget.

Taxable value increased during the year with the majority of the increase related to newly taxable property.

The budget included wage increases of 3% for 2014/15 as negotiated with the union contracts.

During the 2006/07 fiscal year the City of Glendive entered into an agreement with the City of Sidney whereas Sidney will pay Glendive 4% of the HB 758 Oil and Gas money it receives up to \$75,000 per year. In prior years the percentage was reduced to 3%. This agreement resulted in the City of Glendive not going to the legislature to try and redistribute the HB 758 money. These funds as well as the City of Glendive funds from HB 758 have been earmarked for street work. Funds from the City of Sidney are expected to expire in 2014.

The City is currently looking at design for the water treatment plant improvements. Estimated costs of the improvements is \$9,000,000 to \$10,000,000. It is anticipated the City will move forward with the project once grant and loan funding is established.

The City continues to work on the Flood Plain issue. A Federal Section 22 Study has been contracted through the Corps of Engineers.

CITY OF GLENDIVE  
MANAGEMENT'S DISCUSSION & ANALYSIS

This study was to be completed over 2 years ago and the Corps assured the City it would have the completed study done in January 2014. However, the Corps did not complete the study until late December 2014. It is anticipated information from the Corps will be used to formulate decisions on this issue.

The City was awarded a CDBG Grant through the Governor's office. The grant, in the amount of \$250,000, was a surprise to the City in that it had not applied for the funding. The grant is to be used to help alleviate problems with Makoshika Estates. This property is owned by Makoshika Estates LP and provides low income housing. The property is experiencing settling problems which the grant hopes to identify causes for and provide for a course of action. The City has contracted with an engineering firm to complete the work. The City also applied for and received an additional CDBG grant in the amount of \$450,000. The City is currently waiting for the project partners to obtain the rest of the funding on the estimated project cost of \$2.3 million dollars.

The City is also supporting additional low income housing through proposed 27 unit complex known as Yellowstone Commons. It is anticipated this project will be completed during the 2014/15 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview for all those with an interest in the City of Glendive's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City Finance Offices, 300 South Merrill Avenue, Glendive, Montana 59330.

CITY OF GLENDIVE  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 3,615,699	\$ 469,402	\$ 4,085,101
Receivables:			
Taxes and assessments	131,584	55,825	187,409
Governments	107,333	195,237	302,570
Utility	-	359,471	359,471
Ambulance (less allowance for doubtful accounts of \$356,659)	-	57,019	57,019
Other	4,064	-	4,064
Restricted assets:			
Cash and equivalents	-	3,239,121	3,239,121
Investments	-	557,167	557,167
Capital assets:			
Land and construction in progress	498,822	1,665,172	2,163,994
Capital assets, net of accumulated depreciation	2,606,838	5,116,059	7,722,897
<b>Total assets</b>	<b>6,964,340</b>	<b>11,714,473</b>	<b>18,678,813</b>
<b>LIABILITIES</b>			
Accounts payable-vendors	60	25,121	25,181
Deposits payable	-	16,965	16,965
Long-term liabilities:			
Due within one year:			
Bonds and notes	31,248	365,221	396,469
Compensated absences	20,168	15,647	35,815
Due in more than one year:			
Bonds and notes	212,928	1,325,175	1,538,103
Compensated absences	181,507	140,820	322,327
Landfill closure/postclosure care payable	-	333,718	333,718
<b>Total liabilities</b>	<b>445,911</b>	<b>2,222,667</b>	<b>2,668,578</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-long term special assessments	17,488	-	17,488
<b>Total deferred inflows of resources</b>	<b>17,488</b>	<b>-</b>	<b>17,488</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,861,484	5,090,835	7,952,319
Restricted for:			
General government	235,738	-	235,738
Public safety	706,358	-	706,358
Public works	120,533	-	120,533
Housing and community development	66,535	-	66,535
Debt service	28,790	129,753	158,543
Capital projects	483,782	-	483,782
Landfill closure/postclosure	-	207,795	207,795
Unrestricted	1,997,721	4,063,423	6,061,144
<b>Total net position</b>	<b>\$ 6,500,941</b>	<b>\$ 9,491,806</b>	<b>\$ 15,992,747</b>

