

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



CITY OF HAVRE
FINANCIAL REPORT
JUNE 30, 2014



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CITY OF HAVRE, MONTANA

2013 - 2014

ORGANIZATION

MAYOR

Tim Solomon

CITY COUNCIL

Brian Barrows	Jay Pyette
Bonnie Parenteau	Andrew Brekke
Gerry Veis	Robert Kaftan
Allen Woodwick	Janet Trethewey

OFFICERS/CLERKS

Attorneys	Bosch, Kuhr, Dugdale, Martin & Kaze
City Judge	Virginia Seigel
Finance Officer	Doug Kaercher
Public Works Director	Dave Peterson
Acting Police Chief	Gabe Matosich
Parks & Recreation Director	Chris Inman
Utility Billing/Collections Clerk	Janessa Daniel

INDEPENDENT AUDITOR'S REPORT

To the City Council and the Mayor
City of Havre
Havre, 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 Havre, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Budgetary Comparison – General Fund, and Schedule of Funding Progress – Other Postemployment Benefits (OPEB) 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 January 12, 2015, on our consideration of the City of Havre's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Havre's internal control over financial reporting.

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
January 12, 2015

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Our discussion and analysis of the City of Havre's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Reading this narrative in conjunction with the City's financial statements should give you a complete overview of the activities and financial status of the City of Havre.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, on pages 16, 17 and 18, provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 19. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 16 of the annual report. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- *Governmental activities* - Most of the City's basic services are reported here. Activities include general administration, public safety (police, fire and communications), public works (streets, street lighting and Bull Hook maintenance), culture and recreation (parks, pool and library), and community economic development. Property taxes, assessments, state shared revenues and grants finance most of these activities.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

The Statement of Net Position and the Statement of Activities (Continued)

- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, solid waste, storm drain systems and ambulance service are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law; other funds help control and manage money for particular purposes (like Street Maintenance District Funds) or show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Department of Transportation for Community Transportation Enhancement Program projects). The City's funds are divided into three categories: governmental, proprietary and fiduciary.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

Fiduciary Funds - Fiduciary activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations, but are responsible for ensuring the assets reported in these funds are used for their intended purposes.

The City's combined net position increased by \$704,486 this year. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

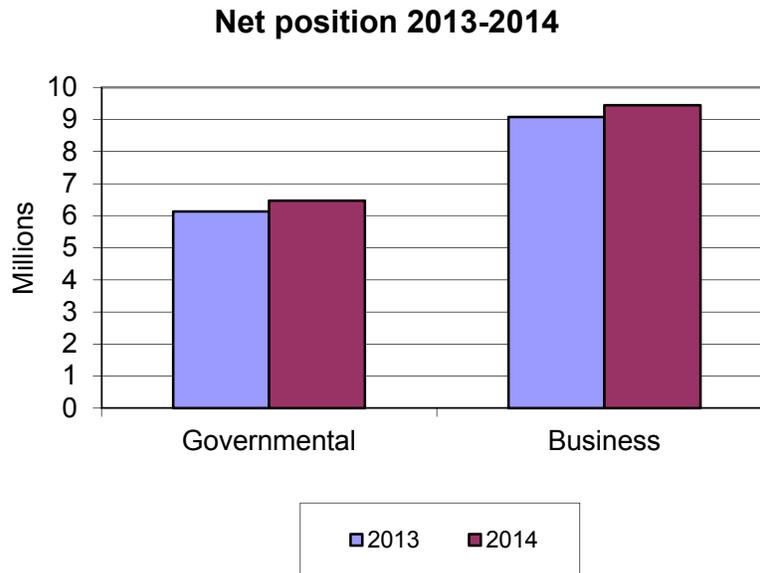
Net position of the City's governmental activities increased 5.4% (\$6,130,242 compared to \$6,477,034). Unrestricted net position, according to the Governmental Accounting Standards Board Statement No. 54, was \$1,262,274 at year-end.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Fund Financial Statements (Continued)

Net position of the City's business-type activities increased by 3.8% (\$9,084,723 compared to \$9,442,417). This net position cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The City generally can only use the net position of business-type activities to finance the continuing operations of the water, sewer, solid waste, storm drain and ambulance operations.



CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Fund Financial Statements (Continued)

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other assets	\$ 3,800,823	\$ 3,437,294	\$ 5,034,781	\$ 4,817,785	\$ 8,835,604	\$ 8,255,079
Capital assets	<u>4,134,538</u>	<u>4,124,209</u>	<u>13,195,902</u>	<u>13,891,038</u>	<u>17,330,440</u>	<u>18,015,247</u>
Total assets	<u>7,935,361</u>	<u>7,561,503</u>	<u>18,230,683</u>	<u>18,708,823</u>	<u>26,166,044</u>	<u>26,270,326</u>
LIABILITIES						
Long-term liabilities						
outstanding	1,138,489	1,157,973	7,799,597	8,647,327	8,938,086	9,805,300
Other liabilities	<u>319,838</u>	<u>273,288</u>	<u>988,669</u>	<u>976,773</u>	<u>1,308,507</u>	<u>1,250,061</u>
Total liabilities	<u>1,458,327</u>	<u>1,431,261</u>	<u>8,788,266</u>	<u>9,624,100</u>	<u>10,246,593</u>	<u>11,055,361</u>
NET POSITION						
Investment in capital assets, net of related debt	3,532,117	3,432,997	5,037,902	4,823,075	8,570,019	8,256,072
Restricted for:						
Debt service	147,683	224,147	-	-	147,683	224,147
Bond indenture requirements	-	-	1,009,191	1,009,191	1,009,191	1,009,191
General government	74,095	76,751	-	-	74,095	76,751
Public safety	58,511	42,372	-	-	58,511	42,372
Public works	585,031	521,983	-	-	585,031	521,983
Culture and recreation	31,549	28,549	-	-	31,549	28,549
Housing and Comm Development	785,774	718,375	-	-	785,774	718,375
Unrestricted	<u>1,262,274</u>	<u>1,085,068</u>	<u>3,395,324</u>	<u>3,252,457</u>	<u>4,657,598</u>	<u>4,337,525</u>
Total net position	<u>\$ 6,477,034</u>	<u>\$ 6,130,242</u>	<u>\$ 9,442,417</u>	<u>\$ 9,084,723</u>	<u>\$ 15,919,451</u>	<u>\$ 15,214,965</u>

The City's total revenues increased by about 2.3% (\$251,686), and the total cost of all programs and services decreased slightly by 2.9% (\$310,683). The City's revenue in the governmental activities and business-type activities was sufficient to cover expenses. Our analysis below separately considers the operations of governmental and business-type activities.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Fund Financial Statements (Continued)

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Charges for services	\$ 1,255,835	\$ 1,183,679	\$ 4,949,431	\$ 5,074,796	\$ 6,205,266	\$ 6,258,475
Operating grants/contributions	721,938	750,766	20,000	15,000	741,938	765,766
Capital grants/contributions	128,506	65,166	-	10,000	128,506	75,166
General Revenues:						
Property taxes	1,909,624	1,891,543	365,977	214,287	2,275,601	2,105,830
Local option taxes	211,382	201,869	-	-	211,382	201,869
Licenses and permits	112,418	139,957	-	-	112,418	139,957
Intergovernmental	1,400,528	1,316,722	24,586	2,732	1,425,114	1,319,454
Interest	2,200	1,857	19,907	21,423	22,107	23,280
Other general revenue	78,209	111,317	(1,569)	-	76,640	111,317
Gain (loss) on disposal of assets	28,907	(59,921)	-	35,000	28,907	(24,921)
Transfers in/out	(124,748)	(108,845)	124,748	108,845	-	-
Total revenues	<u>5,724,799</u>	<u>5,494,110</u>	<u>5,503,080</u>	<u>5,482,083</u>	<u>11,227,879</u>	<u>10,976,193</u>
EXPENSES						
General government	605,140	574,065	-	-	605,140	574,065
Public safety	2,413,694	2,438,159	-	-	2,413,694	2,438,159
Public works	1,298,337	1,427,772	-	-	1,298,337	1,427,772
Public health	86,449	77,006	-	-	86,449	77,006
Culture and recreation	830,341	838,373	-	-	830,341	838,373
Community development	9,000	16,433	-	-	9,000	16,433
Interest on long-term debt	14,196	16,973	-	-	14,196	16,973
Miscellaneous	120,849	164,223	-	-	120,849	164,223
Water	-	-	2,082,110	2,159,782	2,082,110	2,159,782
Sewer	-	-	1,325,180	1,456,863	1,325,180	1,456,863
Solid Waste	-	-	742,839	715,505	742,839	715,505
Ambulance	-	-	995,258	948,922	995,258	948,922
Total expenses	<u>5,378,006</u>	<u>5,553,004</u>	<u>5,145,387</u>	<u>5,281,072</u>	<u>10,523,393</u>	<u>10,834,076</u>
Change in net position	<u>\$ 346,793</u>	<u>\$ (58,894)</u>	<u>\$ 357,693</u>	<u>\$ 201,011</u>	<u>\$ 704,486</u>	<u>\$ 142,117</u>

Governmental Activities

Revenues for the year from governmental activities increased about 4.2% (\$230,689), while total expenses decreased by approximately 3.2% (\$174,998). This resulted in an increase in the net position for governmental activities of \$346,793 for fiscal year 2014.

Tax collections increased slightly by \$18,081 or 1%, from \$1,891,543 last year to \$1,909,624 this year. This increase was due to maximization the mill levy, shifting of mills to the ambulance fund and annexation efforts of the Council. Local option taxes increased slightly for FY2014 and was used to fund technology upgrades and placed in the Capital Improvement Projects Fund for future capital expenditures.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Intergovernmental revenue Increased for the first time in several years by \$50,506. This was mostly due to an increase of 4.1% in grants and contributions, which included a small increase in State entitlement funds and an *increase in* gasoline tax apportionment from the State.

Interest on Investments was up slightly or stable for FY14. Total investment earnings were \$2,200 compared to \$219,000 in fiscal year 2007. Investment earnings are predominantly from the following three sources:

- Repurchase Agreement with Independence Bank in Havre.
- State of Montana's Short Term Investment Pool.
- Certificates of Deposit through CD Account Registry Service (CDARS)

The cost of all *governmental activities* this year was \$5,378,006 compared to \$5,553,004 last year.

Table 3 presents the cost of each of the City's largest programs—police, communications, fire, parks, swimming pool, city court and street maintenance. These programs are supported by the City's taxpayers rather than from user charges like the Enterprise Funds.