CITY OF GLENDIVE  
STATEMENT OF ACTIVITIES  
For the 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	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 294,702	\$ 294,093	\$ -	\$ -	\$ (609)	\$ -	\$ (609)
Public safety	1,478,346	94,021	316,960	-	(1,067,365)	-	(1,067,365)
Public works	494,089	102,380	104,518	-	(287,191)	-	(287,191)
Public health	1,839	-	-	-	(1,839)	-	(1,839)
Culture and recreation	365,669	69,478	-	346,289	50,098	-	50,098
Housing and community development	104,333	-	104,333	-	-	-	-
Other current charges	62,142	-	2,214	-	(59,928)	-	(59,928)
Interest on long-term debt	5,898	-	-	-	(5,898)	-	(5,898)
<b>Total governmental activities</b>	<b>2,807,018</b>	<b>559,972</b>	<b>528,025</b>	<b>346,289</b>	<b>(1,372,732)</b>	<b>-</b>	<b>(1,372,732)</b>
<b>Business-type activities:</b>							
Water	877,379	1,332,029	-	-	-	454,650	454,650
Sewer	313,453	831,023	-	474,773	-	992,343	992,343
Solid Waste	659,779	649,219	-	-	-	(10,560)	(10,560)
Landfill	514,470	789,796	-	-	-	275,326	275,326
Ambulance	182,682	230,644	-	-	-	47,962	47,962
<b>Total business-type activities</b>	<b>2,547,763</b>	<b>3,832,711</b>	<b>-</b>	<b>474,773</b>	<b>-</b>	<b>1,759,721</b>	<b>1,759,721</b>
<b>Total</b>	<b>\$ 5,354,781</b>	<b>\$ 4,392,683</b>	<b>\$ 528,025</b>	<b>\$ 821,062</b>	<b>(1,372,732)</b>	<b>1,759,721</b>	<b>386,989</b>
<b>General revenues:</b>							
Property taxes					1,524,986	-	1,524,986
Licenses and permits					57,885	-	57,885
Intergovernmental					756,782	-	756,782
Unrestricted investment earnings					5,448	14,019	19,467
Miscellaneous					7,689	383	8,072
<b>Total general revenues</b>					<b>2,352,790</b>	<b>14,402</b>	<b>2,367,192</b>
<b>Change in net position</b>					<b>980,058</b>	<b>1,774,123</b>	<b>2,754,181</b>
<b>Net position - beginning</b>					<b>5,520,883</b>	<b>7,717,683</b>	<b>13,238,566</b>
<b>Net position - ending</b>					<b>\$ 6,500,941</b>	<b>\$ 9,491,806</b>	<b>\$ 15,992,747</b>

CITY OF GLENDIVE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,117,392	\$ 405,927	\$ 1,092,380	\$ 3,615,699
Receivables:				
Taxes and assessments	82,535	-	49,049	131,584
Governments	-	-	104,333	104,333
Other	4,064	-	-	4,064
Due from other funds	35,388	-	-	35,388
<b>Total assets</b>	<b>\$ 2,239,379</b>	<b>\$ 405,927</b>	<b>\$ 1,245,762</b>	<b>\$ 3,891,068</b>
<b>LIABILITIES</b>				
Accounts payable-vendors	\$ 60	\$ -	\$ -	\$ 60
Due to other funds	-	-	32,388	32,388
<b>Total liabilities</b>	<b>60</b>	<b>-</b>	<b>32,388</b>	<b>32,448</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-taxes and assessments	82,535	-	49,049	131,584
<b>Total deferred inflows of resources</b>	<b>82,535</b>	<b>-</b>	<b>49,049</b>	<b>131,584</b>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
General government	-	-	220,380	220,380
Public safety	-	-	700,006	700,006
Public works	-	-	112,920	112,920
Housing and community development	-	-	66,535	66,535
Debt service	-	-	26,552	26,552
Capital projects	-	405,927	77,855	483,782
Committed for:				
Culture and recreation	-	-	6,305	6,305
Assigned:				
General government	378,842	-	-	378,842
Public safety	600,099	-	-	600,099
Public works	223,312	-	-	223,312
Public health	8,891	-	-	8,891
Culture and recreation	223,755	-	-	223,755
Unassigned	721,885	-	(46,228)	675,657
<b>Total fund balances (deficits)</b>	<b>2,156,784</b>	<b>405,927</b>	<b>1,164,325</b>	<b>3,727,036</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 2,239,379</b>	<b>\$ 405,927</b>	<b>\$ 1,245,762</b>	<b>\$ 3,891,068</b>

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

Total fund balances, governmental funds	\$ 3,727,036
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.	3,105,660
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	114,096
Some liabilities, (such as notes payable and compensated absences), are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(445,851)</u>
Net position of governmental activities	<u>\$ 6,500,941</u>

CITY OF GLENDIVE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes/assessments	\$ 1,194,338	\$ -	\$ 383,066	\$ 1,577,404
Fines and forfeitures	127,656	-	-	127,656
Licenses and permits	57,885	-	26,672	84,557
Intergovernmental	1,266,386	-	360,784	1,627,170
Charges for services	148,083	-	5,510	153,593
Investment earnings	3,197	667	1,584	5,448
Miscellaneous	7,689	-	3,926	11,615
<b>Total revenues</b>	<b>2,805,234</b>	<b>667</b>	<b>781,542</b>	<b>3,587,443</b>
<b>EXPENDITURES</b>				
Current:				
General government	283,991	-	-	283,991
Public safety	1,370,877	-	53,886	1,424,763
Public works	258,932	-	167,709	426,641
Public health	1,839	-	-	1,839
Culture and recreation	317,203	-	8,691	325,894
Housing and community development	-	-	104,333	104,333
Other current charges	475	-	61,667	62,142
Debt service:				
Principal	24,413	-	11,763	36,176
Interest and other charges	4,658	-	1,240	5,898
Capital outlay	407,237	575,759	183,404	1,166,400
<b>Total expenditures</b>	<b>2,669,625</b>	<b>575,759</b>	<b>592,693</b>	<b>3,838,077</b>
Excess (deficiency) of revenues over expenditures	135,609	(575,092)	188,849	(250,634)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	250,000	-	-	250,000
Insurance proceeds	149,671	-	-	149,671
Transfers in	229,683	361,550	85,807	677,040
Transfers out	(328,000)	-	(349,040)	(677,040)
<b>Total other financing sources (uses)</b>	<b>301,354</b>	<b>361,550</b>	<b>(263,233)</b>	<b>399,671</b>
<b>Net change in fund balances</b>	<b>436,963</b>	<b>(213,542)</b>	<b>(74,384)</b>	<b>149,037</b>
Fund balances - beginning	1,719,821	619,469	1,238,709	3,577,999
<b>Fund balances - ending</b>	<b>\$ 2,156,784</b>	<b>\$ 405,927</b>	<b>\$ 1,164,325</b>	<b>\$ 3,727,036</b>

CITY OF GLENDIVE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 149,037
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>	
<p>This is the amount by which capital outlay (\$1,166,400) exceeded depreciation (\$178,988) in the current period.</p>	987,412
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	49,962
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt issued exceeded repayments.</p>	(213,824)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:</p>	
<p style="padding-left: 40px;">Compensated absences</p>	<u>7,471</u>
Change in net position of governmental activities	<u><u>\$ 980,058</u></u>

CITY OF GLENDIVE  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2014

	Enterprise Funds					Total
	Water	Sewer	Landfill	Solid Waste	Other Enterprise Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 250	\$ 130,683	\$ 246,090	\$ -	\$ 92,379	\$ 469,402
Receivables:						
Taxes and assessments	1,753	-	-	54,072	-	55,825
Utility	129,478	75,002	135,651	19,340	-	359,471
Ambulance (less allowance for doubtful accounts of \$356,659)	-	-	-	-	57,019	57,019
Governments	-	195,237	-	-	-	195,237
Total current assets	<u>131,481</u>	<u>400,922</u>	<u>381,741</u>	<u>73,412</u>	<u>149,398</u>	<u>1,136,954</u>
Non-current assets:						
Restricted assets:						
Cash and cash equivalents	1,113,590	592,804	1,178,365	294,362	60,000	3,239,121
Investments	-	-	557,167	-	-	557,167
Total restricted assets	<u>1,113,590</u>	<u>592,804</u>	<u>1,735,532</u>	<u>294,362</u>	<u>60,000</u>	<u>3,796,288</u>
Capital assets:						
Land and construction in progress	121,120	1,526,422	17,630	-	-	1,665,172
Utility system	6,450,992	2,179,843	83,756	27,094	-	8,741,685
Improvements	52,260	-	357,484	-	467,203	876,947
Equipment and furniture	391,366	412,323	653,785	874,253	327,690	2,659,417
Less accumulated depreciation	(4,160,862)	(1,189,498)	(692,559)	(813,256)	(305,815)	(7,161,990)
Capital assets, net	<u>2,854,876</u>	<u>2,929,090</u>	<u>420,096</u>	<u>88,091</u>	<u>489,078</u>	<u>6,781,231</u>
Total non-current assets	<u>3,968,466</u>	<u>3,521,894</u>	<u>2,155,628</u>	<u>382,453</u>	<u>549,078</u>	<u>10,577,519</u>
Total assets	<u>4,099,947</u>	<u>3,922,816</u>	<u>2,537,369</u>	<u>455,865</u>	<u>698,476</u>	<u>11,714,473</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable-vendors	-	47	-	25,074	-	25,121
Deposits payable	16,965	-	-	-	-	16,965
Compensated absences	6,601	1,641	3,820	3,403	182	15,647
Bonds and notes payable	187,971	97,877	59,008	7,037	13,328	365,221
Total current liabilities	<u>211,537</u>	<u>99,565</u>	<u>62,828</u>	<u>35,514</u>	<u>13,510</u>	<u>422,954</u>
Non-current liabilities:						
Compensated absences	59,408	14,769	34,379	30,623	1,641	140,820
Landfill closure/postclosure care payable	-	-	333,718	-	-	333,718
Bonds and notes payable	374,542	707,632	81,788	39,189	122,024	1,325,175
Total non-current liabilities	<u>433,950</u>	<u>722,401</u>	<u>449,885</u>	<u>69,812</u>	<u>123,665</u>	<u>1,799,713</u>
Total liabilities	<u>645,487</u>	<u>821,966</u>	<u>512,713</u>	<u>105,326</u>	<u>137,175</u>	<u>2,222,667</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,292,363	2,123,581	279,300	41,865	353,726	5,090,835
Restricted for debt service-bond reserve	22,731	88,642	18,380	-	-	129,753
Restricted for landfill closure/postclosure	-	-	207,795	-	-	207,795
Unrestricted	1,139,366	888,627	1,519,181	308,674	207,575	4,063,423
Total net position	<u>\$ 3,454,460</u>	<u>\$ 3,100,850</u>	<u>\$ 2,024,656</u>	<u>\$ 350,539</u>	<u>\$ 561,301</u>	<u>\$ 9,491,806</u>

See notes to basic financial statements.