Table 3

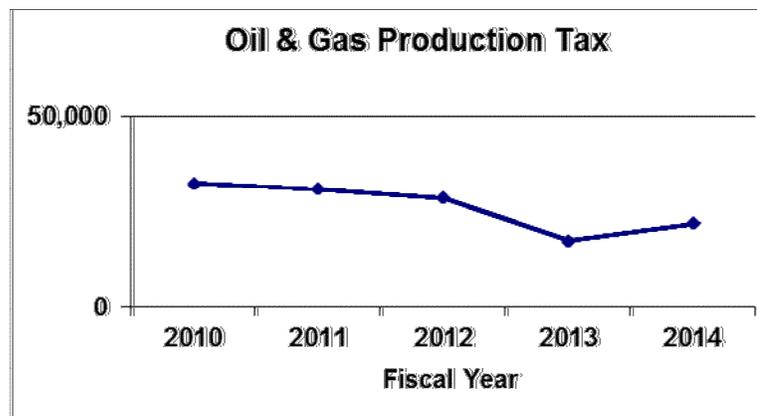
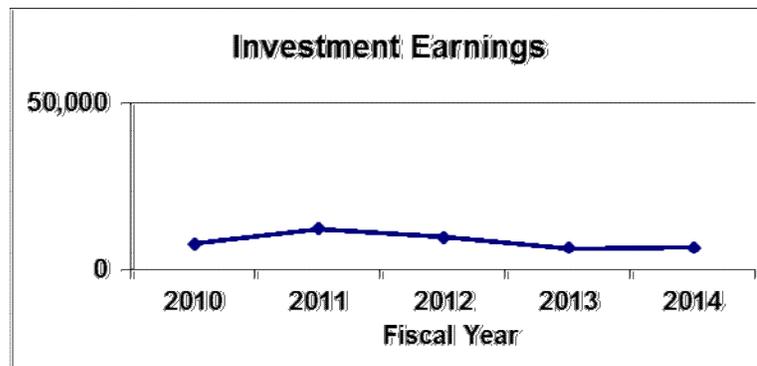
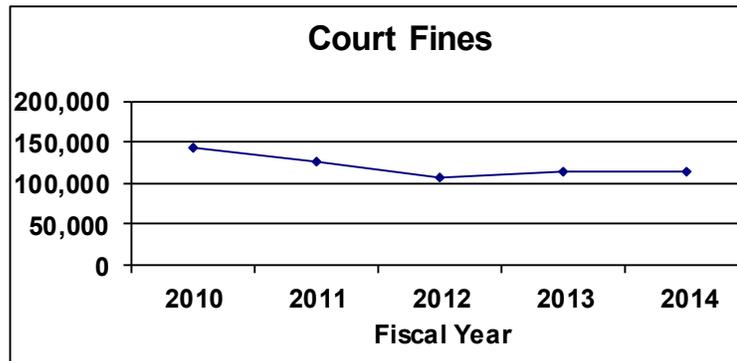
	Total Costs of Services		Change
	2014	2013	
Police	\$ 1,384,308	\$ 1,462,871	\$ (78,563)
Fire	436,458	415,651	20,807
Communications	206,863	163,204	43,659
City Court	112,904	114,698	(1,794)
Parks	249,537	218,940	30,597
Swimming pool	353,407	218,928	134,479
Street maintenance	<u>505,502</u>	<u>406,479</u>	<u>99,023</u>
Totals	<u>\$ 3,248,979</u>	<u>\$ 3,000,771</u>	<u>\$ 248,208</u>

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

With no new sources of revenue and current revenue remains mostly stable or slightly increased, the following graphs indicating stabilizing revenue for three key General Fund Revenue sources are a disturbing trend:

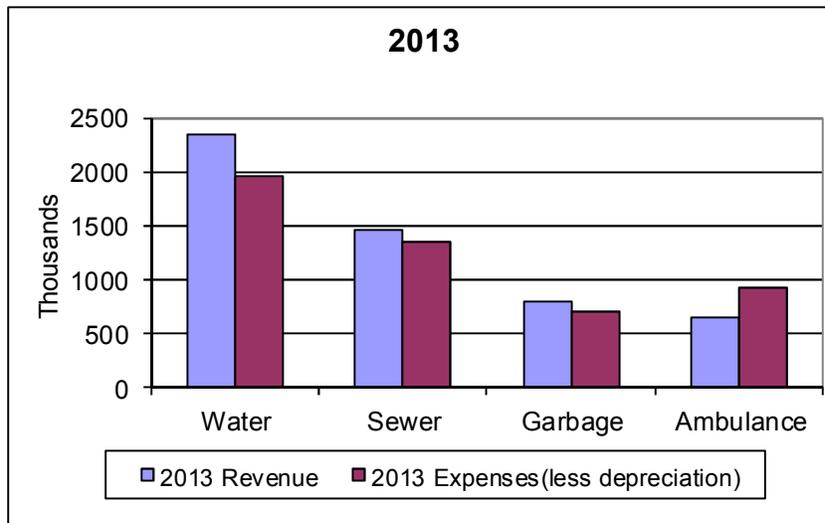
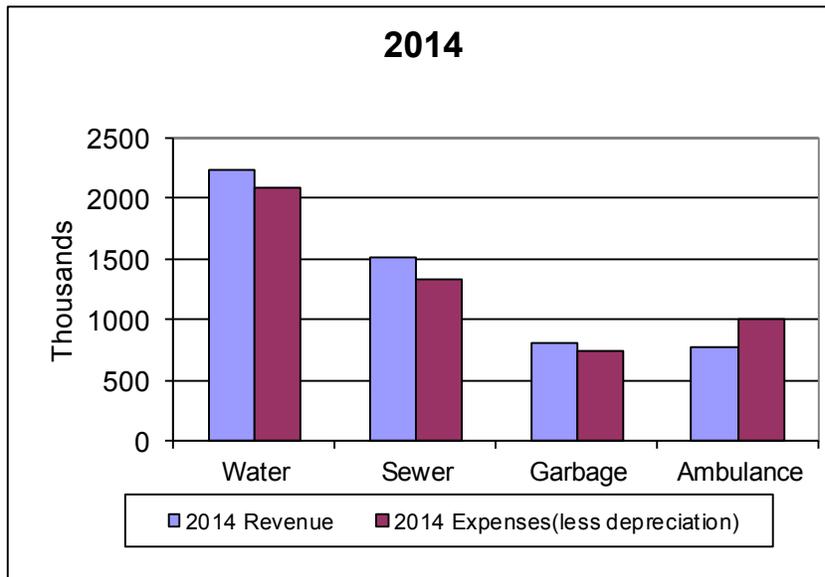


CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased 0.4% (\$5,503,080 in 2014 compared to \$5,482,083 in 2013), however, expenses decreased by 2.6% (\$5,145,387 in 2014 compared to \$5,281,072 in 2013). The decrease in revenue was primarily due to the decrease in property taxes collected for ambulance operation.



CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

REPORTING THE CITY AS A WHOLE (CONTINUED)

Business-Type Activities (Continued)

- *Water Fund* - Cash decreased approximately \$18,567 for the fiscal year. The reserve for replacement and depreciation decreased by about \$286,162 for a cash balance of \$856,137 on June 30, 2014.
- *Sewer Fund* - Cash decreased slightly by approximately \$6,000 for the fiscal year. The reserve for replacement and depreciation was increased by about \$318,581 for a cash balance of \$1,060,084 on June 30, 2014.
 - *The Water and Sewer Funds were in compliance with bond covenants requiring net revenues to be at least 125% of the maximum amount of principal and interest due on outstanding bonds in any subsequent fiscal year.*
- *Solid Waste Fund* - Garbage collection charges are determined annually and assessed with the property taxes collected by the county. Assessments have remained fairly stable yet providing funds for a capital outlay reserve. Historically, purchases have been made from the reserves for replacement. This year was spent building up the reserve for replacement and paying down the previous loans for a reserve balance of \$390,171 on June 30, 2014.
- *Ambulance Fund* - The Ambulance Fund is designated as an Enterprise Fund to determine the costs of providing ambulance service for the City of Havre. However, the largest source of revenue is property taxes. In fiscal year 2012, The City Council increased the Ambulance rate charged to non-residents. Even though cash is down, this has helped to stabilized revenues.

Budgetary Highlights

There were four budget amendments during the fiscal year. These additions to the original budget were from unanticipated grant revenue received after the budget was approved. Several line item budget transfers were made but no fund budgets were exceeded.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of accumulated depreciation, are \$4,134,538 for the governmental activities and \$13,195,902 for the business-type activities. Capital assets include land, buildings, improvements other than buildings, and machinery and equipment. Depreciation on capital assets is recognized in the government-wide financial statements and proprietary fund financial statements.

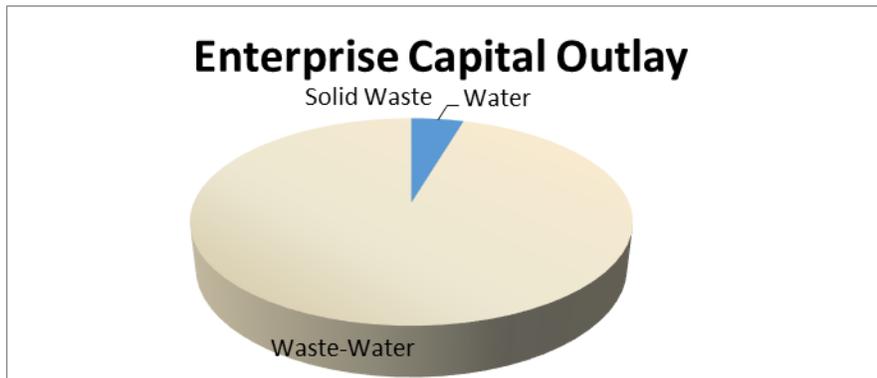
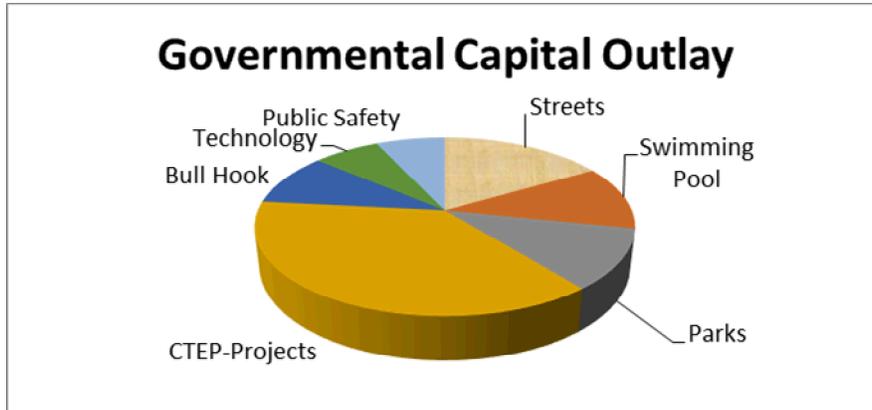
Capital expenditures in the governmental funds totaled \$373,305.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Capital outlay in the business-type activities was \$302,836. This was mainly the waste-water upgrade project.