CITY OF GLENDIVE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	Enterprise Funds					Total
	Water	Sewer	Landfill	Solid Waste	Other Enterprise Fund	
<b>REVENUES</b>						
Charges for services	\$ 1,279,050	\$ 831,023	\$ 789,796	\$ 65,197	\$ 230,644	\$ 3,195,710
Assessments	52,979	-	-	584,022	-	637,001
<b>Total operating revenues</b>	<u>1,332,029</u>	<u>831,023</u>	<u>789,796</u>	<u>649,219</u>	<u>230,644</u>	<u>3,832,711</u>
<b>OPERATING EXPENSES</b>						
Personal services	381,324	118,296	248,444	242,298	101,267	1,091,629
Supplies	151,543	14,970	52,904	80,073	20,987	320,477
Purchased services	128,312	91,308	94,011	266,373	31,101	611,105
Fixed charges	25,298	8,245	20,829	10,045	4,782	69,199
Closure/postclosure costs	-	-	28,041	-	-	28,041
Depreciation	169,351	61,549	63,830	59,152	22,263	376,145
<b>Total operating expenses</b>	<u>855,828</u>	<u>294,368</u>	<u>508,059</u>	<u>657,941</u>	<u>180,400</u>	<u>2,496,596</u>
<b>Operating income (loss)</b>	<u>476,201</u>	<u>536,655</u>	<u>281,737</u>	<u>(8,722)</u>	<u>50,244</u>	<u>1,336,115</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and investment revenue	1,614	1,655	10,035	364	351	14,019
Miscellaneous revenue	-	383	-	-	-	383
Interest expense	(21,551)	(19,085)	(6,411)	(1,838)	(2,282)	(51,167)
<b>Total non-operating revenues (expenses)</b>	<u>(19,937)</u>	<u>(17,047)</u>	<u>3,624</u>	<u>(1,474)</u>	<u>(1,931)</u>	<u>(36,765)</u>
<b>Income (loss) before contributions</b>	456,264	519,608	285,361	(10,196)	48,313	1,299,350
<b>Capital contributions</b>	-	474,773	-	-	-	474,773
<b>Change in net position</b>	456,264	994,381	285,361	(10,196)	48,313	1,774,123
<b>Net position - beginning</b>	<u>2,998,196</u>	<u>2,106,469</u>	<u>1,739,295</u>	<u>360,735</u>	<u>512,988</u>	<u>7,717,683</u>
<b>Net position - ending</b>	<u>\$ 3,454,460</u>	<u>\$ 3,100,850</u>	<u>\$ 2,024,656</u>	<u>\$ 350,539</u>	<u>\$ 561,301</u>	<u>\$ 9,491,806</u>

CITY OF GLENDIVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2014

	Enterprise Funds				Other Enterprise Fund	Total
	Water	Sewer	Landfill	Solid Waste		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	\$ 1,316,630	\$ 830,003	\$ 741,713	\$ 651,467	\$ 240,782	\$ 3,780,595
Cash paid to employees	(381,896)	(117,052)	(238,062)	(261,699)	(100,955)	(1,099,664)
Cash paid to suppliers for goods and services	(305,153)	(114,476)	(167,744)	(331,417)	(56,870)	(975,660)
Net cash provided by operating activities	629,581	598,475	335,907	58,351	82,957	1,705,271
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Cash received from miscellaneous services	-	383	-	-	-	383
Increase in customer water deposits payable	1,916	-	-	-	-	1,916
Net cash provided by noncapital financing activities	1,916	383	-	-	-	2,299
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Cash received from capital contributions	-	279,536	-	-	-	279,536
Purchase of capital assets	(45,646)	(1,263,745)	(32,198)	(5,550)	(400,994)	(1,748,133)
Debt issued	35,489	95,325	-	-	150,000	280,814
Principal payments on debt	(181,720)	(98,248)	(57,620)	(6,792)	(14,647)	(359,027)
Interest paid	(21,551)	(19,085)	(6,411)	(1,838)	(2,282)	(51,167)
Net cash used by capital and related financing activities	(213,428)	(1,006,217)	(96,229)	(14,180)	(267,923)	(1,597,977)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Net change in investments	-	-	(33,507)	-	-	(33,507)
Interest received	1,614	1,655	10,035	364	351	14,019
Net cash provided (used) by investing activities	1,614	1,655	(23,472)	364	351	(19,488)
Change in cash and cash equivalents	419,683	(405,704)	216,206	44,535	(184,615)	90,105
Cash and cash equivalents - beginning	694,157	1,129,191	1,208,249	249,827	315,604	3,597,028
Cash and cash equivalents - ending	\$ 1,113,840	\$ 723,487	\$ 1,424,455	\$ 294,362	\$ 130,989	\$ 3,687,133
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 476,201	\$ 536,655	\$ 281,737	\$ (8,722)	\$ 50,244	\$ 1,336,115
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	169,351	61,549	63,830	59,152	22,263	376,145
Landfill closure/postclosure care costs	-	-	28,041	-	-	28,041
(Increase) decrease in accounts receivable	(15,067)	(1,020)	(48,083)	3,096	10,138	(50,936)
Increase in assessments receivable	(332)	-	-	(848)	-	(1,180)
Increase in accounts payable	-	47	-	25,074	-	25,121
Increase (decrease) in compensated absences	(572)	1,244	10,382	(19,401)	312	(8,035)
Net cash provided by operating activities	\$ 629,581	\$ 598,475	\$ 335,907	\$ 58,351	\$ 82,957	\$ 1,705,271