Debt

As of June 30, 2014, enterprise funds have an outstanding revenue bond balance of \$8,158,000. No new bonds were issued and \$807,000 in bonds was retired during the fiscal year. The last garbage truck Inter-cap loan, from the Montana Board of Investments, was retired this year.

Special Improvement District #431 has \$60,000 and SID #433 has \$124,762 in bonds outstanding at year end.

Notes payable at year end was \$417,660. Notes payable consists of Intercap loans. Loans are for roof replacement on City Hall, an Asphalt Zipper, a street sweeper and a compressor at the hockey facility which the Havre Youth Hockey Association is obligated for the loan repayment.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

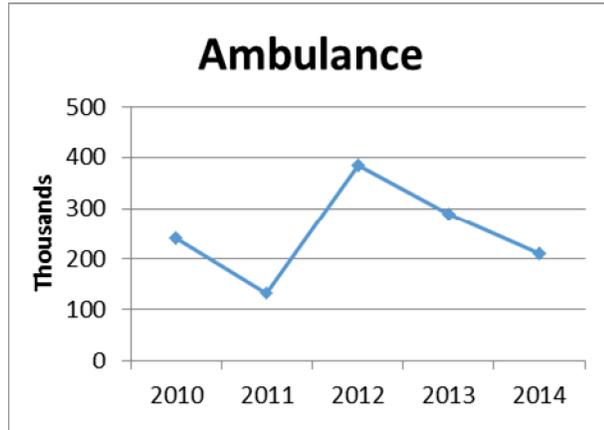
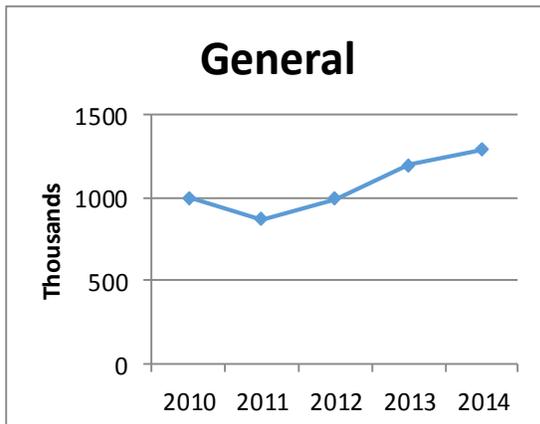
CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Other Postemployment Benefits Plans Valuation Report

The City completed an actuarial study in 2012 to fulfill its accounting requirements. Based on the City's and Montana Municipal Insurance Authority's (MMIA) database, claim costs and the actuarial assumptions, the future obligations of the OPEB Plans were identified. These future obligations were then allocated to current periods to define an annual required contribution and annual OPEB cost using procedures consistent with GASB Statement No. 45 requirements. The calculations include medical, prescription drug, and life insurance benefits provided to retired employees and their dependents.

NEXT YEAR'S BUDGETS

Preparation of the fiscal year 2014-2015 budget went smoothly due to conservative budgeting and stable revenues, cash was up from previous years, leaving room for badly needed infrastructure improvements. The graphs below reflect June 30 cash balances for the past five years.



Effective January 2013 the City settled their disagreement with Hill County over the swimming pool funding. Hill County will contribute \$20,000 per year toward pool operations. This inter-local agreement will continue for three years before being renegotiated.

As the graphs on page 10 indicate:

- In the past two years city court fines have seen a slight improvement, however, they are significantly lower than their high in 2008.
- Interest rates on investments have remained very low. General Fund interest revenue was \$183,613 for the year ending June 30, 2007 compared to \$12,435 in fiscal year 2011, \$9,942 for fiscal year 2012 and \$6,677 this fiscal year. The total interest earned on all investments was \$428,340 in fiscal year 2007 compared to \$28,695 this year. To illustrate the decline in interest rates, the State investment pool paid 5.38% in June 2007 and .106% in June 2014.
- Oil and Gas Production Tax distributions from House Bill 758 were \$21,751 in this fiscal year compared to a high of \$96,138 in fiscal year 2009.

CITY OF HAVRE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2014

This year the city has chosen to maximize the property tax levy allowed by Montana State Statutes to improve infrastructure.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Douglas A. Kaercher
Finance Director/City Clerk
PO Box 231
Havre, Montana 59501
dkaercher@ci.havre.mt.us

FINANCIAL STATEMENTS

CITY OF HAVRE
STATEMENT OF NET POSITION
Year Ended June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,088,090	\$ 1,259,139	\$ 4,347,229
Receivables:			
Property taxes receivable	421,505	-	421,505
Assessments receivable	-	97,500	97,500
Accounts receivable	-	355,036	355,036
Grant receivables	11,889	-	11,889
Inventories	<u>2,972</u>	<u>7,523</u>	<u>10,495</u>
Total current assets	<u>3,524,456</u>	<u>1,719,198</u>	<u>5,243,654</u>
NON-CURRENT ASSETS			
Restricted cash and investments	-	3,315,583	3,315,583
Loans and notes receivable	276,367	-	-
Land	383,296	27,523	410,819
Construction in progress	26,843	351,168	378,011
Depreciable assets, net of accumulated depreciation	<u>3,724,399</u>	<u>12,817,211</u>	<u>16,541,610</u>
Total non-current assets	<u>4,410,905</u>	<u>16,511,485</u>	<u>20,922,390</u>
Total assets	<u>\$ 7,935,361</u>	<u>\$ 18,230,683</u>	<u>\$ 26,166,044</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
STATEMENT OF NET POSITION (CONTINUED)
Year Ended June 30, 2014

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 226,550	\$ 164,869	\$ 391,419
Due to other governments	1,806	-	1,806
Deposits payable	-	800	800
Loans payable - due within one year	72,185	-	72,185
Bonds payable - due within one year	<u>19,297</u>	<u>823,000</u>	<u>842,297</u>
Total current liabilities	<u>319,838</u>	<u>988,669</u>	<u>1,308,507</u>
NON-CURRENT LIABILITIES			
Loans payable	345,475	-	345,475
Bonds payable	165,464	7,335,000	7,500,464
Other post-employment benefit liability	199,363	150,449	349,812
Compensated absences	<u>428,187</u>	<u>314,148</u>	<u>742,335</u>
Total non-current liabilities	<u>1,138,489</u>	<u>7,799,597</u>	<u>8,938,086</u>
Total liabilities	<u>1,458,327</u>	<u>8,788,266</u>	<u>10,246,593</u>
NET POSITION			
Net investment in capital assets	3,532,117	5,037,902	8,570,019
Restricted for:			
General government	74,095	-	74,095
Public works	585,031	-	585,031
Culture and recreation	31,549	-	31,549
Housing and community development	785,774	-	785,774
Public safety	58,511	-	58,511
Debt service	147,683	1,009,191	1,156,874
Unrestricted	<u>1,262,274</u>	<u>3,395,324</u>	<u>4,657,598</u>
Total net position	<u>6,477,034</u>	<u>9,442,417</u>	<u>15,919,451</u>
Total liabilities and net position	<u>\$ 7,935,361</u>	<u>\$ 18,230,683</u>	<u>\$ 26,166,044</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes In Net Assets		Total
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 605,140	\$ -	\$ -	\$ -	\$ (605,140)	\$ -	\$ (605,140)
Public safety	2,413,694	170,646	389,132	-	(1,853,916)	-	(1,853,916)
Public works	1,298,337	1,014,310	172,511	128,506	16,990	-	16,990
Public health	86,449	5,038	-	-	(81,411)	-	(81,411)
Social and economic services	-	-	-	-	-	-	-
Culture and recreation	830,341	61,039	160,295	-	(609,007)	-	(609,007)
Housing and community development	9,000	4,802	-	-	(4,198)	-	(4,198)
Interest on long-term debt	14,196	-	-	-	(14,196)	-	(14,196)
Miscellaneous	<u>120,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,849)</u>	<u>-</u>	<u>(120,849)</u>
Total governmental activities	<u>5,378,006</u>	<u>1,255,835</u>	<u>721,938</u>	<u>128,506</u>	<u>(3,271,727)</u>	<u>-</u>	<u>(3,271,727)</u>
Business-type activities:							
Water	2,082,110	2,229,620	-	-	-	147,510	147,510
Sewer	1,325,180	1,503,162	20,000	-	-	197,982	197,982
Solid waste	742,839	806,055	-	-	-	63,216	63,216
Ambulance	995,258	403,794	-	-	-	(591,464)	(591,464)
Impact fees	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,800</u>	<u>6,800</u>
Total business-type activities	<u>5,145,387</u>	<u>4,949,431</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(175,956)</u>	<u>(175,956)</u>
Total primary government	<u>\$ 10,523,393</u>	<u>\$ 6,205,266</u>	<u>\$ 741,938</u>	<u>\$ 128,506</u>	<u>\$ (3,271,727)</u>	<u>(175,956)</u>	<u>\$ (3,447,683)</u>
General Revenues:							
Property taxes					1,909,624	365,977	2,275,601
Local option taxes					211,382	-	211,382
Licenses and permits					112,418	-	112,418
Federal/State shared revenues					1,367,228	24,586	1,391,814
Investment earnings					2,200	19,907	22,107
Contributions & donations					33,300	-	33,300
Other					78,209	(1,569)	76,640
Gain on sale of capital assets					28,907	-	28,907
Transfers					<u>(124,748)</u>	<u>124,748</u>	<u>-</u>
Total general revenues					<u>3,618,520</u>	<u>533,649</u>	<u>4,152,169</u>
Change in net position					346,793	357,693	704,486
Net position, beginning of year					<u>6,130,241</u>	<u>9,084,724</u>	<u>15,214,965</u>
Net position, end of year					<u>\$ 6,477,034</u>	<u>\$ 9,442,417</u>	<u>\$ 15,919,451</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 1,385,853	\$ 1,702,237	\$ 3,088,090
Property taxes and assessments receivable, net	156,158	265,347	421,505
Inventories	2,972	-	2,972
Loan and notes receivable	-	276,367	276,367
Due from other governments	<u>-</u>	<u>11,889</u>	<u>11,889</u>
Total assets	<u>\$ 1,544,983</u>	<u>\$ 2,255,840</u>	<u>\$ 3,800,823</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 101,106	\$ 125,444	\$ 226,550
Due to other governments	<u>-</u>	<u>1,806</u>	<u>1,806</u>
Total liabilities	<u>101,106</u>	<u>127,250</u>	<u>228,356</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable tax revenues	156,158	265,347	421,505
Unavailable loan repayments	<u>-</u>	<u>276,367</u>	<u>276,367</u>
Total deferred inflows of resources	<u>156,158</u>	<u>541,714</u>	<u>697,872</u>
FUND BALANCES			
Non-spendable:			
Inventories	2,972	-	2,972
Restricted for:			
General government	-	23,998	23,998
Public safety	-	58,511	58,511
Public works	-	546,031	546,031
Culture and recreation	-	31,549	31,549
Housing and community development	-	509,407	509,407
Committed for:			
General government	-	149,921	149,921
Public safety	-	12,874	12,874
Public works	-	243	243
Culture and recreation	-	254,342	254,342
Unassigned	<u>1,284,747</u>	<u>-</u>	<u>1,284,747</u>
Total fund balances	<u>1,287,719</u>	<u>1,586,876</u>	<u>2,874,595</u>
Total liabilities and fund balances	<u>\$ 1,544,983</u>	<u>\$ 2,255,840</u>	<u>\$ 3,800,823</u>

The Notes to Financial Statements are an integral part of this statement.