Schedule of Noncash Capital and Related Financing Activities

Capital contributions	\$ -	\$ 195,237	\$ -	\$ -	\$ -	\$ 195,237
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CITY OF GLENDIVE  
STATEMENT OF NET POSITION  
FIDUCIARY FUND  
June 30, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,978
<b>Total assets</b>	<u><u>\$ 14,978</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 11,978
Due to general fund	<u>3,000</u>
<b>Total liabilities</b>	<u><u>\$ 14,978</u></u>

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also 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 government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, 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.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

The capital projects fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

The government reports the following major enterprise funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

The landfill fund accounts for the activities of the government's landfill.

The solid waste fund accounts for the activities of the government's sanitation services.

Additionally, the government reports the following fund type:

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

The City maintains and controls an investment portfolio. The investment portfolio is managed by the City Treasurer/Finance Clerk and Director of Operations. The Director of Operations is responsible for setting the investment policies for the portfolio, reviewing and monitoring investments to ensure the City's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments in the portfolio are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents. Investment income from the portfolio is allocated to individual funds of the City based on the fund's cash and investment balance at the end of each month. If applicable, the net change in fair value of the portfolio is also allocated to individual funds of the City based on the fund's cash and investment balance at the end of the year.

Receivables and Payables

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Ambulance receivables are shown net of an allowance for doubtful accounts. The enterprise accounts receivable allowance for doubtful accounts is determined through past collection history. All other receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded.

Restricted Assets

Certain cash assets of the Enterprise fund have been set aside by management. The "revenue bond-future debt service" account (\$129,753) is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account and to report resources set aside to pay principal and interest if insufficient money is available in the debt service account. The "replacement and depreciation" account (\$3,125,022) is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. The amounts accumulated in the trust (\$541,513) are restricted and reported on the combined balance sheet as "restricted assets."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements	20-45
Infrastructure	50
Buildings and systems	50-100
Machinery and equipment	6-70

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

The governing body has by resolution authorized the Mayor and/or Director of Operations to assign fund balance. Assigned fund balance in the general fund represents year-end budget authorizations.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

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, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Youth Center (\$46,228) fund had a deficit fund balance as of June 30, 2014. The deficit in the Youth Center fund is a carry-over from prior years. Management expects to eliminate the deficit in the Youth Center fund through contributions from the General fund.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 3,615,699
Business-type activities	4,265,690
Fiduciary funds	<u>14,978</u>
	<u><u>\$ 7,896,367</u></u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 850	\$ -	\$ 850
Cash in banks:			
Demand deposits	14,283	-	14,283
Savings deposits	2,359,227	-	2,359,227
Time deposits	-	18,380	18,380
U.S. Government securities	-	538,787	538,787
Short-term Investment Program (STIP)	362,214	-	362,214
Repurchase agreements	<u>4,602,626</u>	<u>-</u>	<u>4,602,626</u>
	<u><u>\$ 7,339,200</u></u>	<u><u>\$ 557,167</u></u>	<u><u>\$ 7,896,367</u></u>

*Custodial Credit Risk—Deposits.* 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. As of June 30, 2014, the government was not exposed to custodial credit risk.

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. Collateral was not required as of June 30, 2014.

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Time deposits	1.90%	06/24/16	\$ 18,380	\$ 18,380	\$ 18,380	3.30%
U.S. Government securities	.625 to 2.75%	Varies	539,000	538,787	541,553	96.70%
				<u>\$ 557,167</u>	<u>\$ 559,933</u>	

*Interest Rate Risk.* The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment 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.