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

Total fund balances - governmental funds \$ 2,874,595

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,761,880 and the accumulated depreciation is \$6,627,342. 4,134,538

Tax revenue and note receivable payments are recognized when earned (and the claim to resources is established) rather than when "available." All of the unavailable tax revenue and note receivable payments reported in the governmental funds are not available. 697,872

Long-term liabilities, including bonds payable and compensated absences, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (1,229,971)

Net position - governmental activities \$ 6,477,034

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

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes and assessments	\$ 1,351,638	\$ 1,700,824	\$ 3,052,462
Licenses and permits	164,236	-	164,236
Intergovernmental	1,505,895	745,078	2,250,973
Charges for services	103,362	-	103,362
Fine and forfeitures	120,654	3,398	124,052
Miscellaneous revenues	48,620	39,297	87,917
Investment earnings	<u>6,677</u>	<u>22,018</u>	<u>28,695</u>
Total revenue	<u>3,301,082</u>	<u>2,510,615</u>	<u>5,811,697</u>
EXPENDITURES			
Current:			
General government	522,949	7,222	530,171
Public safety	2,027,631	246,275	2,273,906
Public works	236,560	947,318	1,183,878
Public health	79,775	6,000	85,775
Culture and recreation	482,910	249,864	732,774
Housing and community development	-	9,000	9,000
Miscellaneous	-	120,849	120,849
Debt Service:			
Principal	42,198	46,592	88,790
Interest	2,908	11,288	14,196
Capital outlay	<u>73,744</u>	<u>299,561</u>	<u>373,305</u>
Total expenditures	<u>3,468,675</u>	<u>1,943,969</u>	<u>5,412,644</u>
Excess of revenues over (under) expenditures	<u>(167,593)</u>	<u>566,646</u>	<u>399,053</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	305,418	3,854	309,272
Transfers out	-	(434,020)	(434,020)
Proceeds from disposal of capital assets	<u>21,111</u>	<u>15,309</u>	<u>36,420</u>
Total other financing sources (uses)	<u>326,529</u>	<u>(414,857)</u>	<u>(88,328)</u>
Excess of revenues and other financing sources over expenditures	158,936	151,789	310,725
Fund balances, beginning of year	<u>1,128,783</u>	<u>1,435,087</u>	<u>2,563,870</u>
Fund balances, end of year	<u>\$ 1,287,719</u>	<u>\$ 1,586,876</u>	<u>\$ 2,874,595</u>

The Notes to Financial Statements are an integral part of this statement.

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

Net change in fund balances - total governmental funds \$ 310,725

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

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current
period. 17,843

In the Statement of Activities, the loss or gain on the sale or disposal of
capital assets is recognized. The fund financial statements recognize only
the proceeds from the sale of these assets. (7,513)

Tax and assessment revenues in the statement of activities that do not
provide current financial resources are not reported as revenues in the
funds. 8,947

The governmental funds report repayment of debt principal as an
expenditure and proceeds from issuing debt as other financing sources.
These payments and proceeds have no effect on net assets and are,
therefore, not shown on the statement of activities. 88,790

The current period net increase in compensated absences and other post
employment benefits payable did not require the use of current financial
resources and, therefore, generated no expenditure to be reported in the
governmental funds. (71,999)

Change in net position of governmental activities \$ 346,793

CITY OF HAVRE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Water Utility Fund	Sewer Utility Fund	Solid Waste Fund
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 266,520	\$ 459,639	\$ 167,551
Assessments receivable	-	10,634	36,099
Accounts receivable	97,960	67,828	-
Inventories	<u>7,523</u>	<u>-</u>	<u>-</u>
Total current assets	<u>372,003</u>	<u>538,101</u>	<u>203,650</u>
NON-CURRENT ASSETS			
Restricted cash and investments	1,516,774	1,408,638	390,171
Land	27,023	500	-
Infrastructure	18,211,087	11,029,208	-
Machinery and equipment	-	-	967,095
Construction in progress	-	351,168	-
Accumulated depreciation	<u>(9,589,521)</u>	<u>(7,064,625)</u>	<u>(775,220)</u>
Total non-current assets	<u>10,165,363</u>	<u>5,724,889</u>	<u>582,046</u>
Total assets	<u>\$ 10,537,366</u>	<u>\$ 6,262,990</u>	<u>\$ 785,696</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 57,786	\$ 74,896	\$ 27,453
Bonds and notes payable - due within one year	545,000	278,000	-
Deposits payable	<u>800</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>603,586</u>	<u>352,896</u>	<u>27,453</u>
NON-CURRENT LIABILITIES			
OPEB Liability	38,565	40,022	29,160
Compensated absences	76,654	57,446	31,918
Bonds and notes payable	<u>4,782,000</u>	<u>2,553,000</u>	<u>-</u>
Total non-current liabilities	<u>4,897,219</u>	<u>2,650,468</u>	<u>61,078</u>
Total liabilities	<u>5,500,805</u>	<u>3,003,364</u>	<u>88,531</u>
NET POSITION			
Net investment in capital assets	3,321,590	1,485,251	191,874
Restricted for debt service	660,637	348,554	-
Unrestricted	<u>1,054,334</u>	<u>1,425,821</u>	<u>505,291</u>
Total net position	<u>5,036,561</u>	<u>3,259,626</u>	<u>697,165</u>
Total liabilities and net position	<u>\$ 10,537,366</u>	<u>\$ 6,262,990</u>	<u>\$ 785,696</u>

The Notes to Financial Statements are an integral part of this statement.

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

	Ambulance Fund	Nonmajor Proprietary Funds	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 216,704	\$ 148,725	\$ 1,259,139
Assessments receivable	50,767	-	97,500
Accounts receivable	189,248	-	355,036
Inventories	<u>-</u>	<u>-</u>	<u>7,523</u>
Total current assets	<u>456,719</u>	<u>148,725</u>	<u>1,719,198</u>
NON-CURRENT ASSETS			
Restricted cash and investments	-	-	3,315,583
Land	-	-	27,523
Infrastructure	-	-	29,240,295
Machinery and equipment	309,654	-	1,276,749
Construction in progress	-	-	351,168
Accumulated depreciation	<u>(270,467)</u>	<u>-</u>	<u>(17,699,833)</u>
Total non-current assets	<u>39,187</u>	<u>-</u>	<u>16,511,485</u>
Total assets	<u>\$ 495,906</u>	<u>\$ 148,725</u>	<u>\$ 18,230,683</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 4,734	\$ -	\$ 164,869
Bonds and notes payable - due within one year	-	-	823,000
Deposits payable	<u>-</u>	<u>-</u>	<u>800</u>
Total current liabilities	<u>4,734</u>	<u>-</u>	<u>988,669</u>
NON-CURRENT LIABILITIES			
OPEB Liability	42,702	-	150,449
Compensated absences	148,130	-	314,148
Bonds and notes payable	<u>-</u>	<u>-</u>	<u>7,335,000</u>
Total non-current liabilities	<u>190,832</u>	<u>-</u>	<u>7,799,597</u>
Total liabilities	<u>195,566</u>	<u>-</u>	<u>8,788,266</u>
NET POSITION			
Net investment in capital assets	39,187	-	5,037,902
Restricted for debt service	-	-	1,009,191
Unrestricted	<u>261,153</u>	<u>148,725</u>	<u>3,395,324</u>
Total net position	<u>300,340</u>	<u>148,725</u>	<u>9,442,417</u>
Total liabilities and net position	<u>\$ 495,906</u>	<u>\$ 148,725</u>	<u>\$ 18,230,683</u>

The Notes to Financial Statements are an integral part of this statement.

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

	Water Fund	Sewer Fund	Solid Waste Fund
OPERATING REVENUES			
Charges for services	\$ 2,229,620	\$ 1,253,704	\$ 34,803
Special assessments	<u>-</u>	<u>249,458</u>	<u>771,252</u>
Total operating revenues	<u>2,229,620</u>	<u>1,503,162</u>	<u>806,055</u>
OPERATING EXPENSES			
Personnel services	648,377	652,808	500,633
Supplies and materials	326,604	47,848	88,796
Purchased services	303,941	252,244	42,401
Building materials	16,414	-	-
Fixed charges	43,038	37,009	13,909
Depreciation	<u>617,187</u>	<u>258,551</u>	<u>96,112</u>
Total operating expenses	<u>1,955,561</u>	<u>1,248,460</u>	<u>741,851</u>
Operating income	<u>274,059</u>	<u>254,702</u>	<u>64,204</u>
OTHER INCOME (EXPENSE)			
Tax/assessment revenue	-	-	-
Intergovernmental revenue	-	20,000	-
Interest revenue	5,424	10,742	3,741
Interest expense	(126,549)	(76,720)	(988)
Other expense	<u>(1,569)</u>	<u>-</u>	<u>-</u>
Total other income (expense)	<u>(122,694)</u>	<u>(45,978)</u>	<u>2,753</u>
Income before transfers	151,365	208,724	66,957
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	151,365	208,724	66,957
Net position, June 30, 2013	<u>4,885,196</u>	<u>3,050,902</u>	<u>630,208</u>
Net position, June 30, 2014	<u>\$ 5,036,561</u>	<u>\$ 3,259,626</u>	<u>\$ 697,165</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Ambulance	Nonmajor Enterprise Funds	Total
OPERATING REVENUES			
Charges for services	\$ 403,794	\$ 6,800	\$ 3,928,721
Special assessments	<u>-</u>	<u>-</u>	<u>1,020,710</u>
Total operating revenues	<u>403,794</u>	<u>6,800</u>	<u>4,949,431</u>
OPERATING EXPENSES			
Personnel services	885,177	-	2,686,995
Supplies and materials	42,080	-	505,328
Purchased services	22,830	-	621,416
Building materials	-	-	16,414
Fixed charges	19,047	-	113,003
Depreciation	<u>26,124</u>	<u>-</u>	<u>997,974</u>
Total operating expenses	<u>995,258</u>	<u>-</u>	<u>4,941,130</u>
Operating income	<u>(591,464)</u>	<u>6,800</u>	<u>8,301</u>
OTHER INCOME (EXPENSE)			
Tax/assessment revenue	365,977	-	365,977
Intergovernmental revenue	24,586	-	44,586
Interest revenue	-	-	19,907
Interest expense	-	-	(204,257)
Other expense	<u>-</u>	<u>-</u>	<u>(1,569)</u>
Total other income (expense)	<u>390,563</u>	<u>-</u>	<u>224,644</u>
Income before transfers	(200,901)	6,800	232,945
Transfers	<u>124,748</u>	<u>-</u>	<u>124,748</u>
Change in net position	(76,153)	6,800	357,693
Net position, June 30, 2013	<u>376,493</u>	<u>141,925</u>	<u>9,084,724</u>
Net position, June 30, 2014	<u>\$ 300,340</u>	<u>\$ 148,725</u>	<u>\$ 9,442,417</u>

The Notes to Financial Statements are an integral part of this statement.