*Credit Risk.* Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value**
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 4,602,626	\$ 4,602,626	\$ 4,602,626
U.S. Government securities	500,000	-	38,787	538,787	541,554
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 4,641,413</u>	5,141,413	5,144,180
Uncategorized: STIP				362,214	362,214
				<u>\$ 5,503,627</u>	<u>\$ 5,506,394</u>

\*\* Change in fair value has not been recorded as it is considered insignificant.

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2014, consisted of the following:

	Due from funds	Due to funds
Governmental activities:		
General	\$ 35,388	\$ -
Nonmajor governmental funds	-	(32,388)
Total governmental activities	<u>\$ 35,388</u>	<u>\$ (32,388)</u>
Fiduciary funds:		
Flexible Benefits	<u>\$ -</u>	<u>\$ (3,000)</u>

The balances due to the General fund from the Youth Center fund (nonmajor governmental fund) resulted from loans made to cover cash deficits. The balance due to the General fund from the Flexible Benefits fund (fiduciary funds) resulted from loans made for startup cash. The Youth Center and Flexible Benefits interfund loans are not scheduled to be collected in the subsequent year.

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
General	\$ 229,683	\$ (328,000)
Capital projects	361,550	-
Nonmajor governmental funds	85,807	(349,040)
Total governmental activities	\$ 677,040	\$ (677,040)

Transfers were made in accordance with budgetary authorizations and to fund capital improvements.

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 79,115	\$ -	\$ -	\$ 79,115
Construction-in-progress	165,718	395,604	(141,615)	419,707
Total capital assets, not being depreciated	244,833	395,604	(141,615)	498,822
Capital assets, being depreciated				
Buildings/improvements	539,162	582,947	-	1,122,109
Improvements other than buildings	777,823	-	-	777,823
Machinery and equipment	1,812,184	146,060	-	1,958,244
Infrastructure	706,809	183,404	-	890,213
Total capital assets, being depreciated	3,835,978	912,411	-	4,748,389
Less accumulated depreciation for:				
Buildings/improvements	(291,406)	(13,677)	-	(305,083)
Improvements other than buildings	(363,282)	(25,142)	-	(388,424)
Improvements other than buildings	(1,199,269)	(111,253)	-	(1,310,522)
Infrastructure	(108,606)	(28,916)	-	(137,522)
Total accumulated depreciation	(1,962,563)	(178,988)	-	(2,141,551)
Total capital assets, being depreciated, net	1,873,415	733,423	-	2,606,838
Governmental activities capital assets, net	\$ 2,118,248	\$ 1,129,027	\$ (141,615)	\$ 3,105,660

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 10,145
Public safety	69,081
Public works	57,846
Culture and recreation	41,916
Total depreciation-governmental activities	\$ 178,988

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 83,607	\$ -	\$ -	\$ 83,607
Construction in progress	348,882	1,298,892	(66,209)	1,581,565
Total capital assets, not being depreciated	<u>432,489</u>	<u>1,298,892</u>	<u>(66,209)</u>	<u>1,665,172</u>
Capital assets, being depreciated				
Buildings and systems	8,741,685	467,203	-	9,208,888
Improvements other than buildings	409,744	-	-	409,744
Machinery and equipment	2,611,169	48,248	-	2,659,417
Total capital assets, being depreciated	<u>11,762,598</u>	<u>515,451</u>	<u>-</u>	<u>12,278,049</u>
Less accumulated depreciation for:				
Buildings and systems	(4,649,036)	(203,440)	-	(4,852,476)
Improvements other than buildings	(341,964)	(18,490)	-	(360,454)
Machinery and equipment	(1,794,845)	(154,215)	-	(1,949,060)
Total accumulated depreciation	<u>(6,785,845)</u>	<u>(376,145)</u>	<u>-</u>	<u>(7,161,990)</u>
Total capital assets, being depreciated, net	<u>4,976,753</u>	<u>139,306</u>	<u>-</u>	<u>5,116,059</u>
Business-type activities capital assets, net	<u>\$ 5,409,242</u>	<u>\$ 1,438,198</u>	<u>\$ (66,209)</u>	<u>\$ 6,781,231</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 169,351
Sewer	61,549
Landfill	63,830
Solid Waste	59,152
Ambulance	<u>22,263</u>
Total depreciation-business-type activities	<u>\$ 376,145</u>

Long-Term Debt

Revenue bonds payable are as follows:

	Interest Rate	Term	Original Issue	Outstanding Amount
Landfill-DNRC revenue bonds-1996	4.00	20 yrs	\$ 236,000	\$ 33,000
Sewer-DNRC revenue bonds-2013	1.25	3.5 yrs	90,000	52,000
Sewer-DNRC revenue bonds-2013	2.00	10 yrs	303,000	261,000
Sewer-DNRC revenue bonds-2013	2.25	15 yrs	183,000	168,000
Water-DNRC revenue bonds-2010	1.75	20 yrs	158,900	125,000
Water-DNRC revenue bonds-2013	2.25	15 yrs	145,000	133,000
Sewer-DNRC revenue bonds-2013	3.00	20 yrs	274,000	206,978
Sewer-DNRC revenue bonds-2014	3.00	20 yrs	196,700	51,136
Sewer-DNRC revenue bonds-2010	1.75	20 yrs	29,200	<u>22,500</u>
				<u>\$ 1,052,614</u>