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

	Water Fund	Sewer Fund	Solid Waste Fund	Ambulance Fund	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,253,996	\$ 1,480,534	\$ 785,772	\$ 355,314	\$ 6,800	\$ 4,882,416
Payments to suppliers	(695,744)	(319,172)	(144,508)	(83,915)	-	(1,243,339)
Payments to employees	<u>(624,969)</u>	<u>(636,706)</u>	<u>(506,108)</u>	<u>(858,611)</u>	<u>-</u>	<u>(2,626,394)</u>
Net cash flows from operating activities	<u>933,283</u>	<u>524,656</u>	<u>135,156</u>	<u>(587,212)</u>	<u>6,800</u>	<u>1,012,683</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	-	-	124,748	-	124,748
Subsidies from taxes and other governments	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>390,563</u>	<u>-</u>	<u>410,563</u>
Net cash flows from non-capital financing activities	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>515,311</u>	<u>-</u>	<u>535,311</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(13,836)	(289,000)	-	-	-	(302,836)
Principal paid on debt	(535,000)	(272,000)	(102,963)	-	-	(909,963)
Interest paid on debt	<u>(126,549)</u>	<u>(76,720)</u>	<u>(988)</u>	<u>-</u>	<u>-</u>	<u>(204,257)</u>
Net cash flows from capital and related financing activities	<u>(675,385)</u>	<u>(637,720)</u>	<u>(103,951)</u>	<u>-</u>	<u>-</u>	<u>(1,417,056)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest revenue	5,424	10,742	3,741	-	-	19,907
Purchase of investments	<u>(1,569)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,569)</u>
Net cash flows from investing activities	<u>3,855</u>	<u>10,742</u>	<u>3,741</u>	<u>-</u>	<u>-</u>	<u>18,338</u>
Net change in cash and cash equivalents	261,753	(82,322)	34,946	(71,901)	6,800	149,276
Cash and cash equivalents, beginning of year	<u>1,521,541</u>	<u>1,950,599</u>	<u>522,776</u>	<u>288,605</u>	<u>141,925</u>	<u>4,425,446</u>
Cash and cash equivalents, end of year	<u>\$ 1,783,294</u>	<u>\$ 1,868,277</u>	<u>\$ 557,722</u>	<u>\$ 216,704</u>	<u>\$ 148,725</u>	<u>\$ 4,574,722</u>

The Notes to Financial Statements are an integral part of this statement.

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

CASH AND CASH EQUIVALENTS ON STATEMENTS OF NET POSITION	Water Fund	Sewer Fund	Solid Waste Fund	Ambulance Fund	Nonmajor Enterprise Funds	Total
Cash and cash equivalents	\$ 266,520	\$ 459,639	\$ 167,551	\$ 216,704	\$ 148,725	\$ 1,259,139
Restricted cash and cash equivalents	<u>1,516,774</u>	<u>1,408,638</u>	<u>390,171</u>	<u>-</u>	<u>-</u>	<u>3,315,583</u>
	<u>\$ 1,783,294</u>	<u>\$ 1,868,277</u>	<u>\$ 557,722</u>	<u>\$ 216,704</u>	<u>\$ 148,725</u>	<u>\$ 4,574,722</u>
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$ 274,059	\$ 254,702	\$ 64,204	\$ (591,464)	\$ 6,800	\$ 8,301
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	617,186	258,551	96,112	26,124	-	997,973
Decrease in accounts receivable	23,576	(16,230)	-	(35,744)	-	(28,398)
Decrease in assessment receivables	-	(6,398)	(20,283)	(12,736)	-	(39,417)
Increase (decrease) in customer deposits	800	-	-	-	-	800
Change in accounts payable	(5,843)	17,929	598	42	-	12,726
Change in inventory	96	-	-	-	-	96
Increase in compensated absences	10,138	2,344	(14,446)	12,298	-	10,334
Increase (decrease) in OPEB liability	<u>13,271</u>	<u>13,758</u>	<u>8,971</u>	<u>14,268</u>	<u>-</u>	<u>50,268</u>
Net cash flows from operating activities	<u>\$ 933,283</u>	<u>\$ 524,656</u>	<u>\$ 135,156</u>	<u>\$ (587,212)</u>	<u>\$ 6,800</u>	<u>\$ 1,012,683</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 187	\$ 111,174
Total assets	<u>\$ 187</u>	<u>\$ 111,174</u>
NET ASSETS HELD IN TRUST		
Warrants payable	\$ -	\$ 111,174
Held in trust for pension benefits and other purposes	<u>187</u>	<u>-</u>
Total net position	<u>187</u>	<u>-</u>
Total liabilities and net position	<u>\$ 187</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

	<u>Private-Purpose Trust Funds</u>
DEDUCTIONS	
Administrative expenses	\$ <u>55</u>
Total deductions	<u>55</u>
Change in net position	<u>(55)</u>
Net position, June 30, 2013	<u>242</u>
Net position, June 30, 2014	<u><u>\$ 187</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Havre (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by standards established by the Governmental Accounting Standards Board (GASB). The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City is located in Hill County and was first incorporated in 1893 under the provisions of the constitution and general statutes of the State Of Montana. The City is a political subdivision of the State of Montana governed by an elected Mayor and City Council. It provides, the following services: public safety, police, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The mayor is elected at-large and eight council members are elected by wards.

The financial statements include all operations controlled by the City. A reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the criteria for determining the reporting entity, the City is considered to be an independent reporting entity and has no component units. The agency funds are controlled by independent governing boards and are not considered component units of the City.

Measurement Focus, Basis of Presentation and Basis of Accounting

Accounting Standards Effective in the Current Period

The City of Havre early adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2013, and consequently, the standard is reflected in the financial statements for fiscal year 2014. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as assets or liabilities to deferred outflows or deferred inflows, respectively.

Accounting Standards Effective in a Future Period

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers.

This Statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This Statement is effective for fiscal years beginning after June 15, 2014. The effect of adopting the Standard cannot be determined at this time.

Government-Wide Financial Statements

The statement of net position and the statement of activities show information about the overall financial position and activities of the City. Fiduciary funds are not included in these statements. For the most part, the effect of material inter-fund 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.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the City are generally financed through property taxes, assessments, charges for services, licenses and permits, fines, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants are recognized in the fiscal year in which eligibility requirements have been met. The City's business-type activities are financed by charges for services to users.

The statement of activities presents a comparison between the direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City does not charge indirect expenses to programs or functions; however, the general fund is reimbursed for administrative costs incurred for other functions including business-type activities. Program revenues include charges for services (primarily user fees, assessments, permits, fines, and grants that are restricted to a particular function). Generally, restricted revenues are used first to pay expenses incurred when both restricted and unrestricted funds are available.

Revenues that are not received for a specific purpose and classified as program revenues are reported as general revenues. These include all property taxes, entitlement revenue, investment earnings, permits, and licenses (i.e., local business licenses and alcoholic beverage licenses and permits).

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two presented as net position.

Fund Financial Statements

These statements provide information about the City's governmental and proprietary funds. The emphasis of fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Accounts of the City are organized on the basis of funds, each of which is considered to be a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Its emphasis is on reporting the sources, uses, and balances of current financial resources. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Governmental fund types are those funds through which most governmental functions typically are financed and consist of the general fund, special revenue funds, debt service funds, and capital projects funds.

Most current property taxes and special assessment receivables are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred inflows of resources are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and payments for compensated absences, which are recognized as expenditures in governmental funds.

Proprietary Funds (business-type activities) are funds reported using the economic resources measurement focus and the accrual basis of accounting similar to the basis used for the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Charges for services are reported as operating revenues; investment earnings and grants are reported as non-operating revenues. All assets and liabilities are included on the Statement of Net Position including capital assets and long-term liabilities.

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others and are therefore not available to support programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to businesses in the private sector. Fiduciary funds consist of private-purpose trust funds, pension trust funds, investment trust funds, and agency funds.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Major Funds. GAAP requires that the general fund be reported as a major fund. In addition, major funds include all other governmental funds whose total assets, liabilities, revenues, or expenditures are at least 10% or more of the total for all governmental funds or, for proprietary funds, at least 10% or more of the total for all proprietary funds. In addition, the assets, liabilities, revenues, or expenditures of these individual governmental or proprietary funds should be at least 5% or more of the total for all governmental and proprietary funds. Accordingly, the City reports the following major governmental funds:

The General Fund is the City's primary operating fund and it accounts for all financial resources of the City, except those required to be accounted for in other funds.

The following comprise the City's major proprietary funds:

The Water Utility Fund is a utility service fund used to account for costs related to the water treatment and water supply of the City and is funded by service charges for the utility service.

The Sewer Utility Fund is a utility service fund used to account for costs related to the maintenance of the sewer system of the City and is funded by service charges for the utility service.

The Solid Waste Utility Fund is a utility service fund used to account for costs related to providing a garbage removal service to the City and is funded by service charges for the utility service.

The Ambulance Fund is a special service fund to account for the costs related to the maintenance of the ambulance response system.

Budgets

Budgets are adopted for the general, special revenue, debt service, capital projects, and proprietary funds. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget is adopted by the third Tuesday in August.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by state law.

The budget is prepared on the basis of accounting described for its governmental funds. Tax levies are set by expenditure requirements but are authorized and limited by state law.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

Transfers of budget authority within a fund are permitted. Appropriations lapse at June 30, except for encumbrances, which represent commitments to expend funds under current budget appropriations. There were no encumbrances in fiscal year 2014. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. The level of budgetary control is the fund level.

Cash and Investments

The City's cash is invested as permitted by law. State law restricts investments to certificates of deposit, repurchase agreements, or direct obligations of the U.S. Government. Except where otherwise required, the City maintains all deposits in bank and investment accounts in the name of the City. These deposits are invested on a short term basis with interest income being recorded in the General Fund, except for interest income allocated to proprietary funds and where specifically required by law to be recorded in other funds. The balance reported in each fund represents an equity interest in the commingled pool of cash, which is under the management of the City Clerk. The City has no investment policies that would further limit its investment choices.

The provisions of GAAP require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The City has reported investments at cost, which approximates the fair value. Restricted cash is cash restricted for debt service and capital projects under debt agreements and is reported as non-current.

For purposes of the statement of cash flows, the City considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Property Taxes and Assessments

Property tax revenue in the governmental fund statements is recognized as revenue when collected. Property taxes are levied in August of each year, based on assessments as of the prior January 1. Taxes are usually billed in October and are payable 50% on November 30 and 50% on May 30.

Delinquent property taxes attach as a lien on the property as of January 1. These taxes become delinquent thirty days after billing. Property taxes receivable at June 30 consist primarily of delinquent property taxes from prior year levies and are offset by deferred inflows of resources. Taxes are normally billed in October and payable in two installments on November 30 and May 31. No allowance is made for uncollectible taxes, which are not considered to be significant.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes and Assessments (Continued)

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

Proprietary Fund Receivables

The proprietary fund assessments receivable and other receivables represents the amount of user charges for solid waste, water, sewer, and ambulance services due from the residents of the City of Havre. No allowance for estimated uncollectible accounts is maintained for the solid waste, water, or sewer receivables, as the uncollectible amount is not considered to be material. Uncollectible water and sewer accounts are directly written off in June of each fiscal year. There were no write-offs for the water and sewer fund receivables for the year ended June 30, 2014. There is an allowance maintained for the ambulance services receivable. Uncollectible ambulance accounts are written off periodically throughout the fiscal year. The allowance for uncollectible accounts for the ambulance fund amounted to \$17,385 at June 30, 2014.

Capital Assets

Capital Assets, including land, buildings, improvements, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an initial useful life of one year or greater. All capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during construction is not capitalized. General infrastructure assets consist of roads, bridges, sidewalks, and curbs acquired prior to July 1, 2003 are not reported. The City capitalizes general infrastructure assets with a cost of \$50,000 or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, improvements, and equipment assets are depreciated under the straight-line method over estimated useful lives as follows:

Infrastructure	30 to 50 years
Buildings	10 to 50 years
Improvements other than buildings	10 to 50 years
Equipment and Machinery	5 to 20 years
Source of supply	10 to 40 years
Pumping plant	5 to 25 years
Treatment plant	5 to 40 years
Transmission and distribution	5 to 50 years
General Plant	5 to 10 years

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

In Governmental Funds, the cost of inventory is recorded as expenditure when incurred. Inventories are accounted for using the purchases method. The year-end value of inventory is recorded as an asset. Because the asset is not available for other discretionary expenditures, it is recorded as a nonspendable fund balance. Under the purchases method the change in inventory from year to year is recorded as a change in the beginning fund balance. At the government-wide level, the inventory must be reported on the consumption method; thus, there is a reconciling item for inventory change between reporting levels. Inventory value is determined by using the average cost method. The difference in valuation methods of inventories at June 30, 2014 was not, however, considered material and no reconciliation was recorded.

City Court Fines

The City does not record receivables for fines imposed by the City Court but records fines as revenue when collected.

Deferred Inflows of Resources

In addition to liabilities, the governmental funds balance sheet may report a separate section for deferred inflows of resources. This is a separate financial statement element representing an acquisition of net position that applies to a future period and thus will not be recognized as an inflow of resources (revenue) until that time. Unavailable tax revenue and revolving loans, which only arise under the modified accrual basis of accounting, are reported as deferred inflows of resources on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Compensated Absences

It is in the City's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City Service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25% of accumulated sick leave. In the governmental funds, expenditures for these compensated absences are recorded when paid because the amounts expected to be liquidated from current resources do not vary materially from year to year.

Inter-Fund Transactions

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-Fund Transactions (Continued)

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

During the course of its operations, the City has transactions between funds to finance operations, provide services, and service debt. These transactions are generally recorded as charges for services revenue and operations expenditures or inter-fund transfers in and out. Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "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." These transactions are eliminated in the government-wide financial statements.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The entire portion of such obligations is reported in the government-wide financial statements.

Fund Balance

The City has implemented the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 requires presentation of governmental fund balances by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate for the following fund balance classifications:

Non-spendable

Represents the portion of fund balances that cannot be spent either because: (1) it is not in spendable form such as inventories, the long-term portion of notes and loans receivable, land held for resale of which the future proceeds are not committed, and prepaid expenses, or (2) due to legal or contractual constraints such as the corpus of a permanent fund.

Restricted

Amounts that can be spent only for specific purposes which are externally imposed either by:

- a) Providers such as creditors (such as through debt covenants), grantors, contributors, and laws and regulations of other governments; or
- b) Imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, the City Council, through resolution and does not lapse at year-end.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Assigned

Amounts that are intended to be used by the government for a specific purpose that does not meet the criteria to be classified as restricted or committed. Assignments of fund balance may be created in conjunction by the City Council, the Mayor, and the Finance Officer.

Unassigned

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

The City adopted a fund balance classification policy that defines expenditure order of fund balance. Resource categories for Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, when restricted committed, assigned and unassigned funds are available for expenditure, are as follows: Restricted, Committed, Assigned, and Unassigned.

Net Position

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets.

Restricted – presents external restrictions imposed by creditors, grantors, or contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects and debt service established by the City Council.

Unrestricted – represents the net assets of the City that are not restricted for any project or other purpose.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The City is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) workers' compensation (e.g. employee injuries), (6) and medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial polices have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Proprietary Funds Operating Income

The proprietary funds statement of revenues, expenses and changes in net position includes operating income. Changes in net position excluded from operating income include interest income and capital contributions.

Proprietary Funds Cash and Cash Equivalents

For purposes of reporting the proprietary funds statement of cash flows, the City considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates

The preparation of financial statements in accordance with GAAP requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Significant estimates include the actuarial assumptions made in determining the other post-employment liability recorded under GASB 45. Actual results could vary from the estimates that were used.

Subsequent Events

The City has evaluated subsequent events through January 12, 2015, the date which the financial statements were available to be issued.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH AND INVESTMENTS

The City's total composition of cash, deposits, and investments at June 30, 2014 are as follows:

Cash on hand	\$ 350
Cash in banks:	
Repurchase agreement	1,612,890
Time deposits	2,746,235
Credit union deposits	201
Investments:	
State Short-Term Investment Pool (STIP)	<u>3,414,497</u>
Total	<u>\$ 7,774,173</u>

The City utilizes claims and payroll warrants clearing funds for outstanding warrants which are reported in the Agency Funds in the financial statements. The cash balance in these funds at June 30, 2014, was \$111,174.

Custodial Credit Risk-Deposits

Montana statutes require that the City obtain securities for the uninsured portion of the 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) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for City deposits at June 30, 2014, equaled or exceeded the amount required by state statutes.

For the year ended June 30, 2014, the City has deposits that are exposed to custodial credit risk as follows:

Total deposits held by pledging bank	\$ 1,557,170
FDIC insured	<u>(250,000)</u>
Uninsured deposits	1,307,170
Collateral held by pledging bank	<u>(1,535,192)</u>
Total exposed to credit risk	<u>\$ -</u>

The balance was fully insured with FDIC or collateralized by pledged securities held by pledging financial institution.

Credit Risk

The time and savings deposits (certificates of deposit) are FDIC insured under the Certificate of Deposit Account Registry Service (CDARS). The State Short-Term Investment Pool (STIP) does not have a rating provided by a nationally recognized statistical organization.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investment in the State Short-Term Investment Pool

The City participates in the STIP. Information pertaining to the State’s investment pool can be obtained from the State. The pool is not registered with Securities and Exchange Commission. The pool is managed by the Montana Board of Investments. STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The pool unit value is fixed at \$1 for purchases and redemptions, and income is automatically reinvested in additional units. Investments in the pool are reported at fair value.

NOTE 3. PROPERTY TAXES

The City’s real property tax is levied on the assessed value listed as of January 1 for all real property located within the City. Assessed values are established by the Montana Department of Revenue based on market value base. A reevaluation of all property is required to be completed on a periodic basis. Taxable value is defined by a State statute as a fixed percentage of assessed value. The City is permitted by state statutes to levy up to certain fixed limits for various purposes. The tax levies of 267.04 mills for the year ended June 30, 2014, were within the legal limits and were based on the taxable values of \$8,561,902 as of January 1, 2013.

NOTE 4. OTHER RECEIVABLES

Other receivables balances for the year ended June 30, 2014 are as follows:

	Governmental Activities	Business-Type Activities
Ambulance charges	\$ -	\$ 189,248
Revolving loan funds receivable	276,367	-
Water services	-	97,960
Sewer services	-	67,828
Grant receivables	11,889	-
Total	<u>\$ 288,256</u>	<u>\$ 355,036</u>

The revolving loan funds receivables are paid to the City over the term of the loan agreements which exceed one year.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for governmental activities for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Cost				
Land	\$ 383,296	\$ -	\$ -	\$ 383,296
Construction in process	<u>22,551</u>	<u>171,925</u>	<u>(167,633)</u>	<u>26,843</u>
Total non-depreciable assets	<u>405,847</u>	<u>171,925</u>	<u>(167,633)</u>	<u>410,139</u>
Buildings & improvements	4,228,649	-	-	4,228,649
Improvements other than buildings	2,094,900	39,386	-	2,134,286
Machinery and equipment	2,801,211	174,963	(40,182)	2,935,992
Infrastructure	<u>899,757</u>	<u>153,057</u>	<u>-</u>	<u>1,052,814</u>
Total depreciable assets	10,024,517	367,406	(40,182)	10,351,741
Less accumulated depreciation	<u>(6,306,155)</u>	<u>(353,856)</u>	<u>32,669</u>	<u>(6,627,342)</u>
Net depreciable assets	<u>3,718,362</u>	<u>13,550</u>	<u>(7,513)</u>	<u>3,724,399</u>
Total Governmental Activities	<u>\$ 4,124,209</u>	<u>\$ 185,475</u>	<u>\$ (175,146)</u>	<u>\$ 4,134,538</u>

Depreciation expense was charged to functions as follows:

General government	\$ 77,100
Public safety	94,474
Public works	96,994
Culture and recreation	<u>85,288</u>
	<u>\$ 353,856</u>

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital asset balances and activity for business activities for the year ended June 30, 2014 are as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
COST				
Land	\$ 27,523	\$ -	\$ -	\$ 27,523
Construction in process	<u>115,527</u>	<u>235,641</u>	<u>-</u>	<u>351,168</u>
Total non-depreciable assets	<u>\$ 143,050</u>	<u>\$ 235,641</u>	<u>\$ -</u>	<u>\$ 378,691</u>
Machinery and equipment	\$ 1,276,749	\$ -	\$ -	\$ 1,276,749
Source of supply	978,205	-	-	978,205
Pumping plant	869,922	-	-	869,922
Treatment plant	15,551,255	-	-	15,551,255
Transmission and distribution	11,307,345	-	-	11,307,345
General plant	<u>466,373</u>	<u>67,195</u>	<u>-</u>	<u>533,568</u>
Total depreciable assets	30,449,849	67,195	-	30,517,044
Less accumulated depreciation	<u>(16,701,859)</u>	<u>(997,973)</u>	<u>-</u>	<u>(17,699,832)</u>
Net depreciable assets	<u>13,747,990</u>	<u>(930,778)</u>	<u>-</u>	<u>12,817,212</u>
Total Business-Type Activities	<u>\$ 13,891,040</u>	<u>\$ (695,137)</u>	<u>\$ -</u>	<u>\$ 13,195,903</u>

Depreciation expense was charged as follows:

Water utilities	\$ 617,187
Sewer utilities	258,551
Solid waste services	96,112
Ambulance services	<u>26,124</u>
	<u>\$ 997,974</u>

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Payments/ Adjustments	Balance June 30, 2014	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Special assessment bonds	\$ 203,610	\$ -	\$ (18,848)	\$ 184,762	\$ 19,297
Notes payable	487,601	-	(69,941)	417,660	72,185
Compensated absences payable	429,568	-	(1,381)	428,187	-
Total governmental activities	<u>\$ 1,120,779</u>	<u>\$ -</u>	<u>\$ (90,170)</u>	<u>\$ 1,030,609</u>	<u>\$ 91,482</u>
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$ 8,965,000	\$ -	\$ (807,000)	\$ 8,158,000	\$ 823,000
Notes payable	102,963	-	(102,963)	-	-
Compensated absences	303,814	24,780	(14,446)	314,148	-
Total business-type activities	<u>\$ 9,371,777</u>	<u>\$ 24,780</u>	<u>\$ (924,409)</u>	<u>\$ 8,472,148</u>	<u>\$ 823,000</u>

Special assessment bonds payable at June 30, 2014 are comprised of the following:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amounts	Annual Payment	Balance June 30, 2014
SID 431 - Stockman Bank	11/1/2004	4.50%	15 years	7/1/2019	\$ 115,000	Varies	\$ 60,000
SID 433 - Independence Bank	5/1/2009	5.00%	15 years	7/1/2024	160,000	15,418	124,762
							<u>\$ 184,762</u>

Notes payable from governmental activities at June 30, 2014 are comprised of the following:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Original Amount	Annual Payment	Balance June 30, 2014
2005 Hockey Compressor	4/12/2005	Variable	10 years	2/15/2015	\$ 60,000	Varies	\$ 6,674
City Hall Roof	7/13/2007	Variable	15 years	8/15/2022	280,000	Varies	182,053
City Hall Roof	7/13/2007	Variable	10 years	8/15/2017	175,800	Varies	70,452
2010 Asphalt Zipper	2/24/2010	Variable	10 years	2/15/2020	86,950	Varies	55,410
2012 Sweeper	3/16/2012	Variable	7 years	2/15/2019	141,903	Varies	103,071
							<u>\$ 417,660</u>

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2014 are comprised of the following:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amounts	Annual Payment	Balance June 30, 2014
Water RFP Loan	12/10/2012	2.00%	6 years	7/1/2018	\$ 232,000	Varies	\$ 157,000
Water RFP Loan	12/10/2012	2.25%	11 years	7/1/2023	5,553,000	Varies	4,642,000
Water RFP Loan	12/10/2012	2.25%	15 years	7/1/2027	399,000	Varies	353,000
Water RFP Loan	12/10/2012	2.25%	15 years	7/1/2028	63,000	Varies	55,000
Water ARRA-B Loan	10/21/2009	0.75%	20 years	7/1/2029	155,700	Varies	120,000
Wastewater SFR Program	12/10/2012	2.00%	6 years	7/1/2018	829,000	Varies	563,000
Wastewater SFR Program	12/10/2012	2.25%	15 years	7/1/2027	399,000	Varies	353,000
Wastewater SFR Program	11/28/2007	2.25%	15 years	7/1/2027	707,000	Varies	626,000
Storm Drain RFP Loan	12/10/2012	3.00%	16 years	7/1/2028	<u>1,433,000</u>	Varies	<u>1,289,000</u>
Total					<u>\$ 9,770,700</u>		<u>\$ 8,158,000</u>

The revenue bonds are collateralized by the revenues of the water and sewer systems and the various special funds established by the bond ordinances. The ordinances provide that the revenues of the systems are to be used first to pay operating and maintenance expenses of the systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) maintenance of casualty and liability insurance on the financed property; and 3) require specific and timely reporting of financial information to bond holders and the registrar. The City is in compliance with the above requirements.

The accumulated compensated absences liabilities will be liquidated by several of the governmental funds. The current portion of the compensated absences has not been separately stated due to the indeterminate nature of the liability. Employees are allowed to accrue compensated absences indefinitely, subject to dollar limits set by state statute, use it at their discretion.

The City of Havre issued Northern Montana Hospital (NMH) Revenue Bonds Series 2007A and 2007B in the face amount of \$4,100,000 in December of 2007. These revenue bonds were issued to cover a portion of the cost of the acquisition, construction, and installation of an approximately 10,000 square foot medical building and related improvements to serve as the Hi-Line Sletten Cancer Center. The revenue bonds are secured by a pledge of the revenues from the Hi-Line Sletten Cancer Center.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The terms of the revenue bonds and any breach of the terms of the bonds do not constitute or give rise to a pecuniary liability of the City or a charge against the general credit or taxing powers of the City. As of June 30, 2014, the aggregate amount of conduit debt obligation outstanding was \$2,976,928.

Annual debt service principal and interest payment requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 91,482	\$ 10,341	\$ 101,823	\$ 823,000	\$ 108,357	\$ 931,357
2016	87,768	5,876	93,644	840,000	97,490	937,490
2017	90,843	5,396	96,239	859,000	86,392	945,392
2018	81,729	4,863	86,592	879,000	75,015	954,015
2019	73,887	4,317	78,204	710,000	64,169	774,169
2020-2024	169,192	11,492	180,684	3,224,000	173,318	3,397,318
2025-2029	<u>7,521</u>	<u>188</u>	<u>7,709</u>	<u>823,000</u>	<u>28,384</u>	<u>851,384</u>
	602,422	<u>\$ 42,473</u>	<u>\$ 644,895</u>	8,158,000	<u>\$ 633,125</u>	<u>\$ 8,791,125</u>
Less current portion	<u>(91,482)</u>			<u>(823,000)</u>		
	<u>\$ 510,940</u>			<u>\$ 7,335,000</u>		

NOTE 7. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2014 were made up of the following amounts:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 305,418	\$ -
Ambulance	124,748	-
Other Governmental Funds	<u>3,854</u>	<u>434,020</u>
	<u>\$ 434,020</u>	<u>\$ 434,020</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF HAVRE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 8. RETIREMENT PLANS

The City participates in three multiple-employer, cost-sharing retirement plans which cover all employees, except part-time employees. The Montana Public Employees' Retirement System (PERS) covers all full time employees who qualify to be covered. PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. PERS is a mandatory multiple-employer, cost-sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

PERS offers retirement, disability, and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. Members' rights become vested after five years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

The Municipal Police Officers Retirement System (MPORS) covers all police officers. The Fire Fighters' Unified Retirement System (FURS) covers all firefighters. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Contributions by plan members and the City are mandatory and are determined by state law. Contribution rates, expressed as a percentage of covered payroll, for each of the fiscal years were as follows:

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
Employer	8.07%	14.41%	14.36%
Employee hired before 7/1/2011	6.90%	9.00%	10.70%
Employee hired after 7/1/2011	7.90%	9.00%	10.70%
State	0.10%	29.37%	32.61%

Publicly available financial reports that include financial statements and required supplementary information may be obtained for all plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, MT 59620-0131
Phone: 1-406-444-3154
2. Municipal Police Officers Retirement System, P.O. Box 200131, Helena, MT 59620-0131
Phone: 1-406-444-3154
3. Fire Fighters Unified Retirement System, P.O. Box 200131, Helena, MT 59620-0131
Phone: 1-406-444-3154

CITY OF HAVRE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 8. RETIREMENT PLANS (CONTINUED)

The amounts contributed to the plan during the years ended June 30, 2012, 2013, and 2014, were equal to the required contribution for each year. The amounts contributed by the City were as follows:

<u>June 30,</u>	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2012	\$ 319,231	\$ 173,173	\$ 180,276
2013	291,724	196,148	183,783
2014	360,000	186,183	188,808

The State makes contributions on behalf of the City to the PERS, MPORS, and FURS retirement systems. Payments are considered “on behalf” payments. That is, the State makes the payments on behalf of the City. These amounts have not been included in the City’s general purpose financial statements.

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

Post-Employment Benefits

Terminated employees may remain on the City’s health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees who retire with the PERS may remain on the City’s health plan to age 65, or until the retiree is eligible for coverage under Medicare, provided they pay the monthly premiums. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a PERS employer. The retiree is on the same medical plan as the City’s active employees. State law requires the City to provide this benefit.

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, the City has calculated a postemployment benefit liability for the fiscal year ended June 30, 2014 .

Plan Description

The City of Havre is a member of the Montana Municipal Inter-local Authority (MMIA), a local government risk retention pool that administers the City’s group health insurance plan, an agent multiple-employer defined benefit plan. As required by State law (MCA 2-18-704), the City provides its employees who retire, along with their eligible spouses and dependents, the option to continue to participate in the City’s group health insurance plan until the retiree becomes eligible for Medicare coverage. To continue this health insurance coverage, the retirees are required to pay the full amount of their premium. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses, and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the City Council and may be revoked or altered at any time.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The contribution requirement of plan members is established by the City's insurance committee in conjunction with the insurance provider. The City provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees.

Annual OPEB Cost Obligation and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the alternative measurements method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed amortization period not to exceed thirty years.

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

Annual required contribution (ARC)	\$ 122,109
Interest on net OPEB obligation	9,241
Adjustment to annual required contribution	<u>(7,702)</u>
Annual OPEB cost	123,648
Contributions made	<u>-</u>
Change in net OPEB obligation	123,648
Net OPEB obligation - beginning of year	<u>226,164</u>
Net OPEB obligation - end of year	<u><u>\$ 349,812</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 113,672	0.0%	\$ 113,672
June 30, 2013	112,492	0.0%	226,164
June 30, 2014	123,648	0.0%	349,812

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost Obligation and Net OPEB Obligation (Continued)

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

Functions/Programs	Expenses
Primary Government:	
Governmental activities:	
General government	\$ 5,795
Public safety	36,464
Public works	12,031
Public health	1,159
Culture and recreation	<u>17,931</u>
Total governmental activities	<u>73,380</u>
Business-type activities:	
Water	13,271
Sewer	13,758
Solid waste	8,971
Ambulance	<u>14,268</u>
Total business-type activities	<u>50,268</u>
Total primary government	<u>\$ 123,648</u>

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City has elected not to fund this liability.

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$824,967. Because the plan is unfunded, the AAL and UAAL are equal.

Actuarial Methods and Assumptions

The City's actuarial valuation is completed every three years, provided no significant events have occurred warranting new measurement. The City completed the valuation for fiscal year 2012, with an estimate provided for fiscal year 2013 and 2014. For fiscal year 2014, an estimated valuation was derived based on the 2012 actual costs and participants. As a result of this triennial valuation, we have marked the fields as "n/a" where actual financial data was not used to generate the estimate.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

As of July 1, 2011 for the fiscal year ended June 30, 2012, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$824,967. The AAL by status breakdown is shown below:

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Actives	\$ 768,328	N/A	N/A
Retirees, Dependents and Surviving Spouses	<u>56,639</u>	<u>N/A</u>	<u>N/A</u>
Total AAL	<u>\$ 824,967</u>	<u>N/A</u>	<u>N/A</u>
Normal Cost	\$ 62,683	N/A	N/A
Impact on Statement of Activities			
Annual OPEB Cost	\$ 113,672	\$ 112,492	\$ 123,648
Impact on Statement of Net Assets			
Assumed Contributions	\$ -	\$ -	\$ -
Net OPEB Obligation at June 30	\$ 113,672	\$ 226,164	\$ 349,812
<u>Participant Information</u>			
Actives	91	N/A	N/A
Retirees, Dependents and Surviving Spouses	<u>15</u>	<u>N/A</u>	<u>N/A</u>
Total	<u>106</u>	<u>N/A</u>	<u>N/A</u>

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Inflation Rate: 3.0% for the first 5 years, increasing to 7.0% in year 6 & 7, and decreasing approximately .5% per year until reaching 5%.
3. Expected Long Term Rate of Return on Assets: 4.0%
4. Health Care Claim and Contribution Trend Rates: 10% for 2012, decreasing approximately .5% per year until reaching an ultimate rate of 5.0%
5. Average Salary Increase: 1.5% per year
6. Retirement Rates: Based upon the separate rates used to value the pension obligations for Police Officers, Firefighters, and all other employees, respectively.
7. Retiree Participation Rate: 90% for participants not yet eligible for Medicare. Upon Medicare eligibility, participation is expected to reduce by 50%.
8. Marital Assumption: For future retirees, a 50% spouse participation is assumed, with husbands 3 years older than wives.
9. Amortization Factor: The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The Projected Unit Credit Actuarial Cost Method was used to determine the annual required contribution. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples, as detailed above, include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations, and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. Historically, the net other post-employment benefit obligation has been liquidated primarily by the general fund and the proprietary funds.

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

This report constitutes the only analysis and presentation of the City's post-employment benefit plan. There is no separate, audited GAAP-basis post-employment benefit plan report.

NOTE 10. RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, employee torts, professional liability (i.e., errors and omissions), environmental damage, workers' compensation (i.e., employee injuries, and medical insurance costs of employees). A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Given the lack of coverage available, the City has no coverage for potential losses from environmental damages. The City participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability coverage and property insurance.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10. RISK MANAGEMENT (CONTINUED)

Commercial Policies

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the City's insurance fund (special revenue) and other funds based upon insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2014, 2013, and 2012.

Insurance Pools

In 1988, the City joined together with other Montana cities to form the Montana Municipal Interlocal Authority (MMIA), which established a workers' compensation plan, and a tort liability plan. In 1998, MMIA created a property insurance plan. The public entity risk pools currently operate as common risk management and insurance programs for the member governments.

The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence, and \$12.5 million per occurrence for any claim that is not subject to the limitations on governmental liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with a \$3,750 deductible per government. State tort law limits the City's liability to \$1.5 million. The City pays premiums for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

The City also owns a policy with MMIA for crime, covering loss from theft and fraud. The policy is subject to a \$15,000 deductible for employee theft per loss and a \$5,000 deductible for all other coverages.

The City is subject to claims and lawsuits, which arise, primarily in the ordinary course of operations. The City does not anticipate any losses with respect to such existing or pending claims at June 30, 2014.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose that are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Unified Disposal District - The Unified Disposal District is operation under an Interlocal agreement between Hill County, Blaine County, the City of Havre, the City of Harlem, the City of Chinook, and the Town of Big Sandy. The District was formed for the purpose of coordinating solid waste collections and disposal for the parties to the agreement. The Unified Disposal Board has twelve members, which are appointed by the governing bodies of the various entities involved.

The Unified Disposal District is financed by user charges to the residents in the District. Revenues generated from these charges are deposited with Hill County for administration of the program. Expenditures made by the district are first approved by the Unified Disposal board prior to transmittal to the Hill County auditor for processing and payment. The Unified Disposal District is a component unit of Hill County.

If any members of the District should wish to terminate their participation in this agreement, that member is required to give at least a one year's written notice of their intent to withdraw. The members continuing with the Unified Board will have an option to buy the terminating member's share, which shall be the proportionate interest of the net assets of the unified board determined by appraisal at the time of withdrawal. If all members should wish to terminate, proceeds of any sale or distribution of the assets of the entity shall be split according to the proportionate interest the withdrawing members have in the entire District.

The City paid \$18,740 to the Unified Disposal District during the year ended June 30, 2014.

The City-County Airport - The City-County Airport is owned and operated jointly by Hill County and the City of Havre. The operation of the City-County Airport is accounted for by Hill County within an agency fund. The members of the Havre City-County Airport Board shall be seven in number. Members consist of a Hill County Commissioner, the Mayor of the City of Havre or a Council person appointed by the Mayor, two members appointed by the County Commissioner, two members appointed by the Mayor with the approval of City Council, and one member elected by the Board. The joint venture is not considered to be a part of the City's reporting entity.

Financial statements for the City-County Airport can be obtained at the City of Havre, P.O. Box 231, Havre, Montana 59501.

CITY OF HAVRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12. LEASING TRANSACTIONS

The City leases a hockey facility to the Havre Youth Hockey Association, Inc. The lease, dated October 20, 1997, has an initial term of thirty three years and may be renewed automatically on an annual basis thereafter. For the first two years of the lease, the Association paid the City an annual rental equal to the annual cost of the property and liability insurance coverage of the facility. Beginning on the third year of the lease, the Association paid the City rent equal to \$12,000 plus insurance costs. The lease also provides for an option to purchase the property at any time during the initial term of the lease. The option amount is the total of (1) land at \$1,000 per acre, increased annually for inflation at the rate of 5% and (2) the building at \$300,000 less a credit of all annual rentals (excluding the part of the lease equal to the insurance costs) paid on or after the third anniversary date of the lease. Minimum future rentals on the initial lease as of June 30, 2014 are as follows:

Year Ending June 30,	Hockey Association Lease
2015	\$ 12,000
2016	12,000
2017	12,000
2018	12,000
2019	12,000
Thereafter	<u>132,000</u>
	<u>\$ 192,000</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT DISCUSSION AND ANALYSIS

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

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes and assessments	\$ 1,378,222	\$ 1,378,222	\$ 1,351,638
Intergovernmental	1,499,269	1,499,269	1,505,895
Fine and forfeitures	109,400	109,400	120,654
Licenses and permits	150,850	150,850	164,236
Charges for services	99,340	99,340	103,362
Investment earnings	5,600	5,600	6,677
Other	<u>58,650</u>	<u>58,650</u>	<u>48,620</u>
Total revenue	<u>3,301,331</u>	<u>3,301,331</u>	<u>3,301,082</u>
EXPENDITURES			
Current:			
General government	584,270	584,270	522,949
Public safety	2,232,990	2,232,990	2,027,631
Public works	252,720	252,720	236,560
Public health	87,270	87,270	79,775
Culture and recreation	549,520	549,520	482,910
Capital outlay	52,550	52,550	73,744
Debt service:			
Principal	42,199	42,199	42,198
Interest	<u>2,909</u>	<u>2,909</u>	<u>2,908</u>
Total expenditures	<u>3,804,428</u>	<u>3,804,428</u>	<u>3,468,675</u>
Revenues over expenditures	<u>(503,097)</u>	<u>(503,097)</u>	<u>(167,593)</u>
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets	-	-	21,111
Transfers in	<u>305,418</u>	<u>305,418</u>	<u>305,418</u>
Total other financing sources	<u>305,418</u>	<u>305,418</u>	<u>326,529</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (197,679)</u>	<u>\$ (197,679)</u>	<u>\$ 158,936</u>

CITY OF HAVRE
NOTES TO THE SCHEDULE OF BUDGETARY COMPARISON
Year Ended June 30, 2014

NOTE 1. BUDGETED FUNDS

The City adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. Statute required the adoption of a preliminary budget, public hearing on the preliminary budget and the final adoption of the budget by the later of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuations from the Department of Revenue. The City must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. Expenditure limitations imposed by law extend to the department level which is identified as the legal level of budgetary control.

NOTE 2. BUDGETARY BASIS

The City's budgets are prepared on the budget basis (modified accrual basis, including encumbrances, of which the City has none) of accounting, which results in accounting for certain transactions on a basis other than generally accepted accounting principles (modified accrual). The City's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the City's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget and the final budget, which includes amendments. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. Results of operation, on the budget basis of accounting, are presented for the general fund and major special revenue funds with legally adopted annual budgets, to provide a meaningful comparison of actual results with the budget.

CITY OF HAVRE
 SCHEDULE OF FUNDING PROGRESS
 Year Ended June 30, 2014

Fiscal Year Ended <u>June 30,</u>	Actuarial <u>Valuation Date</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>(AAL)</u> (b)	Unfunded AAL <u>(UAAL)</u> (b-a)	Funded <u>Ratio (%)</u> (a/b)	Annual Covered <u>Payroll</u> (c)	UAAL as a Percentage of Covered <u>Payroll (%)</u> (b-a/c)
2012	July 01, 2011	\$ -	\$ 824,967	\$ 824,967	0%	\$ 3,458,017	23.9%
2013	July 01, 2011	-	824,967	824,967	0%	3,458,017	23.9%
2014	July 01, 2011	-	824,967	824,967	0%	3,458,017	23.9%

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 City Council and the Mayor
City of Havre
Havre, Montana

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havre, Montana (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Havre, Montana's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
January 12, 2015

CITY OF HAVRE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2014

2013-01 Management's Estimate of the Allowance for Uncollectible Ambulance Receivables:

Resolved.



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