Following are the significant provisions of the revenue bonds:

A sinking and interest account will be established and credited monthly one-sixth of the principal and interest due within the next six months to meet payments of principal and interest on the bonds as they come due, establish a reserve account for each

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

revenue bond, produce net revenues not less than 125% of maximum principal and interest due in any current fiscal year and establish a replacement and depreciation account for repair and replacement.

The government is in substantial compliance with the revenue bond covenants discussed above.

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

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 115,500	\$ 33,242	\$ 148,742
2016	120,500	22,534	143,034
2013	80,500	16,905	97,405
2018	81,500	16,570	98,070
2019	82,500	14,708	97,208
2020-2024	350,636	46,567	397,203
2025-2029	216,500	13,885	230,385
2030	4,978	75	5,053
	<u>\$ 1,052,614</u>	<u>\$ 164,486</u>	<u>\$ 1,217,100</u>

During 2004, the government issued \$1,250,000 of revenue refunding notes for a current refunding of \$1,250,000 SRF revenue bonds at an interest rate of 3.75 percent, with semi-annual payments due over 12 years. The refunding was undertaken to reduce total future debt service payments. The amount outstanding as of June 30, 2014 was \$207,595.

Following are the significant provisions of the resolutions related to the water system revenue refunding notes:

A sinking and interest account will be established and credited monthly with one-sixth of the principal and interest due within the next six months to meet payments of principal and interest on the notes as they come due.

Produce net revenues during each fiscal year not less than 100% of the principal and interest payable on any outstanding notes in such fiscal year.

The government is in substantial compliance with the covenants discussed above.

The detail of notes payable is as follows:

	Original Amount	Term	Interest Rate	Governmental Activities	Business-type Activities
Multi-use-2014	\$ 250,000	10 yrs	2.97%	\$ 225,587	\$ -
Mini SID No. 5-2005	25,216	10 yrs	3.64%	3,003	-
Mini SID No. 6-2006	26,107	10 yrs	4.54%	6,343	-
Mini SID No. 7-2007	26,168	10 yrs	4.97%	9,243	-
Backhoe-2014	70,978	5 yrs	2.60%	-	57,386
Ambulance-2014	150,000	10 yrs	2.97%	-	135,352
Loader-2012	95,000	5 yrs	3.14%	-	39,630
Compactor-2010	274,000	7 yrs	3.33%	-	98,570
Garbage truck-2010	71,900	10 yrs	3.58%	-	46,226
Lime Slaker-2007	180,000	10 yrs	4.65%	-	53,023
Water refunding note	1,250,000	12 yrs	3.75%	-	207,595
				<u>\$ 244,176</u>	<u>\$ 637,782</u>

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

Notes payable debt service requirements to maturity are as follows:

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 31,248	\$ 7,298	\$ 38,546	\$ 249,721	\$ 19,743	\$ 269,464
2016	29,190	6,271	35,461	186,976	10,671	197,647
2017	26,802	5,305	32,107	67,667	5,460	73,127
2018	24,267	4,484	28,751	37,298	3,785	41,083
2019	24,993	3,758	28,751	23,106	4,915	28,021
2020-2024	107,676	7,328	115,004	73,014	228	73,242
	<u>\$ 244,176</u>	<u>\$ 34,444</u>	<u>\$ 278,620</u>	<u>\$ 637,782</u>	<u>\$ 44,802</u>	<u>\$ 682,584</u>

Landfill Closure/Postclosure

State and federal laws and regulations require the government place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the government reports a portion of the closure and postclosure care costs as an expense in each period based on the capacity used as of each balance sheet date. The \$333,718 reported as a landfill closure/postclosure care liability as of June 30, 2014 represents 30 percent usage as of June 30, 2014 of the estimated landfill capacity. The government will recognize the remaining estimated cost of closure/postclosure care of \$784,231 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. The government expects to close the landfill in 2043. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. The government is in compliance with these requirements. As of June 30, 2014, deposits of \$541,513 were held for these purposes and reported as a restricted asset on the balance sheet. The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care costs are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue. The following changes occurred in the landfill closure and postclosure care liability during the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Landfill closure and postclosure care payable	<u>\$ 305,677</u>	<u>\$ 28,041</u>	<u>\$ -</u>	<u>\$ 333,718</u>

Long-term liability activity was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Notes payable	\$ 30,352	\$ 250,000	\$ (36,176)	\$ 244,176	\$ 31,248
Compensated absences	209,146	-	(7,471)	201,675	20,168
Governmental activity long-term liabilities	<u>\$ 239,498</u>	<u>\$ 250,000</u>	<u>\$ (43,647)</u>	<u>\$ 445,851</u>	<u>\$ 51,416</u>
Business-type activities:					
Revenue bonds	\$ 1,108,978	\$ 59,836	\$ (116,200)	\$ 1,052,614	\$ 115,500
Notes payable	659,631	220,978	(242,827)	637,782	249,721
Compensated absences	164,502	-	(8,035)	156,467	15,647
Business-type activity long-term liabilities	<u>\$ 1,933,111</u>	<u>\$ 280,814</u>	<u>\$ (367,062)</u>	<u>\$ 1,846,863</u>	<u>\$ 380,868</u>

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Subsequent Events, Commitments and Contingencies

On September 24, 2014, the City issued a bond anticipation note (\$17,116,000) through the Department of Natural Resources and Conservation (DNRC) for upgrades to the waste water treatment plant system. The note has an interest rate of 1.25 percent and matures July 1, 2017. To redeem the bond anticipation note, the City will issue wastewater system revenue bonds (SRF-B \$7,116,000 and SRF-C \$10,000,000) through the Department of Natural Resources and Conservation (DNRC) where the government pledged income derived from the acquired or constructed assets to pay debt service. The revenue bonds will have a variable rate of interest and are payable in installments on a semi-annual basis over a 30 year period.

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$245,000, primarily for equipment.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in three statewide mandatory cost-sharing multiple employer defined benefit retirement plans which cover all employees. The Municipal Police Officers' Retirement System (MPORS) covers city police officers. The Firefighters' Unified Retirement System (FURS) covers city firefighters. The Public Employee Retirement System (PERS) covers all other city employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
MPORS	14.410%	9.000%	23.410%
FURS	14.360%	10.700%	25.060%
PERS	8.070%	7.900%	15.970%

PERS:  
On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

CITY OF GLENDIVE  
NOTES TO BASIC FINANCIAL STATEMENTS

The State of Montana contributes .1% per year to the PERS plan, 29.37% to the MPORS (\$109,670) plan and 32.61% to the FURS (\$68,166) plan on behalf of the employer. The on-behalf contributions, except for PERS, have been recorded in the financial statements.

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

	2014	2013	2012
MPORS	\$ 87,415	\$ 88,838	\$ 86,150
FURS	52,384	48,389	47,250
PERS	228,125	198,712	190,922
	\$ 367,924	\$ 335,939	\$ 324,322

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLENDIVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Taxes/assessments	\$ 1,203,038	\$ 1,203,038	\$ 1,194,338
Fees and fines	110,000	110,000	127,656
Licenses and permits	55,050	55,050	57,885
Intergovernmental	1,143,002	1,143,002	1,266,386
Charges for services	117,000	117,000	148,083
Investment earnings	6,300	6,300	3,197
Miscellaneous	34,800	34,800	7,689
Total revenues	<u>2,669,190</u>	<u>2,669,190</u>	<u>2,805,234</u>
<b>EXPENDITURES</b>			
Current:			
General government	338,201	338,201	283,991
Public safety	1,277,240	1,277,240	1,370,877
Public works	375,203	375,203	258,932
Public health	21,103	21,103	1,839
Culture and recreation	352,185	352,185	317,203
Other current charges	188,350	188,350	475
Debt service:			
Principal	37,000	37,000	24,413
Interest and other charges	14,000	14,000	4,658
Capital outlay	501,400	501,400	407,237
Total expenditures	<u>3,104,682</u>	<u>3,104,682</u>	<u>2,669,625</u>
Excess (deficiency) of revenues over expenditures	<u>(435,492)</u>	<u>(435,492)</u>	<u>135,609</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	-	-	250,000
Insurance proceeds	-	-	149,671
Transfers in	297,000	297,000	229,683
Transfers out	(337,500)	(337,500)	(328,000)
Total other financing sources and uses	<u>(40,500)</u>	<u>(40,500)</u>	<u>301,354</u>
Net change in fund balance	<u>\$ (475,992)</u>	<u>\$ (475,992)</u>	436,963
Fund balance - beginning			<u>1,719,821</u>
Fund balance - ending			<u>\$ 2,156,784</u>

CITY OF GLENDIVE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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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

To the Honorable Mayor and City Council  
City of Glendive  
Glendive, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Glendive, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated May 11, 2015.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government'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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (Findings 2014-001 and 2014-002)

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### The Government's Response to Findings

The government did not respond to the findings identified in our audit as described in the accompanying schedule of findings. Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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 (CONTINUED)

Purpose of this Report

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

*O'Leary & Associates, PC*

Billings, Montana  
May 11, 2015

CITY OF GLENDIVE  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements. The government ensures the quality of its financial statements by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely the on audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

2014-002. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

CITY OF GLENDIVE  
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE