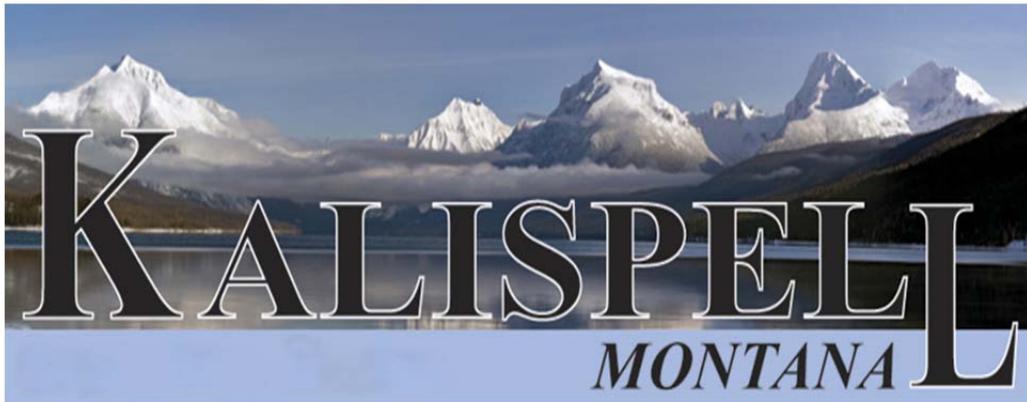

CITY OF



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2014

July 1, 2013 - June 30, 2014

CITY OF KALISPELL
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



City of Kalispell

Post Office Box 1997 – Kalispell, Montana 59903-1997
Telephone (406) 758-7701 Fax – (406) 758-7758

December 29, 2014

To the Honorable Mayor, members of the City Council, and Citizens of the City of Kalispell, Montana:

CAFR TRANSMITTAL

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year (by December 31) a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). State law also requires a biannual audit of these statements in accordance with generally accepted auditing standards by a firm of licensed certified public accountants to be completed within 9 months of the close of every other fiscal year (by March 31). It is the belief of the City Council and the Executive staff that an annual audit assures a higher level of financial management and fiscal responsibility. Pursuant to this policy and these requirements, the audited annual financial report for the City of Kalispell, Montana for the fiscal year ended June 30, 2014, is submitted for your review.

Management Representation

The Finance Office prepared this report. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

To provide a reasonable basis for making these representations, management of the City has established and maintained an internal control system designed to ensure that the assets of the City are protected from loss, theft or abuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (US GAAP) and to comply with laws and regulations. The system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Independent Auditor

Galusha Higgins & Galusha, P.C., a firm of licensed certified public accountants has audited the financial statements of the City. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with US GAAP. The independent auditor's report is presented as a component of the financial section of this report.

Federal Single Audit

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. As part of the City’s single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal awards. Tests are also made to determine that the fiscal year ended June 30, 2014, provided no instances of material weaknesses in the internal control system or violations of applicable laws and regulations.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended in 1996, and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Information related to this single audit, including the schedule of expenditure of federal awards and auditor’s reports on internal control and compliance with applicable laws and regulations are included in the single audit section of this report.

Transmittal Letter

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Kalispell’s MD&A immediately precedes the City’s basic financial statements within this report.

Profile of the City of Kalispell

The City of Kalispell, incorporated in 1892, is the county seat of Flathead County located in the western part of the State of Montana. This historically has been one of the top growth areas in the state. The City of Kalispell is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Kalispell is operated under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing boards, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, and for overseeing the day-to-day operations of the City. The council is elected on a non-partisan basis. Council members are elected by district to serve four-year staggered terms, with four council members elected every two years. The mayor is elected at large for a four-year term.

All significant operations of the City, as defined by the National Council of Governmental Accounting, Statement #3, have been included in the accompanying financial statements. The City provides a full range of municipal services including police, fire, building, planning and zoning, city court, parks and recreation, streets, community development and general administrative services. The City also operates as Enterprise funds: water, sewer, solid waste, and an airport.

In addition, the City presents financial data for two component units on the combined statements. The Downtown Business Improvement District and the Tourism Business Improvement District are both discretely presented governmental type component units.

The annual budget serves as the foundation for the City of Kalispell’s financial planning and control. All departments of the City of Kalispell are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review.

The council is required to hold public hearings on the proposed budget and to adopt a final budget. The appropriated budget is prepared by fund, function, and department. Budgetary control is decentralized to the point that individual department heads are responsible for expending within budgetary limits.

Budget to Actual Comparisons

The State municipal budget law stipulates that money, other than payments from agency funds, may not be drawn from the treasury of a municipality except pursuant to an appropriation. Therefore, a legally adopted budget is required for all funds, with the exception of agency funds. The City legally adopts a budget for the required funds. Consistent with past years, the City established the legal spending level at the fund level for the fiscal year 2014 budget. The City Manager and Finance Director may make transfers of appropriations within a fund. Transfers between funds, however, require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, the street maintenance special revenue fund and the community development loan revolving fund, the comparison is part of the required supplementary information.

Other Postemployment Benefits – Implied Rate Subsidy Liability

The City of Kalispell reported the “implied rate subsidy” liability, required under the Governmental Accounting Standards Board (GASB) Statement No. 45, in this financial report and the related financial statements. Although the City reported this liability, and related expenditures, the City does not agree that this represents a legal liability and further believes that the presentation of this activity in the financial statements will eventually be misleading to the users of the statements. In this, the fifth year of implementation, the recorded “rate subsidy” liability is \$1,518,327.

The City plans to continue funding the employee health insurance plan on a “pay as you go” basis, and does not plan to fund this liability. City management feels it would be fiscally irresponsible to take an amount equal to the actuarially determined liability and place it in an irrevocable trust fund that would never be used and would most likely increase as the City, and the related number of employees serving it, continues to grow. Retirees can leave the plan at anytime and the City would have unwisely used funds collected from its citizens. Insurance rates have been historically set so each plan offered is fiscally sound. Rates can be changed and benefits altered at anytime to ensure the plans remain properly funded.

Because the City will not be funding this liability, it will continue to increase, and within a few years, the financial statements will reflect the impact of a very large “implied rate subsidy” liability that does not have legal substance. Management does not feel it has legal substance as nothing in state law or any contractual agreement requires the city to offer the same rates to retirees, spouses and their dependents as other participants. The State of Montana has submitted a request to have GASB reconsider the requirement to report the implied rate subsidy. The City of Kalispell agrees with and supports this request.

Factors Affecting Financial Condition

The City of Kalispell has not been immune to the effects of the nation-wide economic downturn. Two of the Flathead Valley’s core industries have been hit particularly hard. The logging industry is virtually shut down, which trickles down to closures in related industries. Columbia Falls Aluminum Company, which struggled to continue operations for years, is now closed. The City has, however, started to see an uptick in new construction and home foreclosures have slowed somewhat. Kalispell Regional Medical Center continues to grow and, although they are considered not for profit, their expansion helps the City’s economy in many other ways.

Montana experienced a population increase between the 2000 and 2010 census of 9.7%. Kalispell, however, experienced an increase of 40.1%, while Flathead County experienced growth equal to 22.1%. The July 1, 2013 estimated population of Kalispell is 20,972 according to the U.S. Census Bureau, an increase of 1,045 from the 2010 census population of 19,927.

The unadjusted unemployment rate for the 2013 calendar year for City of Kalispell was 7.9%. This compares to 9% for the 2012 calendar year. A positive adjustment of over 10%. The most current unadjusted unemployment rate available (October 2014) for the City of Kalispell, and Flathead County, is 5.1%. In comparison, the State of Montana's current unemployment rate for the same period is 3.8% and the U.S. rate is 5.5%. The State of Montana's rate is lowered in a large part by the very low unemployment, under 2% in some counties in far eastern Montana, due to the Bakken oil field boom. The City's unemployment rate has continued to improve from 13.1% high in January of 2011.

According to the United States Census Bureau, the 2012 per capita income, the most current information available, for Kalispell was \$22,134, in 2012 inflation-adjusted dollars. This is approximately 14% less than the State of Montana's estimated per capita income of \$25,002 in 2012 inflation-adjusted dollars, and almost 30% less than the Nation's estimated per capita income of \$28,051 in 2012 inflation-adjusted dollars.

Revenue Growth and Reform

City revenues can be considered statutorily limited, circumstantial or discretionary. The City has very little control over the growth of restricted and circumstantial revenues. Although the City 'controls' the growth or discretionary revenue, it is still subject to typical community pressures for conservative growth.

Since November 1986 and the passage of Initiative 105, which limited certain property taxes to the 1986 levels, the ability of the City to raise revenue for basic services is increasingly difficult. Then, the legislature, with SB184, lowered tax rates forcing the City to increase mill levies to maintain the same level of revenue. The City's cash reserves in most funds vary between 10% and 20% of appropriations. State law allows for reserves of 50%. Reserves provide for cash flow between tax revenue receipts to keep the City from having to borrow funds for operations.

Additional revenues generated by increased taxable valuation come with the additional costs of an increased service area. The City of Kalispell's Police and Fire Departments, Courts system, Building Department, Public Works and Parks have felt the increased pressure from the influx of people to Flathead County. These pressures impact the budgets of all departments.

The Montana constitution and state law require periodic reappraisal of property in the interest of equal taxation (15-7-111, MCA). The State of Montana, through the Department of Revenue (DOR), is responsible for valuing all taxable real and personal property. Once every six years, the DOR is required by state law to conduct a reappraisal of residential, commercial, industrial, agricultural and forestland property in the state.

The most recent reappraisal cycle began on January 1, 2003 and was completed on July 1, 2008. New reappraisal values were used for property tax purposes in tax year 2009 (fiscal year 2010). By law, reappraisal values will be phased-in at the rate of one-sixth each year. Statewide, commercial and residential property values rose 43% and 54% respectively. In Flathead County, reappraisals resulted in property value increases of 41% for commercial property, and 66% for residential property.

Major Initiatives

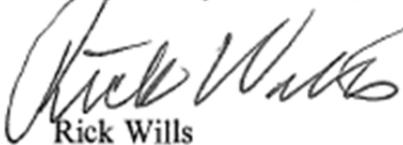
On April 21, 2014, the City Council voted unanimously to annex 40.69 acres located on the east side of Whitefish Stage Road, north of East Oregon Street, and west of East Oregon Lane (formerly McElroy-Wilkins gravel pit). The owner of this property, Flathead County Economic Development Authority, intends to develop a rail-served industrial park that will be the new home of several of the rail-served industrial business that are currently located within the City of Kalispell's Core Area, as well as provide additional rail-served industrial land for other business ventures. The proposed rail-served industrial park and relocation of industrial uses out of the Core Area will facilitate removal of the railroad tracks from the Core Area and encourage commercial investment in the recently expanded Westside Urban Renewal Tax-Increment Finance (TIF) District.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kalispell for its comprehensive annual financial report for the fiscal years ended June 30, 2010, 2011, 2012 and 2013. This was the 4th consecutive year that the City of Kalispell had submitted and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The completion of the Annual Financial Report on a timely basis was made possible by the entire staff of the Finance Department and the cooperation of all City departments. I would also like to give recognition to the mayor, governing council, and the city manager for their consistent support for maintaining the highest standards in the management of the City of Kalispell's finances.

Respectfully submitted,



Rick Wills

Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

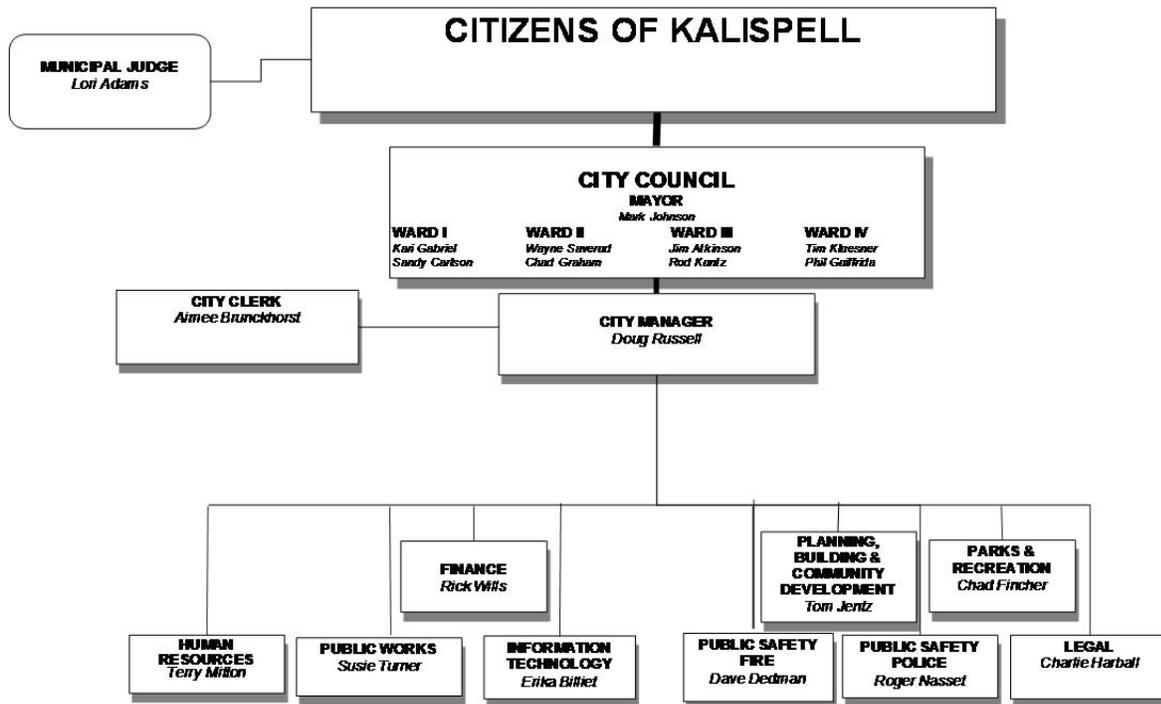
Presented to

**City of Kalispell
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



**CITY OF KALISPELL, MONTANA
CITY ELECTED AND APPOINTED OFFICIALS**

<u>ELECTED OFFICIALS</u>		<u>TERM EXPIRES</u>
Mayor Mark Johnson		12/2017
Council members:		
Kari Gabriel	Ward I	12/2015
Jim Atkinson	Ward III	12/2017
Sandy Carlson	Ward I	12/2017
Rod Kuntz	Ward III	12/2015
Wayne Saverud	Ward II	12/2015
Phil Guiffrida	Ward IV	12/2015
Chad Graham	Ward II	12/2017
Tim Kluesner	Ward IV	12/2017
Municipal Court Judge:		
Lori Adams		12/2017

APPOINTED CITY OFFICIALS

City Manager	Doug Russell
Attorney	Charles Harball
City Clerk	Aimee Brunckhorst
Police Chief	Roger Nasset
Fire Chief	Dave Dedman
Finance Director	Rick Wills
Public Works Director	Susie Turner
Parks Director	Chad Fincher
Planning Director	Tom Jentz
Community Development Manager	Katharine Thompson
Human Resource Director	Terry Mitton
City Treasurer	Deb Diest

FINANCIAL SECTION



GALUSHA
HIGGINS
& GALUSHA^{PC}
EST. 1919

A PROFESSIONAL CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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INDEPENDENT AUDITOR'S REPORT

City Council Members
City of Kalispell, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and budgetary comparisons of each major fund of the City of Kalispell, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Kalispell'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and budgetary comparisons of each major fund of the City of Kalispell, 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 funding progress – other post-employment healthcare benefits and budgetary comparison information on pages 14 through 27, 76 and 77 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

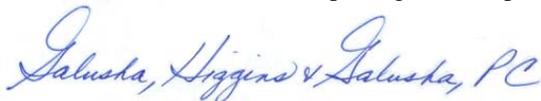
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kalispell's financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparisons (other than major funds), capital asset schedules, statistical tables and the Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014 on our consideration of the City of Kalispell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Kalispell's internal control over financial reporting and compliance.



GALUSHA, HIGGINS & GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
December 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kalispell, we offer readers of the City of Kalispell's financial statements this narrative overview and analysis of the financial activities of the City of Kalispell for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kalispell exceeded its liabilities at the close of the recent fiscal year by \$161,870,822 (net position). Of this amount, \$15,952,508 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$2,875,607 over the prior fiscal year.
- As of June 30, the City's governmental funds reported combined ending fund balances of \$10,970,044, an increase of \$1,040,842 over the prior year. Of this amount, \$2,024,152 is available for spending at the government's discretion (committed, assigned, and unassigned fund balances).
- The City's total debt, excluding compensated absences, decreased by \$958,405 (4%) during fiscal year 2014; the result of minimal new borrowing.

AN OVERVIEW OF THE FINANCIAL STATEMENTS

There are three main components to the City of Kalispell's financial statements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary material is included in this report in addition to the basic financial statements themselves. The City of Kalispell intends for this discussion and analysis to be used in conjunction with the basic financial statements, and other material, as an introduction and also as a means to help the user better understand the information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Kalispell's finances. The way information is presented in these statements is comparable to how the financial information of a private-sector business would be presented.

The statement of net position presents information on all of the City of Kalispell's assets and liabilities. The difference between these two (assets minus liabilities) is reported as net position. Net position can be a useful tool in evaluating the financial health of an entity. A substantial decrease in net position may be a sign of deteriorating financial outlook.

The change in net position during the most recent fiscal period is presented by the statement of activities. The statement of activities reports changes in net position at the time the event takes place without regard to the corresponding cash transaction. This results in some revenues and expenses being reported in this statement that will not result in cash flow until a future fiscal period. Some examples of this would be uncollected but earned taxes and earned leave benefits.

The government-wide financial statements of the City of Kalispell are segregated to distinguish between functions supported predominantly by taxes and intergovernmental revenues (governmental activities) and those that are intended to recover the majority of their costs through user fees and charges for services (business-type activities). The governmental activities of the City of Kalispell include general government/administration, public safety, public works, parks and recreation, and community

development. The business-type activities of the City of Kalispell include water distribution, sewer collection and treatment, solid waste collection, and an airport.

The government-wide financial statements include, in addition to the primary government described in the above paragraph, a legally separate Business Improvement District and a legally separate Tourism Business Improvement District. The financial information of these component units is reported separately on the Government-wide financial statements.

Fund Financial Statements

The City of Kalispell, like most other governmental entities, uses fund accounting. Funds are set up to account for specific activities or objectives of the government. Funds also aid in ensuring compliance with legal requirements. The City of Kalispell categorizes its funds as either governmental, proprietary, or fiduciary.

- Governmental funds correspond with the functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements, by focusing on near-term inflows and outflows of spendable resources, may be more useful in evaluating a government's short-term fiscal health than the government-wide financial statements.

A reconciliation has been prepared to help users more easily compare the governmental fund balance sheet to the government-wide statement of net position and the governmental fund statement of revenues, expenditures, and changes in fund balance to the government-wide statement of activities. These reconciliations can be useful in contrasting, comparing and understanding the long-term impact (government-wide statements) of near-term decisions (governmental fund statements).

- The City of Kalispell maintains numerous individual governmental funds. The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance present information separately only for funds which are considered major. Major funds are determined by a formula which considers the percentage of total governmental assets, liabilities, revenues, and expenditures contained in each individual fund. The City of Kalispell has four major governmental funds; the General Fund (always a major fund), the Street Maintenance (special revenue) Fund, the Community Development Loan Revolving (special revenue) Fund, and the Special Improvement District 344 (debt service) Fund. All non-major funds are presented as a group.

The City of Kalispell adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and the major special revenue funds to demonstrate compliance with this budget.

- The City of Kalispell maintains two different types of proprietary funds. Enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Water, sewer, solid waste, and the airport make up the City of Kalispell's enterprise funds. The City of Kalispell uses two internal service funds to accumulate and allocate its information technology transactions and central garage transactions internally among its various functions. Under the old reporting model internal service funds were reported as proprietary funds because they recovered most of their cost through user fees from other funds. Under the new model these funds are eliminated through an allocation process and categorized as either a governmental or business-type activity.

Because the City of Kalispell's internal service funds benefit governmental more so than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

- Information in the proprietary fund financial statements is of the same type as that provided in the government-wide financial statements, however, it is more detailed. Individual fund data is provided for the water fund, and the sewer fund, classified as major funds. Individual data is not required for the airport fund or the solid waste fund, because they are not classified as major funds.
- The City of Kalispell maintains three funds to account for resources held by the government for the benefit of outside parties. These fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City of Kalispell's own programs. The City of Kalispell must ensure that the assets reported in these funds are used for their intended purpose. The accounting method used for fiduciary funds is similar to that used for proprietary funds.

Notes to the Financial Statements

The information contained in the government-wide and fund financial statements is meant to be used in concurrence with the notes to the financial statements. The notes present further detail of the data provided by these statements.

Other Information

All required supplementary information other than GASB Statement 45 – Other Postemployment Benefits (OPEB) schedules and the general and major special revenue funds budgetary comparison schedules is included in the basic financial statements or the accompanying notes. Therefore, the only information presented in the section for required supplementary information is the OPEB information and required budgetary comparison schedules on pages 74 - 77.

The combining statements for non-major governmental and non-major proprietary funds are presented immediately following the required supplementary information section. Combining and individual fund statements and schedules can be found beginning on page 78 of this report.

ANALYZING THE CITY AS A WHOLE

As mentioned prior, net position can be an important indicator of an entities financial well-being. For the period ending June 30, 2014, the City of Kalispell's assets exceeded liabilities by \$161,870,822.

The largest portion of the City's net position (\$129,750,383 or 81%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of net position is shown in the following table.

City of Kalispell - Net Position						
	Governmental Activities			Business-type Activities		
	FY14	FY13	Change Inc (Dec)	FY14	FY13	Change Inc (Dec)
Current and other assets	\$ 20,059,734	\$ 18,227,470	\$ 1,832,264	\$ 16,800,092	\$ 14,907,429	\$ 1,892,663
Capital assets	81,349,530	83,322,670	(1,973,140)	73,856,422	73,437,357	419,065
Total assets	<u>\$ 101,409,264</u>	<u>\$ 101,550,140</u>	<u>\$ (140,876)</u>	<u>\$ 90,656,514</u>	<u>\$ 88,344,786</u>	<u>\$ 2,311,728</u>
Long-term debt outstanding	\$ 11,532,336	\$ 12,391,631	\$ (859,295)	\$ 16,109,613	\$ 16,201,715	\$ (92,102)
Other liabilities	2,048,179	1,688,022	360,157	504,828	618,343	(113,515)
Total liabilities	<u>\$ 13,580,515</u>	<u>\$ 14,079,653</u>	<u>\$ (499,138)</u>	<u>\$ 16,614,441</u>	<u>\$ 16,820,058</u>	<u>\$ (205,617)</u>
Net position:						
Net investment in capital assets	\$ 71,734,631	\$ 72,872,788	\$ (1,138,157)	\$ 58,015,752	\$ 56,139,329	\$ 1,876,423
Restricted	8,577,197	7,745,994	831,203	7,590,734	6,735,034	855,700
Unrestricted (deficit)	7,516,921	6,851,705	665,216	8,435,587	8,650,365	(214,778)
Total net position	<u>\$ 87,828,749</u>	<u>\$ 87,470,487</u>	<u>\$ 358,262</u>	<u>\$ 74,042,073</u>	<u>\$ 71,524,728</u>	<u>\$ 2,517,345</u>

An additional portion of the City's net position (\$16,167,931 or 10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,952,508 or 9%) may be used to meet the City's ongoing obligations to citizens and creditors.

At June 30, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Net position of the City increased by just about 2% for fiscal year 2014 in comparison to fiscal year 2013 (\$161.9 million compared to \$161.2 million).

City of Kalispell - Changes in Net Position						
	Governmental Activities			Business-type Activities		
	FY14	FY13	Change Inc (Dec)	FY14	FY13	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 5,870,315	\$ 5,681,989	\$ 188,326	\$ 8,983,515	\$ 8,694,254	\$ 289,261
Operating grants and contributions	2,636,321	2,688,746	(52,425)	8,372	8,354	18
Capital grants and contributions	1,519,825	1,378,649	141,176	2,137,977	1,012,027	1,125,950
<i>General revenues (by major source):</i>						
Property taxes for general purposes	8,739,807	8,092,684	647,123	-	-	-
Video poker apportionment	60,450	59,801	649	-	-	-
Miscellaneous	124,331	91,261	33,070	-	-	-
Interest/investment earnings	48,193	71,573	(23,380)	83,224	102,311	(19,087)
State entitlement	2,835,264	2,657,356	177,908	-	-	-
Gas Tax	364,563	360,650	3,913	-	-	-
Total revenues	<u>\$ 22,199,069</u>	<u>\$ 21,082,709</u>	<u>\$ 1,116,360</u>	<u>\$ 11,213,088</u>	<u>\$ 9,816,946</u>	<u>\$ 1,396,142</u>
Program expenses						
General government	\$ 5,688,135	\$ 6,709,524	\$ (1,021,389)			
Public safety	9,269,827	9,293,138	(23,311)			
Public works	2,573,627	3,074,630	(501,003)			
Parks and recreation	2,123,237	1,991,585	131,652			
Community development	1,601,170	3,616,337	(2,015,167)			
Debt service - interest	357,857	390,770	(32,913)			
Airport				177,751	225,974	(48,223)
Water				2,625,046	2,660,877	(35,831)
Sewer				5,114,591	5,255,654	(141,063)
Solid Waste				812,650	783,967	28,683
Total expenses	<u>\$ 21,613,853</u>	<u>\$ 25,075,984</u>	<u>\$ (3,462,131)</u>	<u>\$ 8,730,038</u>	<u>\$ 8,926,472</u>	<u>\$ (196,434)</u>
Excess (deficiency) before special items and transfers	585,216	(3,993,275)	4,578,491	2,483,050	890,474	1,592,576
Transfers - net	(218,728)	(358,169)	139,441	218,728	358,169	(139,441)
Increase (decrease) in net position	<u>\$ 366,488</u>	<u>\$ (4,351,444)</u>	<u>\$ 4,717,932</u>	<u>\$ 2,701,778</u>	<u>\$ 1,248,643</u>	<u>\$ 1,453,135</u>

Governmental Activities. Governmental activities in fiscal year 2014 increased the City’s net position by \$366,488. Specifically, revenues increased about 5%, and expenses decreased 14%. The key elements of the overall net position change were:

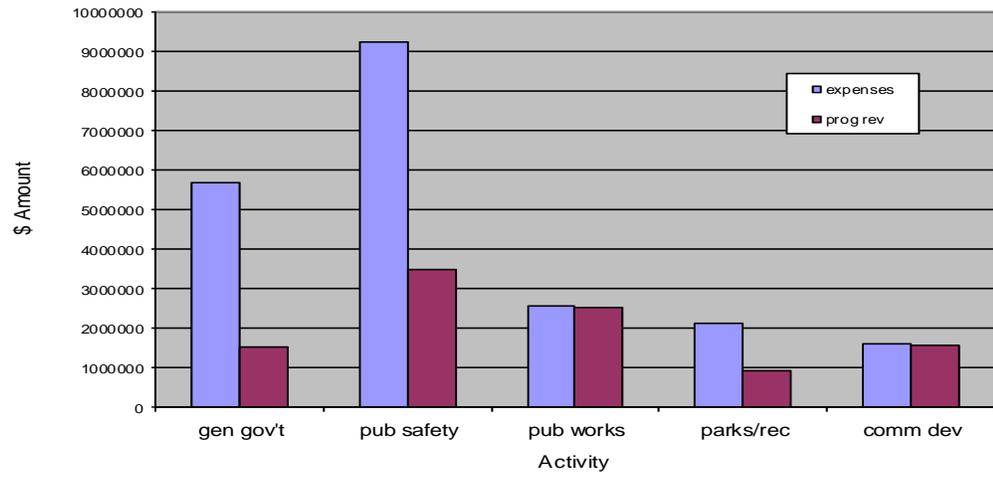
- Total revenue increased slightly (\$1,116,360 or 5.3%). Seventy-four percent (\$825,031) of this increase is property tax revenue (\$647,123) and entitlement share payment (\$177,908).
- Governmental activities expenses decreased (\$3,462,131). Ninety-nine percent (\$3,412,163) of this total decrease is due to a couple of major one-time expenditures in last fiscal year, the acquisition of the permanent easement on the Kidsports property for (\$2,266,336) and a loss from the transfer of the Gateway West Mall (Teletech) property of (\$1,145,827).
- In fiscal year 2014 the City’s central garage was reclassified as an internal service fund. This resulted in governmental-activities public works expenses decreasing (\$501,003), offsetting some increases in other programs.
- Debt service interest is now reported, on the statement of activities, as a separate line item rather than being allocated to individual functions.

The table and charts below and on the following page help illustrate the information presented above. The table and bar chart present the cost and net cost (total cost less revenues generated by the activity) of each of the City’s largest programs; General Government (administration), Public Safety (police and fire), Public Works (streets, light maintenance and signs and signals), Culture and Recreation (parks, urban forestry, pool, etc.), and Community Development.

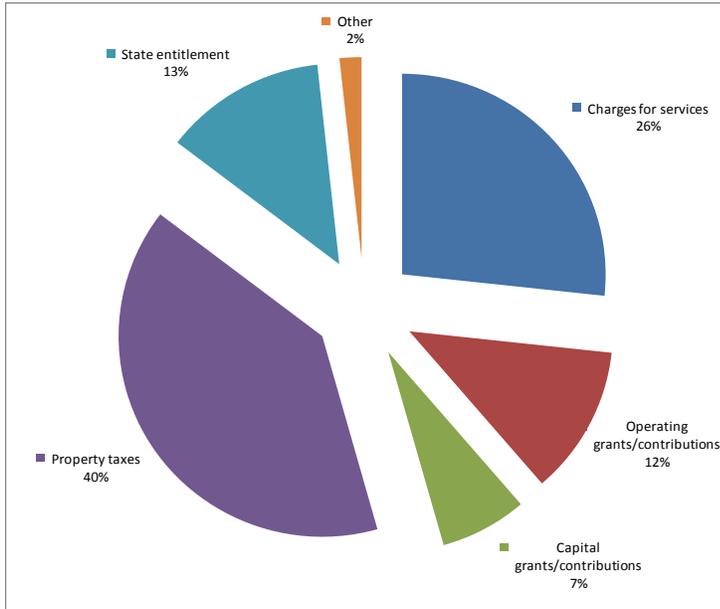
Net cost shows the financial burden placed on City taxpayers by each of these functions. The pie chart illustrates the different revenue sources for the City’s governmental activities and how much each source contributes.

Governmental Activities by function (in Millions)				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>
Public Safety	\$ 9.3	\$ 9.3	\$ 5.8	\$ 5.1
Public Works	2.6	3.1	-	0.3
Parks and Recreation	2.1	2.0	1.2	1.2
Community Development	1.6	3.6	-	2.4
General Government	5.7	6.7	4.2	5.9
Debt Service	0.4	0.4	0.4	0.4
Totals	<u>\$ 21.7</u>	<u>\$ 25.1</u>	<u>\$ 11.6</u>	<u>\$ 15.3</u>

Expenses and Program Revenues - Governmental Activities for fiscal year 2014



Governmental activities percentage of revenue by source:

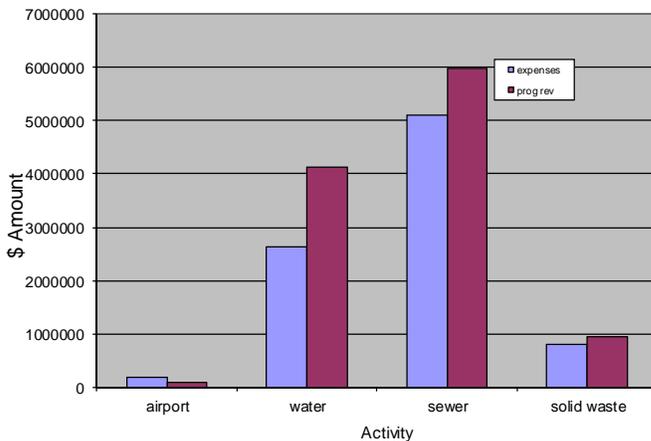


Business-type Activities. Business-type activities increased the City of Kalispell’s net position by \$2,701,778. The factors leading to this result were:

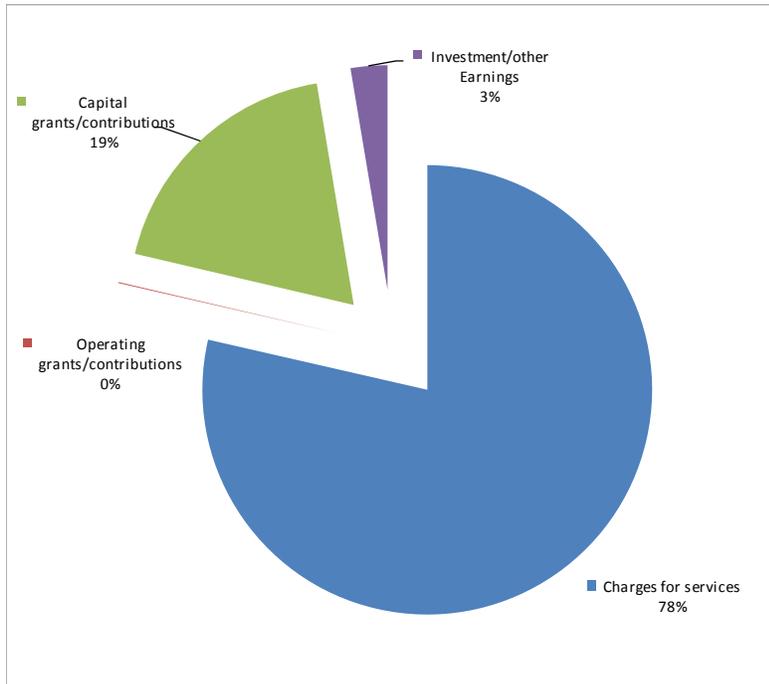
- Revenues of the City’s business-type activities increased \$1,396,142. Capital grants and contributions revenue of business-type activities increased over 100% from \$1,012,027 to \$2,137,977, attributable to the construction industry picking up and related contributed capital (impact fees and infrastructure contributions).
- Expenses decreased (\$196,434) or about 3% from the prior fiscal year.

The following charts help illustrate the information presented above related to business-type activities net position.

Expenses and Program Revenues - Business-type Activities for fiscal year 2014



Business-type activities percentage of revenue by source:



ANALYZING THE CITY'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the City of Kalispell's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources (fund balance). Spendable fund balance (restricted, committed, assigned, and unassigned) is a useful tool when assessing the net resources a government has available to spend at the end of a fiscal period.

At the end of fiscal year 2014, the City of Kalispell's governmental funds reported combined ending fund balances of \$10,970,044, an increase of \$1,043,893 in comparison with the prior fiscal year. Of the ending fund balance, \$8,736,417 (80%) is restricted, indicating that constraints placed on the use of resources are externally imposed, or imposed by law because: assets are limited by specific grant agreements (\$995,966); assets are limited by specific voter approved bonds (\$571,659); assets are limited by specific special assessments (\$1,564,776); assets are limited by state law (\$5,594,627); assets are limited by contribution restrictions (\$9,388). \$2,024,152 or 19% is available for spending at the City's discretion. Following is a short analysis of each major governmental fund.

The general fund is the chief operating fund of the City of Kalispell. At the end of fiscal year 2014 unassigned fund balance of the general fund was \$2,107,411, while total fund balance was \$2,409,409. The fund balance increased \$259,126 during fiscal year 2014.

Revenues and other financing sources and expenditures and other financing uses changed very little; less than 1%. At the end of fiscal year 2014, unassigned fund balance represents 21% of total general fund expenditures, a 4% improvement from fiscal year 2013. The general fund balance of \$2,409,409 is non-spendable and assigned as follows:

GENERAL FUND BALANCE - TOTAL		\$	2,409,409
NONSPENDABLE			
Long-term receivables	\$	13,003	
Prepays		163,547	
TOTAL NONSPENDABLE		\$	176,550
ASSIGNMENTS			
Capital Equipment	\$	101,906	
Downtown Parking		23,542	
TOTAL ASSIGNMENTS		\$	125,448
UNASSIGNED		\$	2,107,411

The Street Maintenance fund is a special revenue fund established to account for the maintenance, construction, equipment and other costs incurred in the maintenance of the City's streets. Assessments on properties within the City of Kalispell boundaries are the main source of this fund's revenue. At June 30, 2014, the fund balance of this fund was \$1,287,118, a \$15,061 increase from the prior fiscal year.

The Community Development Loan Revolving fund is a special revenue fund used to make low interest housing and commercial loans within the City of Kalispell. Principal and interest from these loans or the purchase and subsequent resale of a fixed asset are the only sources of revenue in this fund. At June 30, 2014, the fund balance of this fund was \$434,414, a 16% increase from fiscal year 2013. For fiscal year 2014, the Community Development Loan Revolving fund made no new loans.

Special Improvement District 344 (debt service) fund was established by the City of Kalispell in fiscal year 2006 for the purpose of servicing the debt attributable to the construction of the infrastructure needed in the industrial/commercial development known as Old School Station.

Fund balance at June 30, 2014, for SID 344 was -\$208,707, a decrease of 568% from fiscal year 2013. This extraordinary reduction in fund balance is the result of the owner of many properties within the district being in excess of 5 years delinquent on the taxes for the properties.

Proprietary Funds

The City of Kalispell's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position and the total growth in net position of the proprietary funds by fund are:

Proprietary Fund Net Position	% of			
	Unrestricted Net Position	Funds total Net Position	Change in Net Position	% Change in Net Position
Water	\$ 4,016,081	14%	\$ 1,525,966	6%
Sewer	3,483,534	8%	1,130,756	3%
Other	935,972	24%	45,056	1%
Total	\$ 8,435,587	46%	\$ 2,701,778	10%

For the discussion regarding major changes in net position of the proprietary funds see the explanation above in the business-type activities of the statement of activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Kalispell's general fund expenditures budget for fiscal year 2014 was \$10,600,539. Actual expenditures for the year were \$10,312,944, a favorable variance of \$287,595. Actual public safety expenditures were \$190,504 less than budgeted, due to personal services savings. Actual general government expenditures were \$91,173 less than budgeted, the result of most general government departments making efforts to hold down expenditures where possible.

Actual revenues of the general fund were \$10,298,801, \$4,281 less than the budgeted amount of \$10,303,082. Taxes and assessments revenue in excess of the budgeted amount by \$118,468 was more than offset by small decreases in most other categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City of Kalispell has \$155,123,144, net of depreciation, invested in a broad range of capital assets, including police and fire equipment, streets, buildings, land, park facilities, garbage collection equipment, and water and sewer lines.

CITY OF KALISPELL'S CAPITAL ASSETS

(NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,395,299	\$ 2,395,299	\$ 1,701,888	\$ 1,701,888	\$ 4,097,187	\$ 4,097,187
Buildings	9,869,926	10,461,053	53,428	62,784	9,923,354	10,523,837
Improvements (not buildings)	8,563,405	9,029,782			8,563,405	9,029,782
Machinery and equipment	3,801,713	3,678,116	673,964	306,285	4,475,677	3,984,401
Infrastructure	56,614,224	57,720,089			56,614,224	57,720,089
Construction in progress	22,155	38,331	77,811	772,554	99,966	810,885
Source of supply			3,856,681	3,849,983	3,856,681	3,849,983
Pumping plant			1,961,419	2,073,864	1,961,419	2,073,864
Treatment plant			20,059,920	19,692,830	20,059,920	19,692,830
Transmission and distribution			33,903,460	33,747,465	33,903,460	33,747,465
General plant			1,569,245	1,694,840	1,569,245	1,694,840
Storm sewer system			9,998,606	9,534,864	9,998,606	9,534,864
Total	\$ 81,266,722	\$ 83,322,670	\$ 73,856,422	\$ 73,437,357	\$ 155,123,144	\$ 156,760,027

Major Governmental funds capital asset events during the fiscal year 2014 included the following:

- Continued work on the Woodland Connector Trails. Fiscal year 2014 construction cost was \$164,050 which is 87% paid by a federal grant.
- Purchased (4) police department vehicles at a cost of \$119,726.
- Used Montana Board of Investment funding to purchase (2) dump trucks for the street department, and an aerial lift truck for the light maintenance department.
- Received a Montana Air and Congestion Initiative (MACI) matching grant for a flush truck valued at \$174,533. The City's shared cost was less than 13%.
- Completed the purchase of a hazardous materials trailer tow vehicle through the use of a U.S. Department of Homeland Security grant (Assistance for Firefighters Grant). Fiscal year 2014 cost, 100% federal grant paid, equaled \$109,178.

- Paved 7 alleys. Replaced 1,510 linear feet (5 blocks) of sidewalks.
- A developer donated a street valued at \$904,631.
- Disposed equipment with a cost basis of \$255,228.

Major Business-type funds capital asset events during the fiscal year 2014 included the following:

- Made lower zone water reservoir improvements costing \$68,303.
- Made Improvements to the South Woodland Drive water system valued at \$282,447.
- A water distribution service truck was purchased for \$26,511.
- Developer's contributed 31 fire hydrants valued at \$111,211.
- 9,530 linear feet of new water main valued at \$451,399 was installed and contributed to the City by developers.
- The water department installed 497 new meters, including 113 new domestic meters of various sizes.
- Completed project replacing water line on 2nd Ave WN, total project cost was \$164,277.
- Water and sewer mains were relocated and upsized to accommodate the Highway 93 Bypass construction. City's cost was \$67,743. Montana Department of Transportation contributed the balance of \$160,546.
- Developer's contributed 3,055 linear feet of new sanitary sewer main valued at \$67,519 and a lift station with a value of \$46,952.
- Installed roof liners on two buildings in the waste water treatment plant complex at a total cost of \$112,760.
- Completed the primary digester lid project. Fiscal year 2014 cost for construction was \$770,160. Total project cost was \$1,166,304.
- Completed the "Willows" storm water project. Total cost of project equaled \$315,680. Partially funded by a SID. Business-type (sewer fund) capital contributed from governmental (capital project) fund was \$218,728.
- Developer's contributed 294 linear feet of new storm sewer main valued at \$89,460.
- Purchased a Vactor vacuum truck for the storm sewer fund at a cost of \$327,064.
- Purchased 2 new solid waste trucks for \$451,757. Used Montana Board of Investment financing \$172,988 for the rear-loader truck and purchased the side-arm truck with replacement funds.
- Replaced or abandoned water and sewer transmission and distribution assets with a cost basis of approximately \$110,000.

Additional information on capital assets can be found in the notes of the basic financial statements (Note D. Capital Assets pages 50-53).

Debt

At the end of fiscal year 2014, the City of Kalispell had total long-term debt outstanding of \$26,076,560. Of this amount, \$3,255,000 comprises debt backed by the full faith and credit of the government and \$2,145,000 represents bonds secured solely by specific revenue sources (i.e., revenue bonds). The remainder consists of \$14,932,682 outstanding on State Revolving Fund loans for construction/expansion of the wastewater treatment plant, the extension of sewer lines south on Highway 93, and the construction of a water storage facility and the related distribution/supply system. There is also \$3,392,922 of special assessment debt for which the City of Kalispell is liable in the event of default by the property owners subject to the assessment, and \$2,350,956 of loans for the purchase of other property and equipment.

CITY OF KALISPELL'S OUTSTANDING DEBT

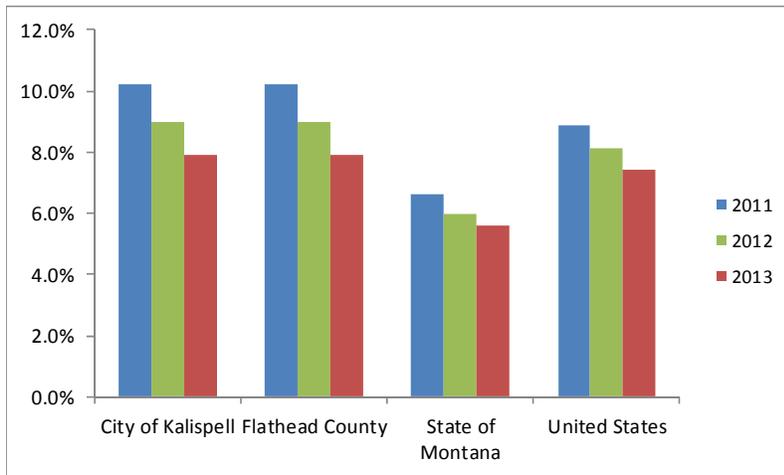
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,255,000	\$ 3,700,000			\$ 3,255,000	\$ 3,700,000
Revenue/Urban Renewal bonds	1,410,000	1,558,000	735,000	795,000	2,145,000	2,353,000
SRF loans			14,932,682	15,143,483	14,932,682	15,143,483
Assessments	3,392,922	3,457,647			3,392,922	3,457,647
Contract debt/loans	2,177,968	2,380,835	172,988		2,350,956	2,380,835
Total	\$ 10,235,890	\$ 11,096,482	\$ 15,840,670	\$ 15,938,483	\$ 26,076,560	\$ 27,034,965

Other obligations of the City of Kalispell include accrued vacation pay and sick leave (compensated absences). More detailed information about the City's long-term liabilities is presented in the notes to the financial statements (Note E. Long-Term Debt pages 54-60).

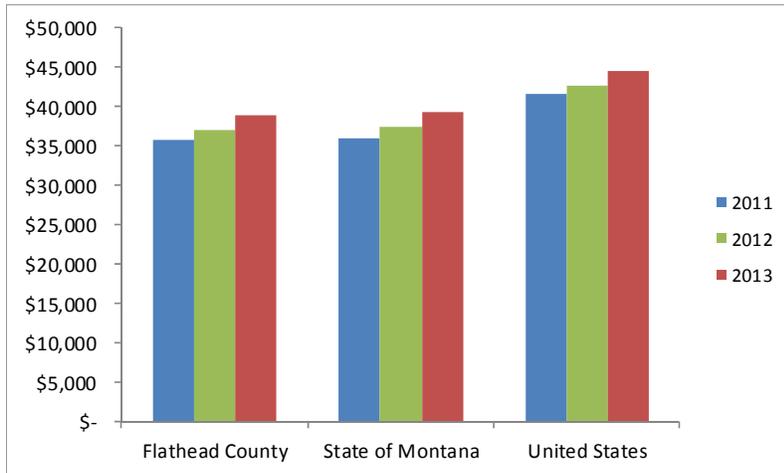
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, including but not limited to, tax rates and fees that will be charged by the business-type activities. Some other considerations include: Capital needs; inflation; status of the City's agreements with the bargaining units; local economics, including the citizen's ability to pay. In some instances, City data is unavailable and Flathead County data was used.

Unemployment Data



Per Capita Personal Income



Source: U.S. Department of Labor and Industry.

- The City of Kalispell's unemployment rate (preliminary/unadjusted) stood at 5.1% as of October of 2014, which is an improvement of 33% over the December 2013 rate of 7.6%. This is worse than the State's unemployment rate of 3.8%, but better than the Nation's rate of 5.9% for the same month and year.
- Applications for building permits and other internal indicators of growth, such as impact fee revenues, improved in fiscal year 2014. Short-term future forecast are more optimistic than in the recent past.
- The rapid population growth which Flathead County and Northwest Montana experienced for many years remains low, but has improved and is considered healthy growth.
- Energy costs continue to be volatile.
- Cost of labor, health, liability, and property insurance continue to rise.

During fiscal year 2014, fund balance in the General Fund increased to \$2,409,409. The City of Kalispell has not appropriated any of this amount for spending in the 2015 fiscal year budget. The City has determined that preserving this available fund balance/reserve is necessary.

The City Council approved the following rate increases for fiscal year 2015:

- Governmental:
 - All 4 categories of street maintenance assessments were increased. Category 1 & 2 maximums were not increased. These changes will result in an estimated revenue increase for the street maintenance fund of \$173,500.
- Business-type:
 - Sewer bi-monthly administrative (base) charge increased from \$15.00 to \$16.88.

Request for Information

This financial report is designed to provide a general overview of the City of Kalispell's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kalispell, Finance Director, P.O. Box 1997, Kalispell, MT 59903-1997.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

City of Kalispell, Montana
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total	Component Units Downtown BID	Component Units Tourism BID
ASSETS					
Current assets:					
Cash and investments	\$ 9,622,853	\$ 8,197,605	\$ 17,820,458	\$ 73,276	\$ 184,537
Taxes and assessments receivable, net	2,254,856	55,258	2,310,114	2,405	
Internal balances	-	-	-		
Accounts receivable - net	264,795	320,444	585,239		
Notes and loans receivable	112,125	-	112,125		
Contracts receivable	84,877	54,072	138,949		
Due from other governments	1,188,269	189,189	1,377,458	10,404	
Prepays	200,977	36,238	237,215		
Inventories	-	164,939	164,939		
Other debits	14,258	-	14,258		
Total current assets	<u>13,743,010</u>	<u>9,017,745</u>	<u>22,760,755</u>	<u>86,085</u>	<u>184,537</u>
Noncurrent assets					
Restricted cash and investments	828,138	7,782,347	8,610,485		
Deferred assessments receivable	3,284,431	-	3,284,431		
Long term portion of loans receivable	2,204,155	-	2,204,155		
Capital assets - land	2,395,299	1,701,888	4,097,187		
Capital assets - construction in progress	10,905	77,811	88,716		
Capital assets - depreciable, net	78,943,326	72,076,723	151,020,049		12,817
Other debits	-	-	-		
Total noncurrent assets	<u>87,666,254</u>	<u>81,638,769</u>	<u>169,305,023</u>	<u>-</u>	<u>12,817</u>
Total assets	<u>101,409,264</u>	<u>90,656,514</u>	<u>192,065,778</u>	<u>86,085</u>	<u>197,354</u>
LIABILITIES					
Current liabilities					
Accounts payable	418,681	191,760	610,441	5,863	28,707
Retainage	12,832	5,045	17,877		
Accrued payroll	319,421	57,745	377,166		
Current portion of long-term liabilities	25,878	-	25,878		
Current portion of long-term capital liabilities	1,291,318	1,269,833	2,561,151		
Current portion of compensated absences payable	947,523	185,815	1,133,338		
Other credits	-	7,345	7,345		
Total current liabilities	<u>3,015,653</u>	<u>1,717,543</u>	<u>4,733,196</u>	<u>5,863</u>	<u>28,707</u>
Noncurrent liabilities					
Noncurrent portion of long-term liabilities	595,101	-	595,101		
Noncurrent portion of long-term capital liabilities	8,323,581	14,570,837	22,894,418		
Noncurrent portion of compensated absences	348,935	83,128	432,063		
Other credits	21,851	-	21,851		
Other post employment benefits	1,275,394	242,933	1,518,327		
Total noncurrent liabilities	<u>10,564,862</u>	<u>14,896,898</u>	<u>25,461,760</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>13,580,515</u>	<u>16,614,441</u>	<u>30,194,956</u>	<u>5,863</u>	<u>28,707</u>
NET POSITION					
Net investment in capital assets	71,734,631	58,015,752	129,750,383		
Restricted for capital projects	-	6,070,163	6,070,163		
Restricted for debt service	362,952	1,520,571	1,883,523		
Restricted for special projects	8,214,245	-	8,214,245		
Unrestricted	7,516,921	8,435,587	15,952,508	80,222	168,647
Total net position	<u>\$ 87,828,749</u>	<u>\$ 74,042,073</u>	<u>\$ 161,870,822</u>	<u>\$ 80,222</u>	<u>\$ 168,647</u>

See accompanying Notes to the Financial Statements

City of Kalispell, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit Downtown BID	Component Unit Tourism BID
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
						Governmental Activities	Business-type Activities	Total		
Primary government:										
Governmental activities:										
General government	\$ 5,686,941	\$ 1,194	\$ 628,729	\$ 4,608	\$ 904,631	\$ (4,150,167)	\$ -	\$ (4,150,167)		
Public safety	9,083,478	186,349	2,033,870	1,332,674	105,820	(5,797,463)	-	(5,797,463)		
Public works	2,293,356	280,271	2,172,122	-	356,996	(44,509)	-	(44,509)		
Parks and recreation	2,063,722	59,515	752,460	21,750	152,378	(1,196,649)	-	(1,196,649)		
Community development	1,590,526	10,644	283,134	1,277,289	-	(40,747)	-	(40,747)		
Debt service - interest	357,857	-	-	-	-	(357,857)	-	(357,857)		
Total governmental activities	<u>21,075,880</u>	<u>537,973</u>	<u>5,870,315</u>	<u>2,636,321</u>	<u>1,519,825</u>	<u>(11,587,392)</u>	<u>-</u>	<u>(11,587,392)</u>		
Business-type activities:										
Airport	169,775	7,976	78,657	-	-	-	(99,094)	(99,094)		
Water	2,454,941	170,105	2,985,959	-	1,137,384	-	1,498,297	1,498,297		
Sewer	4,793,675	320,916	4,967,223	8,372	1,000,593	-	861,597	861,597		
Solid Waste	728,438	84,212	951,676	-	-	-	139,026	139,026		
Total business-type activities	<u>8,146,829</u>	<u>583,209</u>	<u>8,983,515</u>	<u>8,372</u>	<u>2,137,977</u>	<u>-</u>	<u>2,399,826</u>	<u>2,399,826</u>		
Total primary government	<u>\$ 29,222,709</u>	<u>\$ 1,121,182</u>	<u>\$ 14,853,830</u>	<u>\$ 2,644,693</u>	<u>\$ 3,657,802</u>	<u>\$ (11,587,392)</u>	<u>\$ 2,399,826</u>	<u>\$ (9,187,566)</u>		
Component units:										
Downtown BID	\$ 140,682	\$ 3,416	\$ 87,485	\$ -	\$ -				\$ (56,613)	
Tourism BID	493,304	5,000	517,482	-	-					\$ 19,178
Total component units	<u>\$ 633,986</u>	<u>\$ 8,416</u>	<u>\$ 604,967</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (56,613)</u>	<u>\$ 19,178</u>
General Revenues:										
Property taxes for general purposes						\$ 8,739,807	\$ -	\$ 8,739,807	\$ -	\$ -
Video poker apportionment						60,450	-	60,450	-	-
Miscellaneous						124,331	-	124,331	16,210	-
Interest/investment earnings						48,193	83,224	131,417	449	158
State entitlement						2,835,264	-	2,835,264	-	-
Gas Tax						364,563	-	364,563	-	-
Transfers - net						(218,728)	218,728	-	-	-
Total general revenues, special items and transfers						<u>11,953,880</u>	<u>301,952</u>	<u>12,255,832</u>	<u>16,659</u>	<u>158</u>
Change in net position						<u>366,488</u>	<u>2,701,778</u>	<u>3,068,266</u>	<u>(39,954)</u>	<u>19,336</u>
Net position - beginning						87,470,487	71,524,728	158,995,215	120,176	164,796
Restatements						(8,226)	(184,433)	(192,659)		(15,485)
Net position - beginning - restated						<u>87,462,261</u>	<u>71,340,295</u>	<u>158,802,556</u>	<u>120,176</u>	<u>149,311</u>
See accompanying Notes to the Financial Statements						<u>\$ 87,828,749</u>	<u>\$ 74,042,073</u>	<u>\$ 161,870,822</u>	<u>\$ 80,222</u>	<u>\$ 168,647</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

General Fund - this is the City's primary operating fund and accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, state and local shared revenue, charges for services, and fines and forfeitures. Principal expenditures are for public safety.

Street Maintenance - Accounts for special assessment revenues levied, received, and expended to keep streets clean, safe, and driveable.

Community Development Loan Revolving Fund - this fund accounts for the lending and repayment of monies loaned to businesses and individuals for approved community development projects.

SID 344 Debt Service Fund - this fund accounts for the resources accumulated and payments made for principal and interest on the bonds sold to finance the development of the Old School Station Industrial and Technology Park.

City of Kalispell, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>STREET MAINTENANCE</u>	<u>CD REVOLVING LOAN</u>	<u>SID 344</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 1,940,132	\$ 1,213,980	\$ 434,414	\$ -	\$ 5,776,171	\$ 9,364,697
Taxes and assessments receivable, net	743,100	88,497	-	3,542,271	1,165,419	5,539,287
Accounts receivable - net	-	-	-	-	264,795	264,795
Notes and loans receivable	-	-	1,718,991	-	597,289	2,316,280
Contracts receivable	41,290	-	-	-	-	41,290
Due from other funds	45,000	-	-	-	208,707	253,707
Due from other governments	486,358	212,427	-	-	489,484	1,188,269
Prepays	163,547	11,556	-	-	21,369	196,472
Other debits	13,003	-	-	-	1,255	14,258
Restricted assets:						
Restricted cash and investments	-	-	-	-	828,138	828,138
Total assets	<u>\$ 3,432,430</u>	<u>\$ 1,526,460</u>	<u>\$ 2,153,405</u>	<u>\$ 3,542,271</u>	<u>\$ 9,352,627</u>	<u>\$ 20,007,193</u>
LIABILITIES						
Accounts payable	\$ 64,311	\$ 122,435	\$ -	\$ -	\$ 140,405	\$ 327,151
Retainage	-	9,665	-	-	3,167	12,832
Accrued payroll	194,045	18,745	-	-	100,168	312,958
Due to other funds	-	-	-	208,707	45,000	253,707
Other credits	21,565	-	-	-	286	21,851
Total liabilities	<u>279,921</u>	<u>150,845</u>	<u>-</u>	<u>208,707</u>	<u>289,026</u>	<u>928,499</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	253,083	253,083
Unavailable revenue - deferred loans	-	-	1,718,991	-	597,289	2,316,280
Unavailable revenue - deferred taxes and assessments	743,100	88,497	-	3,542,271	1,165,419	5,539,287
Total deferred inflows of resources	<u>743,100</u>	<u>88,497</u>	<u>1,718,991</u>	<u>3,542,271</u>	<u>2,015,791</u>	<u>8,108,650</u>
FUND BALANCES						
Nonspendable - not in spendable form:						
Long-term receivables	13,003	-	-	-	-	13,003
Prepays	163,547	11,556	-	-	21,369	196,472
Restricted:						
General Government	-	-	-	-	41,054	41,054
Public Safety	-	-	-	-	930,531	930,531
Public Works	-	1,275,562	-	-	604,793	1,880,355
Culture and Recreation	-	-	-	-	634,672	634,672
Community Development	-	-	434,414	-	4,243,732	4,678,146
Debt Service	-	-	-	-	571,659	571,659
Unrestricted Fund Balances:						
Assigned:						
Capital Equipment	101,906	-	-	-	-	101,906
Parking	23,542	-	-	-	-	23,542
Unassigned fund balance	2,107,411	-	-	(208,707)	-	1,898,704
Total fund balance	<u>2,409,409</u>	<u>1,287,118</u>	<u>434,414</u>	<u>(208,707)</u>	<u>7,047,810</u>	<u>10,970,044</u>
Total liabilities and fund balance	<u>\$ 3,432,430</u>	<u>\$ 1,526,460</u>	<u>\$ 2,153,405</u>	<u>\$ 3,542,271</u>	<u>\$ 9,352,627</u>	<u>\$ 20,007,193</u>

See accompanying Notes to the Financial Statements

City of Kalispell, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 10,970,044
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	81,266,723
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position	267,760
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(11,509,034)
- Other post employment benefits	(1,275,394)
Taxes, assessments and accounts receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
- current portion	2,254,856
- noncurrent portion	3,284,431
- ambulance	253,083
Loans receivable that will be collected at some future date that are recognized as revenues on the statement of activities.	
- current portion	112,125
- noncurrent portion	2,204,155
Total net position - governmental activities	\$ 87,828,749

See accompanying Notes to the Financial Statements

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

	<u>General Fund</u>	<u>STREET MAINTENANCE</u>	<u>CD REVOLVING LOAN</u>	<u>SID 344</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 5,246,868	\$ -	\$ -	\$ 83,160	\$ 3,405,118	\$ 8,735,146
Licenses and permits	70,698	-	-	-	352,656	423,354
Intergovernmental	3,694,688	-	-	-	2,710,567	6,405,255
Charges for services	682,400	1,930,224	89,888	-	1,683,800	4,386,312
Fines and forfeitures	571,741	-	-	-	325	572,066
Miscellaneous	25,186	59,010	-	-	100,076	184,272
Investment earnings	7,220	4,539	3,273	-	33,161	48,193
Total revenues	<u>10,298,801</u>	<u>1,993,773</u>	<u>93,161</u>	<u>83,160</u>	<u>8,285,703</u>	<u>20,754,598</u>
EXPENDITURES						
General government	2,883,679	-	-	-	9,653	2,893,332
Public safety	7,116,246	-	-	-	1,638,836	8,755,082
Public works	35,838	1,777,188	-	-	563,041	2,376,067
Parks and recreation	-	-	-	-	1,664,595	1,664,595
Community development	75,200	-	33,831	-	1,492,139	1,601,170
Debt service - principal	77,270	55,343	-	225,000	906,614	1,264,227
Debt service - interest	6,985	2,669	-	142,283	205,920	357,857
Capital outlay	117,726	190,012	-	-	894,260	1,201,998
Total expenditures	<u>10,312,944</u>	<u>2,025,212</u>	<u>33,831</u>	<u>367,283</u>	<u>7,375,058</u>	<u>20,114,328</u>
Excess (deficiency) of revenues over expenditures	<u>(14,143)</u>	<u>(31,439)</u>	<u>59,330</u>	<u>(284,123)</u>	<u>910,645</u>	<u>640,270</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	46,500	-	-	357,123	403,623
Transfers in	660,000	-	-	30,797	948,924	1,639,721
Transfers out	(386,731)	-	-	-	(1,252,990)	(1,639,721)
Total other financing sources (uses)	<u>273,269</u>	<u>46,500</u>	<u>-</u>	<u>30,797</u>	<u>53,057</u>	<u>403,623</u>
Net Change in Fund Balance	<u>259,126</u>	<u>15,061</u>	<u>59,330</u>	<u>(253,326)</u>	<u>963,702</u>	<u>1,043,893</u>
Fund balances - beginning	2,150,283	1,272,057	375,084	44,619	6,087,159	9,929,202
Restatements	-	-	-	-	(3,051)	(3,051)
Fund balances - beginning, restated	<u>2,150,283</u>	<u>1,272,057</u>	<u>375,084</u>	<u>44,619</u>	<u>6,084,108</u>	<u>9,926,151</u>
Fund balance - ending	<u>\$ 2,409,409</u>	<u>\$ 1,287,118</u>	<u>\$ 434,414</u>	<u>\$ (208,707)</u>	<u>\$ 7,047,810</u>	<u>\$ 10,970,044</u>

See accompanying Notes to the Financial Statements

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

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

Net change in fund balances - total governmental funds \$ 1,043,893

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

- Capital assets purchased 1,201,998
- Depreciation expense (3,719,124)
- Capital assets transferred to enterprise funds (218,728)

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:

- Gain (loss) on the sale/disposal of capital assets (187,873)

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

- Donated capital assets 912,834
- Deferred assessments receivable (beginning of year) (5,284,395)
- Deferred assessments receivable (end of year) 5,792,370
- Deferred loans receivable (beginning of year) (2,294,618)
- Deferred loans receivable (end of year) 2,316,280
- Increase in deferred loans receivable recognized as revenue in Statement of Activities

The change in compensated absences is shown as an expense in the Statement of Activities 9,603

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

- Long-term debt principal payments 1,264,227

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt (403,623)

The increase in other post employment benefits is shown as an expense in the Statement of Activities (212,518)

Internal service funds are used by management to chare the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense. 146,162

Change in net position - Statement of Activities \$ 366,488

See accompanying Notes to the Financial Statements

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR ENTERPRISE FUNDS

Water Fund - Accounts for the City's water utility operations, including water impact fees.

Sewer Fund - Accounts for the City's sewer and storm water utility operations, including sewer and storm impact fees.

INTERNAL SERVICE FUND

Information Technology Fund - Used to account for the goods and services provided by the information technology department to other departments of the City on a cost-reimbursement basis.

Central Garage Fund - Used to account for the goods and services provided by the central garage to other departments of the City on a cost-reimbursement basis.

City of Kalispell, Montana
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Non-major Enterprise	Totals	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 3,994,982	\$ 3,303,467	\$ 899,156	\$ 8,197,605	\$ 258,156
Taxes and assessments receivable, net	-	29,642	25,616	55,258	-
Accounts receivable - net	121,955	197,741	748	320,444	-
Contracts receivable	15,271	38,801	-	54,072	43,587
Due from other governments	-	92,021	97,168	189,189	-
Prepays	12,380	17,363	6,495	36,238	4,505
Inventories	164,939	-	-	164,939	-
Total current assets	<u>4,309,527</u>	<u>3,679,035</u>	<u>1,029,183</u>	<u>9,017,745</u>	<u>306,248</u>
Noncurrent assets:					
Restricted cash and investments	1,300,340	6,482,007	-	7,782,347	-
Capital assets - land	91,587	250,756	1,359,545	1,701,888	-
Capital assets - construction in progress	5,679	72,132	-	77,811	-
Capital assets - depreciable, net	25,290,037	44,980,436	1,806,250	72,076,723	82,807
Total noncurrent assets	<u>26,687,643</u>	<u>51,785,331</u>	<u>3,165,795</u>	<u>81,638,769</u>	<u>82,807</u>
Total assets	<u>30,997,170</u>	<u>55,464,366</u>	<u>4,194,978</u>	<u>90,656,514</u>	<u>389,055</u>
LIABILITIES					
Current liabilities:					
Accounts payable	41,958	133,556	16,246	191,760	91,530
Retainage	650	4,395	-	5,045	-
Accrued payroll	19,154	29,182	9,409	57,745	6,463
Current portion of long-term capital liabilities	364,000	887,000	18,833	1,269,833	-
Current portion of compensated absences payable	53,618	92,305	39,892	185,815	17,486
Other credits	7,345	-	-	7,345	-
Total current liabilities	<u>486,725</u>	<u>1,146,438</u>	<u>84,380</u>	<u>1,717,543</u>	<u>115,479</u>
Noncurrent liabilities:					
Noncurrent portion of long-term capital liabilities	2,050,000	12,366,682	154,155	14,570,837	-
Noncurrent portion of compensated absences	19,286	36,178	27,664	83,128	5,816
Other post employment benefits	153,047	89,886	-	242,933	-
Total noncurrent liabilities	<u>2,222,333</u>	<u>12,492,746</u>	<u>181,819</u>	<u>14,896,898</u>	<u>5,816</u>
Total liabilities	<u>2,709,058</u>	<u>13,639,184</u>	<u>266,199</u>	<u>16,614,441</u>	<u>121,295</u>
NET POSITION					
Net investment in capital assets	22,973,303	32,049,642	2,992,807	58,015,752	82,807
Restricted for capital projects	887,470	5,182,693	-	6,070,163	-
Restricted for debt service	411,258	1,109,313	-	1,520,571	-
Unrestricted	4,016,081	3,483,534	935,972	8,435,587	184,953
Total net position	<u>\$ 28,288,112</u>	<u>\$ 41,825,182</u>	<u>\$ 3,928,779</u>	<u>\$ 74,042,073</u>	<u>\$ 267,760</u>

See accompanying Notes to the Financial Statements

City of Kalispell, Montana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Non-major Enterprise</u>	<u>Totals</u>	<u>Internal Service Funds</u>
OPERATING REVENUES					
Charges for services	\$ 2,821,327	\$ 4,115,777	\$ 1,028,460	\$ 7,965,564	\$ 992,312
Miscellaneous revenues	164,632	21,440	1,873	187,945	23
Special assessments	-	830,006	-	830,006	-
Total operating revenues	<u>2,985,959</u>	<u>4,967,223</u>	<u>1,030,333</u>	<u>8,983,515</u>	<u>992,335</u>
OPERATING EXPENSES					
Personal services	1,001,638	1,420,233	517,116	2,938,987	363,715
Supplies	81,885	118,135	96,115	296,135	251,718
Purchased services	289,207	770,519	60,186	1,119,912	198,332
Building materials	53,073	45,241	-	98,314	-
Fixed charges	231,023	475,293	127,871	834,187	28,922
Loss/bad debt expense	6,452	5,464	-	11,916	-
Depreciation	861,050	1,967,543	189,113	3,017,706	15,821
Total operating expenses	<u>2,524,328</u>	<u>4,802,428</u>	<u>990,401</u>	<u>8,317,157</u>	<u>858,508</u>
Operating income	<u>461,631</u>	<u>164,795</u>	<u>39,932</u>	<u>666,358</u>	<u>133,827</u>
NON-OPERATING REVENUES (EXPENSES)					
Capital Grants - Developer's/Other Gov't	677,154	249,933	-	927,087	-
Capital Grants - Impact Fees	460,230	750,660	-	1,210,890	-
Operating Grant - Intergovernmental revenue	-	8,372	-	8,372	-
Interest revenue	27,669	50,431	5,124	83,224	1,085
Gain (loss) on sale of capital assets	(24,773)	-	-	(24,773)	-
Debt service interest expense	(75,945)	(312,163)	-	(388,108)	-
Total non-operating revenues (expenses)	<u>1,064,335</u>	<u>747,233</u>	<u>5,124</u>	<u>1,816,692</u>	<u>1,085</u>
Income (loss) before contributions and transfers	1,525,966	912,028	45,056	2,483,050	134,912
Capital contributions - Governmental funds	-	218,728	-	218,728	11,250
Change in net position	<u>1,525,966</u>	<u>1,130,756</u>	<u>45,056</u>	<u>2,701,778</u>	<u>146,162</u>
Net Position - Beginning of the year	26,767,646	40,688,926	4,068,156	71,524,728	121,598
Restatements	(5,500)	5,500	(184,433)	(184,433)	-
Net Position - Beginning of the year - Restated	<u>26,762,146</u>	<u>40,694,426</u>	<u>3,883,723</u>	<u>71,340,295</u>	<u>121,598</u>
Net Position - End of the year	<u>\$ 28,288,112</u>	<u>\$ 41,825,182</u>	<u>\$ 3,928,779</u>	<u>\$ 74,042,073</u>	<u>\$ 267,760</u>

See accompanying Notes to the Financial Statements

City of Kalispell, Montana
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business - Type Activities				Governmental
	Water	Sewer	Non-major Enterprise	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 2,830,213	\$ 4,212,162	\$ 1,015,895	\$ 8,058,270	\$ 992,728
Cash received from assessments	-	816,175	-	816,175	-
Cash received from miscellaneous sources	164,633	21,440	1,874	187,947	-
Cash payments for claims	(687,552)	(1,394,087)	(318,382)	(2,400,021)	(395,101)
Cash payments to employees	(979,141)	(1,386,787)	(517,739)	(2,883,667)	(348,415)
Net cash provided (used) by operating activities	<u>1,328,153</u>	<u>2,268,903</u>	<u>181,648</u>	<u>3,778,704</u>	<u>249,212</u>
Cash flows from capital and related financing activities:					
Principal paid on bonds, loans and advances	(358,000)	(868,000)	-	(1,226,000)	-
Interest paid on bonds, loans and advances	(75,945)	(312,163)	-	(388,108)	-
Acquisition and construction of capital assets	(672,190)	(1,533,956)	(453,599)	(2,659,745)	(47,499)
Proceeds from bonds, loans and advances	-	955,199	172,988	1,128,187	-
Impact fees	461,889	759,783	-	1,221,672	-
Net cash provided (used) by capital and related financing activities	<u>(644,246)</u>	<u>(999,137)</u>	<u>(280,611)</u>	<u>(1,923,994)</u>	<u>(47,499)</u>
Cash flows from non-capital financing activities:					
Advances between funds		33,009	-	33,009	-
Hydrant Meter Deposits	3,370	-	-	3,370	-
Intergovernmental revenue	-	8,372	-	8,372	-
Net cash provided (used) from non-capital financing activities	<u>3,370</u>	<u>41,381</u>	<u>-</u>	<u>44,751</u>	<u>-</u>
Cash flows from investing activities:					
Interest on investments	27,669	50,431	5,124	83,224	1,085
Net cash provided (used) by investing activities	<u>27,669</u>	<u>50,431</u>	<u>5,124</u>	<u>83,224</u>	<u>1,085</u>
Net increase (decrease) in cash and cash equivalents	714,946	1,361,578	(93,839)	1,982,685	202,798
Cash and cash equivalents at beginning	4,585,876	8,418,397	992,995	13,997,268	55,358
Restatements	(5,500)	5,500	-	-	-
Cash and cash equivalents at end	<u>\$ 5,295,322</u>	<u>\$ 9,785,475</u>	<u>\$ 899,156</u>	<u>\$ 15,979,953</u>	<u>\$ 258,156</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 461,631	\$ 164,795	\$ 39,932	\$ 666,358	\$ 133,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	861,050	1,967,544	189,113	3,017,707	15,821
Other Post Employment Benefits Expense	25,502	14,978	-	40,480	-
Changes in assets and liabilities:					
Accounts receivable - net	15,338	101,848	(298)	116,888	393
Inventory	(45,169)	-	-	(45,169)	-
Taxes and assessments receivable, net	-	1,244	3,670	4,914	-
Prepaid expenses	-	-	608	608	(2,261)
Compensated Absences	(5,467)	12,903	(1,726)	5,710	10,912
Due from County	-	(15,075)	(15,936)	(31,011)	-
Accounts payable	12,805	15,100	(34,210)	(6,305)	86,132
Accrued payroll	2,463	5,566	495	8,524	4,388
Net cash provided (used) by operating activities	<u>\$ 1,328,153</u>	<u>\$ 2,268,903</u>	<u>\$ 181,648</u>	<u>\$ 3,778,704</u>	<u>\$ 249,212</u>
The City received non cash contributions of land and infrastructure as follows:	<u>\$ 677,154</u>	<u>\$ 468,661</u>	<u>\$ -</u>	<u>\$ 1,145,815</u>	<u>\$ 11,251</u>

See accompanying notes to the financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS

AGENCY FUNDS

Agency Funds - Used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

City of Kalispell, Montana
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and short-term investments	\$ 499,452
Total assets	\$ 499,452
LIABILITIES	
Due to others	\$ 499,452
Total liabilities	\$ 499,452
NET POSITION	\$ -

See accompanying Notes to the Financial Statements

**NOTES TO THE FINANCIAL
STATEMENTS**

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. The City implemented this new statement during the year ended June 30, 2011. Certain significant changes in the Statement include the following:

1. Recognition of cost of postemployment benefits on the government-wide financial statements on the accrual basis of accounting instead of the cash basis.
2. Provide information on current values of future benefits, associated liabilities, and summarize major plan provisions and demographics.

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions for GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Primary Government

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

The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. These financial statements include all funds, agencies, boards, commissions and authorities which meet the criteria for inclusion in the City's financial report. These criteria include financial accountability, appointment of a majority of the secondary government and the financial benefit or burden derived by the primary government from a secondary government.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City's discretely presented component units, the Downtown Business Improvement District and the Tourism Business Improvement District are legally separate organizations of the City, but the City is financially accountable. The two component units are reported in a separate columns to emphasize that they are legally separate from the City.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Downtown Business Improvement District

On September 2, 2003, by resolution 4828, the City created the Downtown Business Improvement District (BID). The Mayor and City Council appointed the Board of Directors. The City is able to impose its will on the BID as it is authorized to levy assessments to support the activities of the BID. The annual budget of the BID is subject to approval by the City Council. The purpose of said Business Improvement District is to promote the health, safety, prosperity, security and general welfare of the inhabitants of the City of Kalispell and the proposed district, and appears to be of special benefit to the property within the District. The District boundaries are roughly 2nd Avenue East to 2nd Avenue West between Center Street and 4th Street South. Publicly owned property and owner occupied single family dwellings are exempt from the assessments related to the District.

Tourism Business Improvement District

On May 3, 2010, by resolution 5425, the City created the Tourism Business Improvement District (TBID). The Mayor with the approval of the City Council appointed seven owners of property within the district to act as the Board of Trustees of the District. The City is able to impose its will on the TBID as it is authorized to levy assessments to support the activities of the TBID. The annual budget of the TBID is subject to approval by the City Council. The purpose of said Tourism Business Improvement District is to promote the health, safety, prosperity, security and general welfare of the inhabitants of the City of Kalispell and the proposed district, and appears to be of special benefit to the property within the District. The District is made up of those properties within the corporate limits of the City of Kalispell with five or more rooms providing overnight stays for transient patrons at its business.

Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Eliminations have been made to minimize the double-counting of business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The general government function of the City includes expenses which are, in essence, indirect expenses of other functions. These expenses are allocated to each related function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Indirect expenses reported in the statement of activities must be allocated to the different functions of the City. These expenses include administration, data processing, and central garage. The administrative cost allocation is based on each functions percentage of total City expenses. Data processing is allocated based approximately on that functions usage of the City's computer servers. Central garage expenses are allocated to the other functions of the City based on actual invoicing.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Measurement Focus and Basis of Accounting

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

The City has chosen not to accrue the interest payable of general long-term debt at year end. This practice results in interest expense reported for governmental activities on the statement of activities to equal the interest expenditure on the statement of revenues, expenditures, and changes in fund balance. Although, this is contrary to full accrual accounting, the City feels that it is immaterial in the presentation of its financial statements.

Fund Financial Statements

Basis of Presentation

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

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

Measurement focus and Basis of Accounting

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. (i.e., when they are “measurable and available”) “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Real and personal property taxes, special assessments, charges for current services, and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. The City recorded real and personal property taxes and assessments levied for the current year as revenue. Taxes and assessments receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were recorded as deferred revenue, with a corresponding reduction in revenues, as required by generally accepted accounting principles. In addition, prior period delinquent taxes and assessments collected in the current period were recorded as revenue in the current period as required by generally accepted accounting principles. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Major Funds

The City reports the following major governmental funds:

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

The **Street Maintenance Fund** (special revenue fund) was established to account for the repairs and other costs incurred in the maintenance of the City’s streets. An assessment on the City of Kalispell’s tax payers is the main source of revenue for this fund.

The **Community Development Loan Revolving Fund** (special revenue fund) was originally established to account for a federal Community Development Block Grant. These federal dollars were loaned to businesses and individuals for projects approved by the City’s Community Development department. The main revenue source for this fund currently is borrower’s principal and interest payments.

SID 344 is a debt service fund established to account for the resources accumulated and payments made for principal and interest of the 20 year bonds sold to finance the construction of the Old School Station Industrial and Technology Park.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major proprietary funds:

The **Water Fund** accounts for the activities of the City's water distribution operations.

The **Sewer Fund** accounts for the activities of the City's sewer collection and treatment operations and includes the storm sewer system.

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The **Agency Fund** is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements, and the internal service funds have been absorbed pro-ratably into governmental-type and business-type activities on the government-wide financial statements. Exceptions to this general rule are charges for services between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budget Process

An annual appropriated operating budget is adopted each fiscal year for the general fund, special revenue funds, debt service funds and capital projects funds on the modified accrual basis. In addition, a budget is adopted for the enterprise and internal service funds on a full accrual basis. The appropriated budget is prepared by fund, function, and for the general fund and certain other funds, by department.

The final budget is legally enacted by the City Council, after holding public hearings as required by State statutes, and within forty-five days of the State providing final shared revenue figures. Budget appropriation transfers may be made between general classifications of salaries and wages, maintenance and operation and capital outlay. Reported budget amounts represent the originally adopted budget as amended by resolution of the City Council. It is management's responsibility to see that the budget is followed to the budgetary line item.

The City Council may amend a final budget when shortfalls in budgeted revenues require reductions in approved appropriations to avert deficit spending; when savings result from unanticipated adjustments in projected expenditures; when unanticipated state or federal monies are received; or when a public emergency occurs which could not have been foreseen at the time of adoption.

The City Manager is granted budget amendment authority for the expenditure of funds from debt service funds, enterprise funds, internal service funds, trust funds, federal and state grants accepted and approved by the City Council, special assessments, and donations.

The procedure to amend the budget in total can be made only after the City prepares a resolution, notice is published of a public hearing, and a public hearing is held in accordance with state law.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

All material budget amendments and transfers during FY 2014 are described below:

Governmental Funds

The City Manager amended the Drug Enforcement Grant fund \$1,650 to account for more than expected health insurance cost and shift pay.

The City Manager amended the Law Enforcement Grants fund \$12,913 to accommodate the expenditure of funds related to a Justice Assistance grant award accepted by the City Council.

The Trails fund was amended by the City Manager by \$58,224. This was necessitated by the City's grant allotment being increased and project construction accelerated.

The Parks in Lieu fund was amended by the City Manager by \$11,673. This was necessitated by the City's Trails grant allotment being increased which increased the needed grant matching monies provided by the Parks in Lieu fund.

The City Manager amended the 2012 Sidewalk & Curb debt service fund \$64. Interest expense was incorrectly budgeted.

The SID 343 debt service fund was amended by the City Manager to allow the use of excess funds to pay down the outstanding principal an additional \$10,000.

Assets, Liabilities, and Net Position or Equity

1. Cash, Cash Equivalents, and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand and time deposits, government backed securities, bonds and warrants, and investments with the State of Montana's short-term investment pool (STIP). The cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer.

Investments are carried at cost, which does approximate fair value as described in Note III, A, except for investments in STIP and particular bonds, which are reported at fair value.

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

2. Receivables

Between Funds

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Taxes

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

An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable. The direct write-off method is used for these accounts.

Ambulance

An allowance, based on history, for estimated uncollectible accounts receivable of 46% (.46) is maintained for the Ambulance fund. This allowance account has been adjusted to \$218,439 at June 30, 2014.

Ambulance accounts receivable	\$474,867
Times allowance percentage	<u>46%</u>
Balance at June 30, 2014	\$218,439

Water/Sewer

A reserve for estimated uncollectible accounts receivable of 0.5% (.005) of metered sales is maintained for the Water Fund and Sewer Fund. The reserve balances are as follows for June 30, 2014:

Water	\$ 14,087
Sewer	\$ 20,579

Contracts

The following are contracts payable to the City of Kalispell on June 30, 2014.

<u>FUND</u>	<u>Source</u>	<u>Amount</u>
General - Major Governmental	Municipal Court	<u>\$ 41,290</u>
Information Technology - Internal Service	Charter (formerly Bresnan)	<u>43,587</u>
Water - Major Proprietary	Impact Fees	15,271
Sewer - Major Proprietary	Impact Fees	38,801
	Total Proprietary	<u>54,072</u>
	Total City contracts receivable	<u>\$ 138,949</u>

3. Inventories and Prepaid Items

Inventories for materials and supplies for governmental fund types are expended at the time of purchase. Enterprise Fund inventory of materials and supplies are valued at cost and the First-In First-Out (FIFO) method is utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The City pays in advance for Health Insurance and Workers' Compensation. This results in a City asset at June 30. On June 30, 2014, the City reported assets for prepaying expenses in the following funds.

<u>FUND</u>	<u>Purpose</u>	<u>Amount</u>
General - Major Governmental	Workers Compensation	\$ 98,174
General - Major Governmental	Health Insurance	65,373
Parks	Health Insurance	11,938
Ambulance	Health Insurance	6,107
Building Department	Health Insurance	3,324
Street Maintenance - Major Governmental	Health Insurance	11,556
	Total Governmental	<u>196,472</u>
Information Technology - Internal Service	Health Insurance	<u>4,505</u>
Water - Major Proprietary	Health Insurance	12,380
Sewer - Major Proprietary	Health Insurance	17,363
Solid Waste	Health Insurance	6,495
	Total Proprietary	<u>36,238</u>
	Total City prepaids	<u>\$ 237,215</u>

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When an expense is incurred for which both restricted and unrestricted net position are available, it is the City's policy to first apply the restricted resources.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. As required by GASB, the City of Kalispell has retroactively reported its streets as part of capital assets in the financial reports for fiscal year 2009. More detailed information on the City's streets and all capital assets can be found in Note D. Capital Assets.

Police vehicles are an exception despite a useful life less than 5 years. The City has determined that it is important to capitalize and depreciate these because the total cost, as a group, is substantial.

The costs of normal maintenance and repairs that do not add to the value of the assets or extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Depreciation has been provided for the property, plant and equipment of the City of Kalispell using the straight line method. The useful lives of these assets have been estimated as follows:

Buildings	20-50 years
Improvements other than buildings	10-50 years
Streets	40 years
Machinery, vehicles and equipment	3-20 years
Water and sewer lines, pump stations	10-50 years

6. Compensated Absences

It is the City’s policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation. Any vacation leave time accumulated over this maximum carryover must be used within 90 days of the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave.

In fiscal year 2012, the City of Kalispell began offering a voluntary employees beneficiary association (VEBA) plan. A tax-free post-retirement medical expense account used by retirees and their eligible dependents to pay for any eligible medical expenses. The plan is funded by 50% of the employee’s unused sick leave at the time of retirement, which is contributed by the City into the plan. The benefit to the retiree of this plan is that they receive two times the amount of unused sick leave at retirement, none of which is subject to tax.

The liability associated with governmental fund-type employees is reported in Governmental Activities column of the Statement of Net Position, while the liability associated with proprietary fund-type employees is recorded in the respective fund and the Business-type Activities column of the Statement of Net Position. For the purpose of reporting these compensated absences payable as current or noncurrent, the City assumes all employees will use their vacation accumulated as of June 30th in the succeeding fiscal year (current). The City also assumes sick leave accumulated as of June 30th will remain accumulated in the succeeding fiscal year (noncurrent).

7. Long - Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

8. Net Position/Fund Balance

Net position in the government wide and proprietary fund financial statements show the amount of the capital assets less any outstanding debt issued to fund them as “net investment in capital assets.” Restricted net position are those that have constraints placed on them either by external parties or imposed by law or enabling legislation.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The City implemented GASB Statement 54 for fiscal year 2011. As a result, the classifications for fund balance now used for governmental funds are reported in two general classifications, non-spendable and spendable:

Non-spendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids, and, in the general fund, long term notes and loans receivable.

Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

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

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Council. The City Council needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment.

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

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

When both restricted and unrestricted resources are available, spending will occur in the following order, for the identified fund types:

- General Fund: restricted, committed, assigned, unassigned
- Special Revenue Funds: restricted, committed, assigned
- Debt Service Funds: assigned, committed, restricted
- Capital Project Funds: restricted, committed, assigned

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations

For the year ended June 30, 2014, all City funds expenditures were less than or equal to budgeted appropriations.

B. Deficit Fund Balances

The City reports one (1) Fund with a deficit fund balance at June 30, 2014.

The SID 344 debt service fund shows a negative fund balance at June 30th. This is due to the fund having more than \$1,000,000 of delinquent assessments. For more information on the SID 344 debt service fund see Note E. Long-term Debt, page 55.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents

Investment Income

Income from pooled investments is allocated to the individual funds based on the fund's month end cash balance in relation to total pooled investments.

Cash Composition

Cash and investments may include cash and cash items; demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); repurchase agreements; U.S. government treasury bills, notes, bonds, and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the fund meets certain conditions.

Total City's (primary governmental and component units) composition of cash, deposits and investments at fair value as of June 30, 2014, are as follows:

Cash on hand	\$ 3,730
Cash in banks:	
Demand deposits	13,213,501
Bonds/warrants	36,922
STIP	1,518
Government backed securities	<u>13,748,000</u>
Total	<u>\$27,003,671</u>

Credit Risk

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

- (a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;
- (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or
- (c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):
 - (i) federal home loan bank;
 - (ii) federal national mortgage association;
 - (iii) federal home mortgage corporation; and
 - (iv) federal farm credit bank.

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

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

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

The City of Kalispell has no investment policy that would further limit its investment choices.

The City of Kalispell has the following investments and their related credit risk as reported by Standard and Poor's or Moody's investment service:

Short Term Investment Pool (STIP) Quality Ratings and Weighted Average Maturity as of June 30, 2014:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>WAM in Days</u>
Asset Backed Commercial Paper	\$ 777,417,680	A1	30
Corporate Commercial Paper	138,958,389	A1	39
Corporate Variable Rate	658,894,083	A1	38
Certificates of Deposit Fixed Rate	100,000,000	A1	219
Certificates of Deposit Variable Rate	391,996,239	A1+	32
Other Asset Backed	38,440,281	NR	NA
U.S. Government Agency Fixed	75,003,275	A1+	194
U.S. Government Agency Variable	200,003,406	A1+	31
Money Market Funds (Unrated)	133,439,814	NR	1
Money Market Funds (Rated)	<u>21,000,000</u>	A1+	1
Total Investments	\$ 2,535,153,167	A1	43
Securities Lending Collateral Investment Pool	<u>\$ 1,861,748</u>	NR	*

*As of June 30, 2014, the Securities Lending Quality Trust liquidity pool had an average duration of 41 days and an average weighted final maturity of 114 days for U.S. dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 548 days for U.S. dollar collateral.

Unaudited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

Custodial Credit Risk

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

<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 215,121
Collateralized	
-Collateral held by the pledging bank's trust department, but not in the City's name	<u>12,998,380</u>
Total deposits	<u>\$13,213,501</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Deposit Security

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

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

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

Concentration of Credit Risk

The City of Kalispell places no limit on the amount the entity may invest in any one issuer. The City of Kalispell's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government, invested in mutual funds, external investment pools or other pooled investments:

	<u>% of credit risk</u>
Bonds/Warrants	<1%

Interest Rate Risk

The City of Kalispell does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of individual investments as of June 30, 2014 along with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
STIP	0.14% (varies)	varies	\$ 1,518
Federal Farm Banks	0.900%	12/26/17	2,000,000
Federal Farm Banks	1.030%	3/12/18	1,000,000
Federal National Mtg Assn	0.900%	10/25/17	1,595,000
Federal Home Loan Bank	1.100%	7/10/17	1,000,000
Federal Home Loan Bank	0.750%	4/17/17	250,000
Federal Home Loan Bank	1.000%	6/30/17	250,000
Federal Home Loan Bank	2.000%	12/19/18	1,000,000
Federal Home Loan Bank	0.500%	3/12/19	500,000
Federal Home Loan Bank	1.000%	4/30/19	750,000
Federal Home Loan Mortgage Corp.	1.250%	1/30/19	1,000,000
Federal National Mtg Assn	0.900%	11/7/17	1,405,000
Federal National Mtg Assn	0.700%	11/15/17	1,000,000
Federal National Mtg Assn	1.000%	3/27/18	1,750,000
Wells Fargo Bank	0.950%	2/28/18	248,000
S&C Bonds - internal	3.25%-6.5%	varies	36,922
Total			\$ 13,786,440

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

B. Interfund Receivables and Payables (Due to/from Other Funds)

The composition of interfund balances and due to/from as of June 30, 2014, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund - Major Governmental	Permissive Health - Spec Rev. Fund	\$ 45,000	Budgeted Transfer
SID Revolving - Debt Service Fund	SID 344 - Debt Service Fund	208,707	S/T Loan
	Total - Due To Other Funds (Governmental Funds)	<u>\$ 253,707</u>	

C. Transfers

The following is an analysis of transfers between funds during Fiscal Year 2014:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Health	General - Major Governmental	\$ 660,000	Operations
Health	Parks	68,000	Operations
Parks - in - Lieu	CTEP	11,672	Match
Old School Tech TIF	Old School TIF - Debt Service	22,000	Operations
Old School Industrial TIF	Old School TIF - Debt Service	8,797	Operations
West Side TIF - Special Revenue	West Side TIF - Debt Service	32,520	Operations
Airport TIF - Debt Service	Airport TIF - Special Revenue	450,000	Operations
General - Major Governmental	Ambulance - Special Revenue	291,796	Operations
General - Major Governmental	Drug Grant	55,000	Match
General - Major Governmental	CHRP Grant	36,436	Match
General - Major Governmental	Law Enforcement Block Grant	3,500	Match
	Total	<u>\$ 1,639,721</u>	

D. Capital Assets

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

Asset Transfers between fund types

Capital assets transferred from governmental funds to business-type funds are not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, because there has been no flow of current financial resources. It is reported as a transfer for both sides in the Statement of Activities. It is reported as a capital contribution on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position. For fiscal year 2014 governmental funds contributed capital valued at \$218,728 to the Sewer (Storm) Fund. Of this amount, \$33,009 was transferred out of governmental activities construction in progress, and \$185,719 was an expenditure of the SID 345 Capital Project Fund in fiscal year 2014.

Asset Restatements / Assets Conveyed to Other Agencies

Capital assets restated in governmental funds are not reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, because there has been no flow of current financial resources. It is reported as a restatement on the Statement of Activities. For fiscal year 2014, there was a capital asset restatement of \$5,175 from construction in progress. This \$5,175 was a fiscal year 2013 payment towards an updated Airport Master Plan.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

On November 5, 2013, a special election was held within the City of Kalispell for the voters to consider Referendum No. 103, a referendum to repeal City of Kalispell Resolution No. 5572. Resolution No. 5572 related to the development of the City Airport in collaboration with the Federal Aviation Administration to arc B-II standards. Referendum No. 103 repealed Resolution No. 5572, and the Airport Master Plan update was abandoned.

The City of Kalispell, by Resolution No. 5616, approved the conveyance of City's ownership of a portion of the Gateway West Mall and some adjacent property to the Flathead County Economic Development Authority. This transaction resulted in a loss on conveyance of capital asset of \$166,975 (the depreciated value). Another \$11,648 loss on disposal is the result of obsolete/disposed assets not being fully depreciated. Gain / (loss) on the conveyance and/or disposal of capital assets is not displayed prominently on the Statement of Activities so this amount is displayed cumulatively with other expenses.

Assets Contributed

In fiscal year 2014, Governmental Activities report contributed assets with a value of \$912,834. Streets valued at \$904,631 were contributed by developers. The balance (\$8,203) are sidewalk improvements paid for by homeowner's.

In fiscal year 2014, Business-type Activities report contributed assets from private sources with a value of \$766,541. The Water fund received contributions from developers in the amount of \$562,610. Contributed to the Water fund were thirty-one (31) new fire hydrants (\$111,211), and seven (7) water mains (\$451,399). The Sewer fund received contributions from developers in the amount of \$203,931. Contributed to the Sewer fund were three (3) sanitary mains (\$67,519), a lift station (\$46,952), and four (4) storm sewer mains (\$89,460).

In fiscal year 2014, Business-type Activities report contributed assets from other governments with a value of \$160,546. The Montana Department of Transportation contributed to the City's cost to relocate a water and sewer main. The MDOT's share of these projects were \$114,544 and \$46,002, respectively.

Gain (Loss) on Sale/Disposal of Capital Assets

In fiscal year 2014, Business-type Activities report loss on disposal of assets of \$24,773, the result of overestimating the life of water meters. Residential and commercial meters were replaced with a depreciated value of \$24,773.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Governmental Activities:	Balance						Balance
	July 1, 2013	Additions	Contributions	Restatements	Transfers	Deductions	June 30, 2014
Capital assets not being depreciated:							
Land	\$ 2,395,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,395,299
Construction in Progress	38,331	22,155	-	(5,175)	(33,009)	(147)	22,155
Total capital assets not being depreciated	\$ 2,433,630	\$ 22,155	\$ -	\$ (5,175)	\$ (33,009)	\$ (147)	\$ 2,417,454
Capital assets being depreciated:							
Buildings	\$ 17,294,074	\$ -	\$ -	\$ -	\$ (130,435)	\$ -	\$ 17,163,639
Improvements other than buildings	15,430,667	302,345	8,203	-	-	(278,291)	15,462,924
Machinery and equipment							
General	7,754,218	693,925	-	-	(55,267)	(255,228)	8,137,648
Ambulance	398,059	-	-	-	-	-	398,059
Parking	123,794	-	-	-	-	-	123,794
Infrastructure	80,419,328	-	904,631	-	-	-	81,323,959
Total capital assets being depreciated	\$ 121,420,140	\$ 996,270	\$ 912,834	\$ -	\$ (185,702)	\$ (533,519)	\$ 122,610,023
Less accumulated depreciation for:							
Buildings	\$ (6,833,021)	\$ (591,127)	\$ -	\$ -	\$ 130,435	\$ -	\$ (7,293,713)
Improvements other than buildings	(6,400,885)	(609,951)	-	-	-	111,317	(6,899,519)
Machinery and equipment							
General	(4,176,687)	(488,147)	-	-	44,017	243,580	(4,377,237)
Ambulance	(357,110)	(12,645)	-	-	-	-	(369,755)
Parking	(104,038)	(6,758)	-	-	-	-	(110,796)
Infrastructure	(22,699,239)	(2,010,496)	-	-	-	-	(24,709,735)
Total accumulated depreciation	\$ (40,570,980)	\$ (3,719,124)	\$ -	\$ -	\$ 174,452	\$ 354,897	\$ (43,760,755)
Total capital assets being depreciated, net	80,849,160	(2,722,854)	912,834	-	(11,250)	(178,622)	78,849,268
City capital assets, net	\$ 83,282,790	\$ (2,700,699)	\$ 912,834	\$ (5,175)	\$ (44,259)	\$ (178,769)	\$ 81,266,722
Internal Service Funds:							
Information Technology	\$ 181,179	\$ 2,671	\$ -	\$ -	\$ -	\$ -	\$ 183,850
Less accumulated depreciation - Information Technology	(141,300)	(13,731)	-	-	-	-	(155,031)
Central Garage	-	44,827	-	-	185,702	-	230,529
Less accumulated depreciation - Central Garage	-	(2,089)	-	-	(174,452)	-	(176,541)
Internal service funds assets, net	\$ 39,879	\$ 31,678	\$ -	\$ -	\$ 11,250	\$ -	\$ 82,807

Governmental activities depreciation was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 2,524,969
Public Safety	514,745
Public Works	220,768
Parks and Recreation	458,642
Total Governmental Activities	<u>\$ 3,719,124</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Business-type activities:	Balance July 1, 2013	Additions	Contributions	Gain (Loss)/ Restatement	Transfers	Deductions	Balance June 30, 2014
Capital assets not being depreciated:							
Land							
Airport	\$ 1,347,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,347,867
Water	105,958	-	-	-	-	-	105,958
Sewer	221,513	-	-	-	-	-	221,513
Sewer (Storm)	26,550	-	-	-	-	-	26,550
Construction in progress							
Airport	184,433	-	-	(184,433)	-	-	-
Water	190,243	5,679	-	-	-	(190,243)	5,679
Sewer	391,027	70,928	-	-	-	(389,823)	72,132
Sewer (Storm)	6,851	-	-	-	-	(6,851)	-
Total capital assets not being depreciated	\$ 2,474,442	\$ 76,607	\$ -	\$ (184,433)	\$ -	\$ (586,917)	\$ 1,779,699
Capital assets being depreciated:							
Airport	\$ 1,962,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,962,813
Water							
General Plant	1,336,999	39,904	-	-	-	-	1,376,903
Source of Supply	4,645,339	104,272	-	-	-	-	4,749,611
Transmission and Distribution	25,675,149	643,814	677,154	-	-	(102,251)	26,893,866
Pumping Plant	3,604,237	-	-	-	-	-	3,604,237
Sewer							
General Plant	985,474	16,715	-	-	-	-	1,002,189
Transmission and Distribution	24,053,167	61,177	160,473	-	-	(2,797)	24,272,020
Storm Sewer System	13,230,147	484,383	308,188	-	-	-	14,022,718
Treatment Plant Equipment	465,667	-	-	-	-	-	465,667
Treatment Plant	37,935,302	1,206,609	-	-	-	-	39,141,911
Solid Waste							
Buildings	316,731	-	-	-	-	-	316,731
Machinery and equipment	1,247,590	453,598	-	-	-	-	1,701,188
Total capital assets being depreciated	\$ 115,458,615	\$ 3,010,472	\$ 1,145,815	\$ -	\$ -	\$ (105,048)	\$ 119,509,854
Less accumulated depreciation for:							
Airport	\$ (754,614)	\$ (96,461)	\$ -	\$ -	\$ -	\$ -	\$ (851,075)
Water							
General Plant	(1,017,378)	(47,366)	-	-	-	-	(1,064,744)
Source of Supply	(795,356)	(97,574)	-	-	-	-	(892,930)
Transmission and Distribution	(7,222,270)	(603,665)	-	-	-	77,478	(7,748,457)
Pumping Plant	(1,530,373)	(112,445)	-	-	-	-	(1,642,818)
Sewer							
General Plant	(818,454)	(38,387)	-	-	-	-	(856,841)
Transmission and Distribution	(8,758,581)	(758,185)	-	-	-	2,797	(9,513,969)
Storm Sewer System	(3,695,283)	(328,829)	-	-	-	-	(4,024,112)
Treatment Plant Equipment	(441,843)	(2,623)	-	-	-	-	(444,466)
Treatment Plant	(18,242,472)	(839,519)	-	-	-	-	(19,081,991)
Solid Waste							
Buildings	(253,947)	(9,356)	-	-	-	-	(263,303)
Machinery and equipment	(965,129)	(83,296)	-	-	-	-	(1,048,425)
Total accumulated depreciation	\$ (44,495,700)	\$ (3,017,706)	\$ -	\$ -	\$ -	\$ 80,275	\$ (47,433,131)
Total capital assets being depreciated, net	\$ 70,962,915	\$ (7,234)	\$ 1,145,815	\$ -	\$ -	\$ (24,773)	\$ 72,076,723
Business-type activities capital assets, net	\$ 73,437,357	\$ 69,373	\$ 1,145,815	\$ (184,433)	\$ -	\$ (611,690)	\$ 73,856,422

Business-type activities depreciation was charged to functions/programs of the primary government as follows:

Business-type Activities:

Airport	\$ 96,461
Water	861,050
Sewer	1,967,543
Solid Waste	92,652
Total Business-type Activities	<u>\$ 3,017,706</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

E. Long-Term Debt

During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within 1 year
Governmental Activities:					
G.O. Bonds	\$ 3,700,000	\$ -	\$ (445,000)	\$ 3,255,000	\$ 450,000
Revenue Bonds	1,558,000		(148,000)	1,410,000	153,000
Assessments	3,457,647	259,472	(324,197)	3,392,922	326,526
Contract Debt/Loans	1,734,235	144,151	(321,396)	1,556,990	361,792
Intermediary Program	646,600	-	(25,622)	620,978	25,878
Compensated Absences	1,282,759	48,160	(57,763)	1,273,156	930,037
Governmental Activities Sub Total	<u>\$ 12,379,241</u>	<u>\$ 451,783</u>	<u>\$ (1,321,978)</u>	<u>\$ 11,509,046</u>	<u>\$ 2,247,233</u>
Internal Service Funds:					
Compensated Absences	12,390	10,912		\$ 23,302	17,486
Internal Service Funds Sub Total	<u>\$ 12,390</u>	<u>\$ 10,912</u>	<u>\$ -</u>	<u>\$ 23,302</u>	<u>\$ 17,486</u>
Business-type Activities:					
Revenue Bonds	\$ 795,000	\$ -	\$ (60,000)	\$ 735,000	\$ 60,000
SRF	15,143,483	955,199	(1,166,000)	14,932,682	1,182,000
Contract Debt/Loans	-	172,988	-	172,988	18,833
Compensated Absences	263,232	19,542	(13,832)	268,942	185,815
Business-type Activities Sub Total	<u>\$ 16,201,715</u>	<u>\$ 1,147,729</u>	<u>\$ (1,239,832)</u>	<u>\$ 16,109,612</u>	<u>\$ 1,446,648</u>

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

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding as of June 30, 2014 were as follows:

Purpose	Origination Date	Interest Rate	Term	Due Date	Principal Amount	Annual Payment	Balance June 30, 2014
Pool/Fire Hall Refunding	6/13/2012	1%-2%	10 years	2022	\$ 4,145,000	varies	\$ 3,255,000
Total G.O. Bonds					<u>\$ 4,145,000</u>		<u>\$ 3,255,000</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
SID343	6/12/2001	3.6%-5.5%	20 years	2021	\$ 1,581,500	varies	\$ 395,000
SID344	6/15/2006	3.7%-5.1%	20 years	2026	4,520,000	varies	2,720,000
SID345	5/15/2014	3.00%	15 years	2029	242,000	varies	241,000
2007 S&C	1/3/2008	6.00%	8 years	2016	15,407	varies	3,851
2008 S&C	1/3/2009	3.50%	8 years	2017	8,981	varies	3,368
2009 S&C	1/4/2010	3.50%	8 years	2018	7,629	varies	3,815
2010 S&C	1/6/2011	3.00%	8 years	2019	942	varies	588
2011 S&C	1/6/2012	3.25%	8 years	2020	5,792	varies	4,344
2012 S&C	4/12/2013	3.25%	8 years	2021	3,981	varies	3,484
2013 S&C	1/2/2014	3.25%	8 years	2022	17,472	varies	17,472
Total Special Assessment Bonds					<u>\$ 6,403,704</u>		<u>\$ 3,392,922</u>

SID's 343 Assessments

In the event that all future and delinquent assessments are paid and that there are no future adjustments to assessments by the City of Kalispell, there is a projected surplus of principal assessments in SID 343 of \$95,241.

SID 344 Bonds

The City of Kalispell entered into a Continuing Disclosure Undertaking dated as of June 29, 2006 with respect to the SID 344 Bonds. As part of the Undertaking, the City covenanted and agreed to provide continuing disclosure of certain financial information, operating data, and timely notices of the occurrence of certain events for the benefit of the Holders of the Bonds in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b) (5), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). The Bonds were issued pursuant to Resolution No. 5123, adopted by the City Council of the City on June 19, 2006.

Pursuant to Resolution No. 5123, principal of and interest on the Bonds are secured by: (i) special assessments payable by taxpayers in SID 344; (ii) certain tax increment revenues pledged to the Bonds; (iii) a bond reserve account (\$226,000) established in the SID 344 fund; (iv) the debt service revolving fund (\$226,000). On the July 1, 2014 payment date for the Bonds, the City used \$367,283 of the \$384,576 in the SID 344 bond reserve accounts to fully satisfy the regularly scheduled debt service payment of \$367,283.

The use of the bond reserve monies was necessary because the largest property owner in SID 344 (currently the owner of 11 of the 17 total parcels in SID 344) had not paid 2008/2009/2010/2011/2012/2013 Special Assessments when due, and the available Special Assessments and Tax Increments were insufficient to fully satisfy the regularly scheduled payment. The City has determined that the use of bond reserve monies constitutes a material event (as defined by the Rule and the Undertaking) because it is an unscheduled draw on the reserves reflecting financial difficulties for the Bonds. At June 30, 2014, \$0 is in the SID 344 bond reserve account, and \$17,293 is in the debt service revolving fund available to pay future debt service on the bonds.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Revenue Bonds - Revenue bonds are directly related to and expected to be paid from the proprietary fund. The 2005 Airport Tax Increment bonds and the 2012 West Side Tax Increment bonds are accounted for in the Government-wide financial statements and are paid directly from tax increment in the district.

Purpose	Issue Date	Interest Rate	Term	Final Maturity	Bonds Issued	Balance June 30, 2014
Governmental Activities:						
2005A - Airport TIF	Sep-05	3.8%-4.40%	10 years	2020	\$ 1,445,000	\$ 935,000
2012 - West Side TIF	Mar-12	variable	25 years	2037	500,000	475,000
Governmental Activities Sub Total					<u>1,945,000</u>	<u>1,410,000</u>
Business-type Activities:						
2004 Water Refunding	May-04	2.5%-4.85%	20 years	2024	\$ 1,840,000	\$ 735,000
Business-type Activities Sub Total					<u>1,840,000</u>	<u>735,000</u>
Total Revenue Bonds					<u>\$ 3,785,000</u>	<u>\$ 2,145,000</u>

Significant Provisions of the Series 2005 Airport Urban Renewal Tax Increment Bond

Reserve Account – The City shall maintain a debt service reserve account with a balance equal to the lesser of: (i) ten percent of the sum of the original principal amounts of each series of Bonds of which any Bond is Outstanding or (ii) the maximum amount of principal and interest due on the Outstanding Bonds (giving effect to any mandatory sinking fund redemption) in the then current or any future calendar year.

Maximum amount of principal and interest due in any future fiscal year	\$182,700
City’s Reserve	\$184,875

Significant Provisions of the Series 2012 West Side Urban Renewal Tax Increment Note

The Note matures on January 1, 2037, and is subject to redemption, at the option of the City, in whole or in part, on July 1, 2014. Interest on the note is variable and adjusts at a rate equal to the Prime Rate as published in the Wall Street Journal plus .75% on each interest payment date for the Note.

Reserve Account - The City is not required to maintain a debt service reserve account related to the Series 2012 West Side Urban Renewal Tax Increment Note.

Water Debt Required Information

Debt Service Account - Monthly an amount equal to not less than 1/6 of the interest due within the next six months and 1/12 of the principal to become due within the next twelve months shall be credited to the debt service account. The debt service account was zero as of June 30, 2014, as all debt service payments were made as of the end of the fiscal year, leaving no accrued interest or principal balance.

Reserve Account - The City shall keep in the reserve account an amount equal to the lesser of 10% of the original principal or the maximum amount of principal and interest required in the current or any subsequent fiscal year. For the Water fund the City complies with the 10% of the original principle.

10% of Original Principal	<u>\$ 411,000</u>
Total Reserve Requirement	<u>\$ 411,000</u>
Reserve balance 6/30/14	<u>\$ 411,258</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Property Insurance - The City will cause all buildings, properties, fixtures, and equipment to be kept insured in amounts that are ordinarily carried.

Liability Insurance - The City will carry insurance against liability of the City and its employees.

Rates and Charges - Rates and charges will be made and kept sufficient to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the system and to produce in each fiscal year net revenues in excess of such current expenses, equal to 125% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent fiscal year.

<u>Cash Flow Coverage</u>	
Water Service Charges	\$ 2,821,327
*Misc. Revenue	<u>192,301</u>
Total Operating Revenue	3,013,628
Less: Operating Expense (excludes depreciation)	<u>1,674,693</u>
Available for Debt Service	<u>\$ 1,338,935</u>
**10% of original principal	\$ 411,000
Coverage FY14	326%
*includes interest revenue	
**includes all water fund borrowings	

State Revolving Fund - The City has six (6) loan agreements with the State Revolving Fund (SRF). These obligations are to be repaid from the operating income of the fund.

Water and Sewer Debt Refinanced

On August 20, 2012, by Resolution No. 5576 and Resolution No. 5577, the City Council approved the refinancing of most of the debt of the Water fund and all of the debt of the Sewer Funds.

Resolution No. 5576 related to first amended and restated water system revenue bonds (DNRC Drinking Water State Revolving Loan Program); amending authorizing resolutions adopted March 5, 2001, June 4, 2007, and September 4, 2007, and bonds. Refunded principal of the three bond issues was \$404,000, \$526,000 and \$1,340,000, respectively. Total Water fund debt service related to these issues, prior to refinancing was \$2,857,582. After the refinancing was completed on August 30, 2012, total Water fund debt service related to these issues was 2,558,345. Net savings from refinancing the Water fund debt will be \$299,237.

Resolution No. 5577 related to first amended and restated sewer system revenue bonds (DNRC Water Pollution Control State Revolving Loan Program); amending authorizing resolutions adopted July 6, 2004, and October 15, 2007, and bonds.

Refunded principal of the two bond issues was \$1,009,000 and \$13,026,000, respectively. Total Sewer fund debt service related to these issues, prior to refinancing was \$18,370,225. After the refinancing was completed on August 30, 2012, total Sewer fund debt service related to these issues was 16,290,310. Net savings from refinancing the Sewer fund debt will be \$2,079,915.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

SRF LOANS Purpose	Origination	Interest		Amount	Outstanding
		Rate	Term	Borrowed	June 30, 2014
2013 Sewer - WWTP Digester Lid	FY13	3.00%	20 years	\$ 1,087,682	\$ 1,039,682
2012 Sewer Refunding	FY13	2.25%	12 years	1,009,000	859,000
2012 Water Refunding	FY13	1.25%	3 years	526,000	178,000
2012 Water Refunding	FY13	2.25%	15 years	1,340,000	1,186,000
2012 Water Refunding	FY13	2.00%	8 years	404,000	315,000
2012 Sewer Refunding	FY13	2.25%	15 years	12,827,000	11,355,000
Total SRF Loans				<u>\$ 17,193,682</u>	<u>\$ 14,932,682</u>

Sewer Debt Required Information

Operating Reserve - The city shall keep in the operating reserve account an amount equal to one month's operating expenses. As of June 30, 2014, the operating reserve account contains \$190,000.

Debt Service Account - Monthly an amount equal to not less than 1/6 of the interest due within the next six months and 1/12 of the principal to become due within the next twelve months shall be credited to the debt service account. The debt service account was zero as of June 30, 2014, as all debt service payments were made as of the end of the fiscal year, leaving no accrued interest or principal balance.

Reserve Account - The City shall keep in the reserve account an amount equal to the lesser of 10% of the original principal (\$1,492,368), the maximum amount of principal and interest required in the current or any subsequent fiscal year (\$1,181,028), or 125% of the average debt service payable in any fiscal year (\$15,507,202 / 19 years = \$816,169). The City is in compliance with the 125% of the average debt service payable in any fiscal year. As of June 30, 2014, the debt service reserve account contains \$1,109,313.

Rates and Charges - Rates and charges will be made and kept sufficient to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the system and to produce in each fiscal year net revenues in excess of such current expenses, equal to 125% of the maximum amount of principal and interest payable from the Revenue Bond Account in any subsequent fiscal year.

<u>Cash Flow Coverage</u>	
*Operating Revenue	\$ 5,026,026
Impact Fees Pledged for Debt	<u>250,000</u>
Total	5,276,026
Less: Operating Expense (excludes depreciation)	<u>2,841,589</u>
Available for Debt Service	<u>\$ 2,434,437</u>
**Maximum Debt Service	\$ 1,181,028
Coverage FY14	206%

*includes interest revenue

**includes all sewer fund borrowings

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Loans/Contracted Debt

Purpose	Origination Date	Interest Rate**	Term	Due Date	Principal Amount	Balance June 30, 2014
<u>Business-type Activities</u>						
BOI:Garbage Truck		varies	5 years		\$ 172,988	\$ 172,988
Total loans/contracted debt - Business-type Activities					<u>\$ 172,988</u>	<u>\$ 172,988</u>
<u>Governmental Activities</u>						
BOI:City Hall HVAC	7/16/2004	varies	10 years	2/15/2014	\$ 151,836	\$ 8,175
BOI:Fire Truck	4/22/2005	varies	10 years	8/15/2015	279,900	49,023
BOI:Bucket Truck	12/30/2010	varies	5 years	2/15/2016	28,300	11,575
BOI:Mower	3/4/2011	varies	5 years	2/15/2016	71,220	29,250
BOI:Dump Truck	6/15/2012	varies	5 years	2/15/2017	124,865	84,023
BOI:Compactor	12/30/2011	varies	5 years	2/15/2017	45,928	27,971
BOI: Stumper	2/1/2013	varies	5 years	2/15/2018	20,000	16,090
BOI: P/U & Tractor	2/1/2013	varies	5 years	2/15/2018	45,000	36,201
BOI: Dump Trucks (2)	5/24/2013	varies	5 years	2/15/2018	174,698	155,679
BOI:Boom Truck	8/23/2013	varies	5 years	2/15/2018	97,651	86,992
BOI: Dump Trucks (2)	2/28/2014	varies	5 years	2/15/2019	46,500	46,500
Rocky Mtn Bank - Fire Truck	3/7/2008	3.95%	10 years	3/1/2018	575,000	256,675
Capital One Public Funding - 201 1st Ave E - City Hall	10/25/2007	4.85%	12 years	9/15/2019	1,420,165	748,836
Sub total BOI loans/contracted debt					<u>\$ 3,081,063</u>	<u>\$ 1,556,990</u>
<u>USDA:Intermediary</u>						
Relending Program	10/12/2004	1.00%	30 years	10/12/2034	\$ 520,000	\$ 416,185
Relending Program	11/27/2006	1.00%	30 years	11/27/2036	257,500	204,793
Sub total USDA Intermediary					<u>777,500</u>	<u>620,978</u>
Total loans/contracted debt - Governmental Activities					<u>\$ 3,858,563</u>	<u>\$ 2,177,968</u>

BOI - Board of Investments Intercap Loan Program

**variable rate

Requirements to amortize debt

The annual requirements to amortize all long-term debt outstanding, excluding compensated absences payable, as of June 30, 2014, were as follows:

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Governmental Activities

FOR FISCAL YEAR ENDED	G.O. BONDS		SPECIAL ASSESSMENT BONDS		CONTRACTED LOANS/DEBT		INTERMEDIARY LOAN PROGRAM		REVENUE BONDS		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2015	\$ 450,000	\$ 52,463	\$ 326,526	\$ 165,201	\$ 361,792	\$ 49,464	\$ 25,878	\$ 6,210	\$ 153,000	\$ 58,903	\$ 1,649,437
2016	455,000	47,963	326,526	150,270	348,030	40,647	26,960	6,044	159,000	52,563	1,613,003
2017	465,000	41,138	324,599	135,397	320,867	29,935	27,229	5,774	164,500	45,913	1,560,352
2018	470,000	34,163	323,477	120,416	292,662	19,218	27,502	5,502	175,000	38,948	1,506,888
2019	475,000	27,113	317,523	105,246	157,119	9,222	27,777	5,227	181,000	31,618	1,336,845
2020-2024	940,000	32,500	1,222,271	311,365	76,520	1,856	143,107	21,912	263,500	81,460	3,094,491
2025-2029			552,000	42,900			150,406	14,612	107,500	54,520	921,938
2030-2034							158,079	6,940	131,000	31,280	327,299
2035-2039							34,040	541	75,500	5,440	115,521
TOTAL	\$ 3,255,000	\$ 235,340	\$ 3,392,922	\$ 1,030,795	\$ 1,556,990	\$ 150,342	\$ 620,978	\$ 72,762	\$ 1,410,000	\$ 400,645	\$ 12,125,774

Business-type Activities

FOR FISCAL YEAR ENDED	SRF LOANS		REVENUE BONDS		INTERMEDIARY LOAN PROGRAM		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2015	\$ 1,182,000	\$ 340,429	\$ 60,000	\$ 34,275	\$ 18,833	\$ 1,171	\$ 1,636,708
2016	1,026,000	315,607	65,000	31,695	37,963	1,927	1,478,192
2017	1,051,000	291,912	65,000	28,835	38,343	1,452	1,476,542
2018	1,074,000	267,668	70,000	25,943	38,728	973	1,477,312
2019	1,100,000	242,875	70,000	22,793	39,121	489	1,475,278
2020-2024	5,698,000	827,400	405,000	60,868			6,991,268
2025-2029	3,523,000	205,267					3,728,267
2030-2034	278,682	21,840					300,522
TOTAL	\$ 14,932,682	\$ 2,512,998	\$ 735,000	\$ 204,409	\$ 172,988	\$ 6,012	\$ 18,564,089

F. State-Wide Retirement Plans

Substantially all full-time City employees are eligible for one of three retirement plans: Montana Public Employees' Retirement System (PERS); Municipal Police Officer's Retirement System (MPORS); and the Firefighters' Unified Retirement System (FURS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit and/or defined contribution plans that provide retirement, disability and death benefits to plan members and beneficiaries. The City had a total payroll of \$10,144,997 for FY14, of which \$9,630,801 is covered by PERS, MPORS, or FURS.

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

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
Employee	7.90%	9.00%	10.70%
Employer	8.17%	14.41%	14.36%
State	0.10%	29.37%	32.61%

The State contribution to firefighter and police retirement qualifies as an on behalf payment. In fiscal year 2014, the State of Montana contributed \$605,019 to firefighter retirement and \$591,273 to police retirement. These on-behalf retirement amounts have been recorded in the City's financial statements.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for all three plans. That report may be obtained by writing to Public Employees Retirement Division, P. O. Box 200131, Helena, MT 58620-0131 or by calling 1-406-444-3154.

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

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>	<u>PARKING COMM</u>
2012	\$ 363,551	\$ 293,843	\$ 247,995	\$ 4,103
2013	\$ 373,843	\$ 291,452	\$ 263,157	N/A
2014	\$ 441,777	\$ 290,377	\$ 266,423	N/A

G. Post Employment Health Insurance 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 federal C.O.B.R.A. law. In accordance with Montana State law (see below), retirees may remain on the City’s health plan as long as they wish, at a rate that does not cover all of the related costs. This results in the reporting of an implied rate subsidy in the financial statements and footnotes. The City’s contract with Allegiance Benefits details the plan eligibility. MMIA is the administrator of the benefit plan which covers both active and retired members. The City’s retirees may continue coverage for themselves and their covered eligible dependents if they are eligible for public employees’ retirement by virtue of their employment with the City of Kalispell. The City’s current labor contracts do not include any obligations for payments to retirees.

Montana Codes Annotated (MCA) Section 2-18-704 states (1) an insurance contract or plan issued under this part must contain provisions that permit:

- (a) The member of a group who retires from active service under the appropriate retirement provisions of a defined benefit plan provided by law or, in the case of the defined contribution plan provided in Title 19, chapter 3, part 21, a member with at least 5 years of service and who is at least age 50 while in covered employment to remain a member of the group until the member becomes eligible for Medicare under the federal Health Insurance for the Aged Act, 42 U.S. C. 1395, as amended, unless the member is a participant in another group plan with substantially the same or greater benefits at an equivalent cost or group plan with substantially the same or greater benefits at an equivalent cost;
- (b) The surviving spouse of a member to remain a member of the group as long as the spouse is eligible for retirement benefits accrued by the deceased member as provided by law unless the spouse is eligible for Medicare under the federal Health Insurance for the Aged Act or unless the spouse has or is eligible for equivalent insurance coverage as provided in subsection (1)(a);
- (c) The surviving children of a member to remain members of the group as long as they are eligible for retirement benefits accrued by the deceased member as provided by law unless they have equivalent coverage in subsection (1)(a) or are eligible for insurance coverage by virtue of the employment of a surviving parent or legal guardian.

For FY2014, the City of Kalispell has recorded other post employment benefits in the governmental funds. This recording resulted in an expense of \$307,647 on the statement of activities, governmental activities, general government. OPEB is recorded on an accrual basis in the governmental funds. Other post employment benefits expenses were also recorded in the water fund (\$36,918), and sewer fund (\$21,682). In prior years, the City of Kalispell considered other post employment benefits of the water fund and sewer fund immaterial.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

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Funding Policy. The plan is unfunded by the City and plan members receiving benefits contribute 100 percent of their cost of the benefits on a pay-as-you-go basis. The City plan’s administratively established retiree medical, dental and vision premiums vary between \$415 and \$1,665 per month depending on the medical plan selected, family coverage, and Medicare eligibility. The plan provides different coinsurance amounts depending on whether members use preferred, non-preferred, or other hospitals. For fiscal year ended June 30, 2014, the City has 12 retired members receiving benefits.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	Total	Governmental Activities	Business-type Activities
Annual required contribution/Annual OPEB Cost (Expense)	\$ 333,826	\$ 280,414	\$ 53,412
Interest on beginning of year net OPEB obligation	56,181	47,192	8,989
Adjustment to the Annual Required Contribution	(75,476)	(63,400)	(12,076)
Annual OPEB Cost	314,531	264,206	50,325
Contributions made (implicit)	(61,533)	(51,688)	(9,845)
Increase in net OPEB obligation	252,998	212,518	40,480
Net OPEB obligation - beginning of year	1,265,329	1,062,876	202,453
Net OPEB obligation - end of year	\$ 1,518,327	\$ 1,275,394	\$ 242,933

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	\$212,518
Total governmental activities	212,518
Business-type activities:	
Water	25,502
Sewer	14,978
Total business-type activities	40,480
Total primary government	\$252,998

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.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (b)	Actuarial Accrued Liability (AAL) (a)	Unfunded AAL (UAAL) (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a - b) / c)
6/30/2009	\$ -	\$ 3,008,915	\$ 3,008,915	0.0%	Not Available	Not Available
6/30/2011	\$ -	\$ 2,145,522	\$ 2,145,522	0.0%	\$ 8,831,832	24.3%
6/30/2013	\$ -	\$ 2,311,036	\$ 2,311,036	0.0%	\$ 10,995,940	21.0%

CITY OF KALISPELL

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JUNE 30, 2014

Actuarial Methods and Assumptions. As of June 30, 2013 (most current information), the City's actuarially accrued liability (AAL) for benefits was \$2,311,036. The AAL by status breakdown is shown below:

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Active participants:	N/A	\$ 1,616,159	N/A
Retirees, Dependents, and Surviving Spouses:	N/A	694,877	N/A
Total AAL	<u>N/A</u>	<u>\$ 2,311,036</u>	<u>N/A</u>
Normal Cost	N/A	\$ 191,764	N/A
Impact on Statement of Activities			
Annual OPEB Cost	\$ 238,032	\$ 320,116	\$ 314,531
Impact on Statement of Net Position			
Assumed Contributions	\$ 73,206	\$ (46,131)	\$ 61,533
Percentage of Annual OPEB Cost contributed	31%	-14%	20%
Net OPEB Obligation at June 30	\$ 899,082	\$ 1,265,329	\$ 1,518,327
Participant Information			
Active participants:	N/A	179	N/A
Retirees, Dependents, and Surviving Spouses:	N/A	12	N/A
Total	<u>N/A</u>	<u>191</u>	<u>N/A</u>

The following key assumptions were chosen by the City:

1. Discount Rate: 4.44%
2. Healthcare (inflation) Trend Rates: 7% as of July 1, 2013 reduced linearly to 5% by fiscal year 2018, and remaining at 5% thereafter.
3. Retirees are required to pay 100% of the total premium developed for the active population.
4. Program valued as it stands today.
5. Expected Long Term Rate of Return on Assets: N/A
6. Participation Rate: 20% of future retirees are assumed to elect medical coverage. 70% of the future retirees who elect medical coverage and are married are assumed to elect spousal coverage as well.
7. Marital Assumption: For future retirees, 60% are assumed to be married, and males are assumed to be 3 years older than females.
8. Amortization method: 30 year open (level dollar).

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. The City of Kalispell has elected not to fund this liability.

The benefits the plan is expected to provide are assigned to appropriate accounting periods using the Projected Unit Credit cost method as described under Governmental Accounting Standards Board Statement No. 45. For each participant, an actuarial present value of benefit total payments is determined as of the measurement date.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

H. Amounts Due From/To other Governments

On June 30, 2014, the amounts due from other governments consisted of the following:

<u>General Fund</u>		<u>Debt Service Funds</u>	
Due from:	Amount	Due from:	Amount
State of Montana-Video License Fee	\$ 725	Flathead County-Taxes	\$ 128,956
Flathead County-Taxes	485,633		
Sub Total	<u>\$ 486,358</u>	Total Governmental Funds	<u>\$ 1,188,269</u>
<u>Special Revenue Funds</u>		<u>Enterprise Funds</u>	
Due from:	Amount	Due from:	Amount
State of Montana-Preserve America Grant	\$ 1,375	Flathead County-Taxes	\$ 189,189
Flathead County-Taxes	467,518	Total Business-type Funds	<u>\$ 189,189</u>
Flathead County Sheriff Dept.	2,085		
State of Montana-MDOT	83,044	Total City of Kalispell	<u>\$ 1,377,458</u>
EPA	18,933		
Sub Total	<u>\$ 572,955</u>		

I. Restricted Cash/Investments

The following restricted cash/investments were held as of June 30, 2014. These amounts are reported within the cash/investment account on the Combined Balance Sheet.

RESTRICTED CASH:					
<u>Business-type Activities</u>		July 1, 2013	Additions	Subtractions	June 30, 2014
Water	Bond Reserve (includes SRF & BOI)	\$ 411,258	\$ -	\$ -	\$ 411,258
	Plant Investment/Impact Fees (1)	584,601	465,842	(161,361)	889,082
Sewer	Operating Reserve (2)	190,000	-	-	190,000
	Bond Contingency	1,119,062	-	(9,749)	1,109,313
	Plant Investment/Impact Fees (sanitary) (1)	1,998,140	235,813	(49,383)	2,184,570
	Plant Investment/Impact Fees (treatment plant) (1)	314,166	334,385	(239,138)	409,413
	Plant Investment/Impact Fees (storm) (1)	865,725	271,679	(80,566)	1,056,838
	Treatment Plant Replacement (3)	1,252,082	420,359	(140,568)	1,531,873
	Total business-type activities restricted cash/investments	<u>6,735,034</u>	<u>1,728,078</u>	<u>(680,765)</u>	<u>7,782,347</u>
<u>Governmental Activities</u>					
Impact Fees	Growth related Capital (1)	339,475	156,133	(42,987)	452,621
Urban Forestry	Developers (4)	91,030	8,812	(7,560)	92,282
Debt Service	Airport TIF Bond Reserve	184,875	-	-	184,875
Debt Service	SID 343 Bond Reserve	79,075	-	(21,280)	57,795
Debt Service	SID 344 Bond Reserve	226,000	158,576	(384,576)	-
Debt Service	SID 345 Bond Reserve	-	11,172	-	11,172
Debt Service	Revolving Fund - SID 344 Bond Reserve	226,000	18,882	(227,589)	17,293
Debt Service	Revolving Fund - SID 345 Bond Reserve	-	12,100	-	12,100
	Total governmental activities restricted cash/investments	<u>1,146,455</u>	<u>365,675</u>	<u>(683,992)</u>	<u>828,138</u>
	Total restricted cash/investments	<u>\$ 7,881,489</u>	<u>\$ 2,093,753</u>	<u>\$ (1,364,757)</u>	<u>\$ 8,610,485</u>

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- (1) Plant investment/impact fee cash. Montana State legislation regulating impact fees to fund capital improvements, MCA 7-6-1601 through 7-6-1604 (see 7-6-1603 below related to expending impact fees), became effective April 19, 2005 and sets forth the procedures and requirements for the imposition of impact fees by local governments. On October 16, 2006, by ordinance no. 1587, the Kalispell City Council authorized and established the procedure and imposition of impact fees to fund capital improvements related to additional capacity (growth).

MCA 7-6-1603 states that “the collection and expenditure of impact fees must be reasonably related to the benefits accruing to the development paying the impact fees...”

- (2) Sewer operating reserve cash is restricted by ordinance no. 859 (1 month operating expenses).
- (3) Treatment plant replacement cash is restricted by an agreement with Flathead County Water District (third party).
- (4) Urban forestry receives cash from developers to be used to plant trees in new city developments (third party).

J. Restatements

During the 2014 fiscal year, the following adjustments relating to prior years’ transactions were made to fund balance or retained earnings accounts.

Fund	Amount	Reason
Law Enforcement Grants	\$ (3,051)	Prior period revenues overstated
Subtotal - Governmental Fund Financials	(3,051)	
Governmental Funds - Construction in Progress	(5,175)	Construction in progress - obsolete
Total Statement of Activities - Gov'tal Funds	\$ (8,226)	
Water Fund - Major Proprietary	\$ (5,500)	Prior period revenues overstated
Sewer Fund - Major Proprietary	5,500	Prior period revenues understated
Airport Fund	(184,433)	Construction in progress - obsolete
Total Proprietary funds/Business-type activities	\$ (184,433)	

Airport Fund Restatement

On November 5, 2013, a special election was held within the City of Kalispell for the voters to consider Referendum No. 103, a referendum to repeal City of Kalispell Resolution No. 5572. Resolution No. 5572 related to the development of the City Airport in collaboration with the Federal Aviation Administration to arc B-II standards. Referendum No. 103 repealed Resolution No. 5572, and the Airport Master Plan update was abandoned.

For fiscal year 2014, there was a capital asset restatement of \$184,433 from construction in progress in the Airport fund. This \$184,433 consisted of \$35,700 related to the acquisition of property necessitated by the Airport Master Plan update and \$92,625 related to the preparation of the Airport Master Plan update.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

K. Joint Ventures

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

1. City-County Health Department

The City-County Health Department is operated under an interlocal agreement between Flathead County and the City of Kalispell. The Department operates under the supervision and control of the City-County Health Board. The Board consists of seven members, six of whom are appointed by the Board of County Commissioners.

The Department is financed, in addition to revenue generated by providing health services, by the City and the County levying an identical mill levy, up to 5 mills, in order that all property within the City of Kalispell and all property in Flathead County outside the City limits are taxed equally. The operation is accounted for in the County Health Fund and is included in the general purpose financial statements of Flathead County within the Special Revenue Fund.

2. 911 Dispatch Center

The 911 Dispatch Center is operated under an interlocal agreement between Flathead County, the City of Columbia Falls, the City of Whitefish, and the City of Kalispell. The Center operates under the supervision and control of the Flathead Emergency Communications Center Board. The Board consists of six members, the Flathead County Sheriff, a County Commissioner chosen by the Board of County Commissioners, the County Attorney or other elected County officer, and an elected official or designee from each of the cities of Kalispell, Whitefish, and Columbia Falls. The Department is financed by funds received by all members from the State (9-1-1 fees) pursuant to Section 10-4-302, M.C.A. Any additional operating funds needed will be shared proportionally by all members. Under the supervision of the Board, the Director shall hire and direct staff to carry out the responsibilities of the County's Office of Emergency Services and the Flathead County Fire Service Area.

L. County Provided Services

The City of Kalispell is provided various financial services by Flathead County. The County serves as cashier and treasurer for the City for tax assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the City are accounted for in an agency fund in the City's name and are periodically remitted to the City by the County Treasurer. The County charges the City for fees associated with City Special Assessments.

M. Risk Management

The City faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage and professional liabilities. The City participates in two statewide public risk pools operated by the Montana Municipal Insurance Authority, for workers' compensation and for tort liability coverage. Employee medical insurance is provided through a state-wide health insurance pool administered by MMIA. Given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Effective July 1, 1987 The City of Kalispell joined with other Montana cities to form the Montana Municipal Insurance Authority, a self-insurance pool offering Worker's Compensation and Liability Coverage. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with an \$11,250 deductible per occurrence. State tort law limits the City's liability to \$1.5 million.

The city pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued bonds in the amount of \$4.41 million and \$7.610 million, respectively, to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenue was insufficient to cover the debt service. The City's share is \$201,445 for liability and \$281,715 for Workers' Compensation to finance the necessary insurance reserves. Based on the plan's current financial position, the City doesn't expect to make any payment on these notes. Separate financial statements are available from the Montana Municipal Insurance Authority.

On October 1, 2004, Kalispell signed a 5 year agreement with many other Montana Cities, and through the Montana Municipal Insurance Authority, to create a state wide health insurance pool. The City pays the total monthly premium for employees who only choose to cover themselves. For employees who choose to cover additional dependents, the City pays a percentage of the extra costs.

N. Pending Litigation

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. The City Attorney has made no evaluation as to the outcome of each case. The City has liability insurance that may cover all or part of the damages. Accordingly, no provision has been made in the financial statements for these contingent liabilities.

<u>Litigant</u>	<u>Damages Requested</u>	<u>Loss Potential</u>	<u>Status</u>
Brown	unspecified	not likely	Litigation ongoing
Burke	unspecified	unknown	Litigation ongoing
Thomas / Burke	unspecified	unknown	Litigation ongoing
Robbins	unspecified	not likely	Complaint filed and served
Saxby	\$ 500	unknown	Awaiting decision

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

O. Unavailable Revenue

Taxes Receivable

The following governmental funds had taxes receivable at June 30, 2014.

<u>FUND</u>	<u>Source</u>	<u>Amount</u>
General - Major Governmental	Taxes	\$ 743,100
Westside TIF	Taxes	(1,244)
Parks	Taxes	45,398
Old School "Tech" TIF	Taxes	74,269
Old School "Ind" TIF	Taxes	19,519
Health Levy	Taxes	91,105
Light District	Taxes	20,679
Street Maintenance - Major Governmental	Taxes	88,497
Forestry	Taxes	10,602
G.O. Bonds	Taxes	71,819
Airport TIF	Taxes	51,284
S & C's	Taxes	404
SID 344 - Major Governmental	Taxes	1,039,424
	Current Portion	<u>2,254,856</u>
S & C's	Taxes	36,913
SID 343	Taxes	503,671
SID 344 - Major Governmental	Taxes	2,502,847
SID 345	Taxes	241,000
	Non current Portion	<u>3,284,431</u>
	Total Governmental Funds	<u>\$ 5,539,287</u>

P. Accounts Receivable

At June 30, 2014 the Ambulance fund had accounts receivable deferred net of \$253,083. Total net accounts receivable of the Ambulance fund is \$256,428. The difference is the result of \$3,345 being receivable prior to the Ambulance fund conversion from a proprietary fund to a special revenue fund.

Loans Receivable

Community Development Loan Revolving

The City entered into a community development program, which includes funding from a community development block grant, to make available to eligible applicants (low-to-moderate income residents), a loan for at least one-half of the required rehabilitation cost. These funds from the City, together with loans from the First Federal Savings Bank (now Glacier Bank) of Montana, the lender, must provide the total funds required for the purchase and rehabilitation of the housing unit. At the time the bank loans are closed with the borrower, the proceeds of the City's loan will be deposited into the borrower's construction account at First Federal (Glacier). The City's loan is secured by the property, and filed in a third lien position. Repayment of the City loan will not begin until 30 days after the Lender's loan (second lien) for construction of the unit has been paid off. The City's loan is interest free until such time as repayment begins. The maximum amount of a private lender loan cannot exceed \$20,000 per property with a ten-year pay back.

In addition, when an owner-occupant is unable to afford a private lender loan at the pre-determined interest rate agreed to by the City and lender, he or she may qualify for City financing. The City may provide a direct loan of up to \$25,000 with a varying interest rate (as low as zero percent) or with a longer amortization period (maximum of fifteen years) or a deferred loan to be repaid simultaneously, at a later date, with a balloon payment, or to be released at the end of ten years.

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The City has \$38,402 recorded as housing rehab loans receivable as of June 30, 2014 in the Community Development Loan Revolving Fund. The above mentioned loans are offset with deferred revenue accounts. Uncollected receivables in governmental funds are offset with deferred revenue accounts as explained in the "basis of accounting".

Other loans receivable of the Community Development Loan Revolving Fund:

A 15 year loan at 5% to Flathead Health and Fitness in November 2004.

Original Loan amount \$ 74,250

June 30, 2014 balance \$ 35,492

Hampstead Partners

In August of 2002, the City of Kalispell entered into two notes receivable agreements with 2nd Avenue West Partners, L.P. (Hampstead Partners) for property on 2nd Avenue West in Kalispell. The property consists of a 40-unit low-income apartment complex known as 2nd Avenue West Independent Living Center. As stipulated in the agreement, this property is restricted as low income housing, and shall remain as such for a period of thirty-five years.

One of these notes is for \$480,000, and bears interest at 1% per annum. The second of these notes is for \$400,000, and bears interest at 4.81% per annum. These loans mature on February 28, 2032. Payments of interest on the note are due on or before the last day of the taxable year, to the extent there is surplus cash, as defined by the note. Unpaid interest shall accrue until paid, but not compound on the first loan. Payments of principal are not required until the maturity date of the loans. The notes are secured by a deed of trust on the property. Accrued interest as of June 30, 2014, is \$57,255, and \$284,067, respectively.

Community Development Block Grant Economic Development Program

In fiscal year 2007, the City entered into a community development program with funding from a community development block grant economic development program. Eligibility for these low interest loans is tied to the creation of jobs within Kalispell with a percentage of the jobs created to be filled by low and moderate-income persons.

The following loans have been made by the City using the economic development program funds:

A 15 year loan at 6.5% to Distinctive Countertops in July 2006.

Original Loan amount \$ 25,000

June 30, 2014 balance \$ 21,618

A 15 year loan at 5% to Distinctive Countertops in October 2006.

Original Loan amount \$ 288,619

June 30, 2014 balance \$ 257,664

A 7 year loan at 7% to the Kalispell Hotel (Hilton) in July 2007.

Original Loan amount \$ 150,000

June 30, 2014 balance \$ 2,254

A 15 year loan at 6% to AGAPE Home Care in May 2009.

Original Loan amount \$ 42,500

June 30, 2014 balance \$ 26,130

A 10 year loan at 3% to Norm's News in January 2013.

Original Loan amount \$ 50,000

June 30, 2014 balance \$ 39,584

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

A 10 year loan at 3% to Smith/Red & Black in May 2013.

Original Loan amount \$ 50,000
June 30, 2014 balance \$ 45,251

A 10 year loan at 3% to Wheaton's in April 2014.

Original Loan amount \$ 31,500
June 30, 2014 balance \$ 31,274

Rural Development Loan Revolving

On May 5, 2003, the City Council passed Resolution No. 4780 establishing an Economic Development Revolving Loan Fund (ED RLF) for small business retention and expansion. The resolution also created an Economic Development Loan Review Committee to process all applications for assistance. Additionally, on August 16, 2004 and again on November 6, 2006, the City Council, by Resolution No. 4929 and 5158, respectively, authorized the City Manager to enter into loan agreements with the United States Department of Agriculture, Rural Development office, in the amount of \$520,000 and \$750,000. These monies will be used to assist in the retention and expansion of small business, which may stimulate economic development activity by assisting the private sector where a funding gap exists and alternative sources of public and private financing are not adequate.

The following loans have been made by the City using the Rural Development funds:

A 15 year loan at 5% to Flathead Health and Fitness in November 2004.

Original Loan amount \$ 90,750
June 30, 2014 balance \$ 41,598

A 15 year loan at 6.5% to Distinctive Countertops in July 2006.

Original Loan amount \$ 150,000
June 30, 2014 balance \$ 133,180

A 10 year loan at 7% to Crossroads Realty in June 2007.

Original Loan amount \$ 150,000
June 30, 2014 balance \$ 114,704

A 7 year loan at 7% to the Kalispell Hotel (Hilton) in July 2007.

Original Loan amount \$ 150,000
June 30, 2014 balance \$ 2,255

A 7 year loan at 7% to Unfinished Furniture Creations in April 2006.

Original Loan amount \$ 50,000
June 30, 2014 balance \$ 5,000

*The balance of this loan \$35,425 was forgiven. The defaulting parties (Bott/Thomas) agreed and signed promissory notes for \$5000 each.

A 6 month loan at 5.25% to Glacier Valley Endodontics, Inc. in January 2012.

Original Loan amount \$ 35,000
June 30, 2014 balance \$ 29,385

A 10 year loan at 5.29% to Parkman Properties, LLC (The Edge Salon), in February 2012.

Original Loan amount \$ 77,000
June 30, 2014 balance \$ 62,484

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

A 10 year loan at 3% to Whipps, LLC in December 2011.

Original Loan amount \$ 50,000
June 30, 2014 balance \$ 38,868

A 10 year loan at 3% to Bill and Jana Goodman in June 2013.

Original Loan amount \$ 34,660
June 30, 2014 balance \$ 28,796

A 15 year loan at 6% to Tree Frog Tavern in July 2013.

Original Loan amount \$ 50,000
June 30, 2014 balance \$ 48,151

A 15 year loan at 6% to Tiebuckers, Inc. in July 2013.

Original Loan amount \$ 50,000
June 30, 2014 balance \$ 48,151

UDAG

The following loan was made by the City using Urban Development Assistance Grant (UDAG) funds:

A 20 year redevelopment loan at 5% with Big Sky Manor in August 1999.

Original Loan amount \$ 124,000
June 30, 2014 balance \$ 44,717

CITY OF KALISPELL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

SUMMARY COMMUNITY DEVELOPMENT LOANS RECEIVABLE

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
CD Loan Revolving #1 - Major Governmental	Various	\$ 38,402	Housing Rehab
CD Loan Revolving #1 - Major Governmental	Flathead Health and Fitness	35,492	Small Business
CD Loan Revolving #1 - Major Governmental	Distinctive Countertops	21,618	Jobs
CD Loan Revolving #1 - Major Governmental	Kalispell Hotel - Hilton	2,254	Jobs
CD Loan Revolving #1 - Major Governmental	AGAPE Home Care	26,130	Jobs
CD Loan Revolving #1 - Major Governmental	Norm's News	39,584	Jobs
CD Loan Revolving #1 - Major Governmental	Smith/Red & Black	45,251	Jobs
CD Loan Revolving #1 - Major Governmental	Wheatons	31,274	Jobs
CD Loan Revolving #1 - Major Governmental	Hampstead Partners*	880,000	Low Income Housing
CD Loan Revolving #1 - Major Governmental	Hampstead Partners - Interest Portion*	341,322	Low Income Housing
	Subtotal Major Fund	<u>1,461,327</u>	
CD Loan Revolving #2	Distinctive Countertops	257,664	Jobs
UDAG	Big Sky Manor	44,717	Urban Dev. Assistance
Rural Development Loan Revolving	Flathead Health and Fitness	41,598	Small Business
Rural Development Loan Revolving	Distinctive Countertops	133,180	Small Business
Rural Development Loan Revolving	Crossroads Realty	114,704	Small Business
Rural Development Loan Revolving	Kalispell Hotel - Hilton	2,255	Small Business
Rural Development Loan Revolving	Unfinished Furniture - Bott/Thomas	5,000	Small Business
Rural Development Loan Revolving	Glacier Valley Endodontics, Inc	29,385	Small Business
Rural Development Loan Revolving	Parkman Properties, LLC	62,484	Small Business
Rural Development Loan Revolving	Whipps, LLC	38,868	Small Business
Rural Development Loan Revolving	Bill and Jana Goodman	28,796	Small Business
Rural Development Loan Revolving	Tree Frog Tavern	48,151	Small Business
Rural Development Loan Revolving	Tiebuckers, Inc.	48,151	Small Business
	Subtotal Other Governmental Funds	<u>854,953</u>	
	Total Governmental Funds	<u>\$ 2,316,280</u>	

*Long Term Loans Receivable - Matures 2032

P. City Court Contracts Receivable

Contracts receivable of the City Court, because of the uncertainty regarding when and if they will be collected, are no longer booked as an asset on the balance sheet of the General Fund. These receivables, at June 30, 2014, amounted to \$2,264,298.

Q. Wastewater Treatment Plant agreement with Evergreen

The City of Kalispell entered into an Interlocal Agreement with the Evergreen Sewer District #1 for treatment of sewage from the district at the City's plant. The Evergreen district sewer went into operation in July 1994. The City bills Evergreen monthly for debt service at 12% of the principle and interest due for the plant. The City also bills for maintenance and operation and replacement costs per the agreement based on metered flows. Evergreen Sewer District has an equity interest in the replacement account carried on the City's books. The balance of the account as of June 30, 2014 is \$1,531,873 of which Evergreen's interest is \$339,122.

R. Subsequent Events

On July 7, 2014, at a regular meeting, Council voted unanimously to ratify the collective bargaining agreement between the City and the AFSCME Union, Local 256. The prior agreement expired at the end of fiscal year 2014. The new agreement is for the three year term covering fiscal years 15, 16, and 17. Estimated financial impact of the agreement is \$92,000, \$95,000 and \$39,000 for fiscal year 2015, 2016 and 2017, respectively.

REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT DISCUSSION AND
ANALYSIS

CITY OF KALISPELL
 SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
 Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (b)	Actuarial Accrued Liability (AAL) (a)	Unfunded AAL (UAAL) (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a - b) / c)
6/30/2009	\$ -	\$ 3,008,915	\$ 3,008,915	0.0%	Not Available	Not Available
6/30/2011	\$ -	\$ 2,145,522	\$ 2,145,522	0.0%	\$ 8,831,832	24.3%
6/30/2013	\$ -	\$ 2,311,036	\$ 2,311,036	0.0%	\$ 10,995,940	21.0%

City of Kalispell, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

General Fund				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 5,128,400	\$ 5,128,400	\$ 5,246,868	\$ 118,468
Licenses and permits	65,962	65,962	70,698	4,736
Intergovernmental	3,745,507	3,745,507	3,694,688	(50,819)
Charges for services	710,703	710,703	682,400	(28,303)
Fines and forfeitures	590,000	590,000	571,741	(18,259)
Miscellaneous	47,510	47,510	25,186	(22,324)
Investment earnings	15,000	15,000	7,220	(7,780)
Amounts available for appropriation	<u>\$ 10,303,082</u>	<u>\$ 10,303,082</u>	<u>\$ 10,298,801</u>	<u>\$ (4,281)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 2,974,852	\$ 2,974,852	\$ 2,883,679	\$ 91,173
Public safety	7,306,750	7,306,750	7,116,246	190,504
Public works	36,819	36,819	35,838	981
Community development	84,578	84,578	75,200	9,378
Debt service - principal	77,270	77,270	77,270	-
Debt service - interest	7,270	7,270	6,985	285
Capital outlay	113,000	113,000	117,726	(4,726)
Total charges to appropriations	<u>\$ 10,600,539</u>	<u>\$ 10,600,539</u>	<u>\$ 10,312,944</u>	<u>\$ 287,595</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ -	\$ -	\$ -
Transfers in	660,000	660,000	660,000	-
Transfers out	(359,494)	(359,494)	(386,731)	(27,237)
Total other financing sources (uses)	<u>\$ 300,506</u>	<u>\$ 300,506</u>	<u>\$ 273,269</u>	<u>\$ (27,237)</u>
Net change in fund balance			<u>\$ 259,126</u>	
Fund balance - beginning of the year			<u>\$ 2,150,283</u>	
Fund balance - beginning of the year - restated			<u>\$ 2,150,283</u>	
Fund balance - end of the year			<u><u>\$ 2,409,409</u></u>	

City of Kalispell, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2014

STREET MAINTENANCE				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,922,000	1,922,000	1,930,224	8,224
Fines and forfeitures	-	-	-	-
Miscellaneous	1,200	1,200	59,010	57,810
Investment earnings	5,000	5,000	4,539	(461)
Amounts available for appropriation	<u>\$ 1,928,200</u>	<u>\$ 1,928,200</u>	<u>\$ 1,993,773</u>	<u>\$ 65,573</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	2,147,819	2,147,819	1,777,188	370,631
Community development	-	-	-	-
Debt service - principal	91,502	91,502	55,343	36,159
Debt service - interest	4,957	4,957	2,669	2,288
Capital outlay	249,925	249,925	190,012	59,913
Total charges to appropriations	<u>\$ 2,494,203</u>	<u>\$ 2,494,203</u>	<u>\$ 2,025,212</u>	<u>\$ 468,991</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ 200,000	\$ 200,000	\$ 46,500	\$ (153,500)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 46,500</u>	<u>\$ (153,500)</u>
Net change in fund balance			<u>15,061</u>	
Fund balance - beginning of the year			<u>1,272,057</u>	
Fund balance - beginning of the year - restated			<u>1,272,057</u>	
Fund balance - end of the year			<u><u>1,287,118</u></u>	

City of Kalispell, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2014

	CD REVOLVING LOAN			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	71,556	71,556	89,888	18,332
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	3,000	3,000	3,273	273
Amounts available for appropriation	<u>\$ 74,556</u>	<u>\$ 74,556</u>	<u>\$ 93,161</u>	<u>\$ 18,605</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS);				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	468,825	468,825	33,831	434,994
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 468,825</u>	<u>\$ 468,825</u>	<u>\$ 33,831</u>	<u>\$ 434,994</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ 59,330</u>	
Fund balance - beginning of the year			<u>\$ 375,084</u>	
Fund balance - beginning of the year - restated			<u>\$ 375,084</u>	
Fund balance - end of the year			<u><u>\$ 434,414</u></u>	

SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Airport TIF - Accounts for monies received and expended for approved projects in this TIF district.

Westside TIF - Accounts for monies received and expended for approved projects in this TIF district.

Parks in Lieu - Accounts for monies received by developer's for the purpose of making improvements in specific City parks.

Parks - Accounts for the monies received and expended in the operations of the City's Parks Department.

Ambulance - Accounts for the monies received and expended in the operations of the City's Ambulance Department.

Old School TIF's - Accounts for monies received and expended for approved projects in these TIF districts.

Health Levy - Accounts for revenue from the permissive mill levy which provides funding for the fiscal year 2003 health insurance premium rate increase.

Building Department - Accounts for all activity of enforcing the building regulations adopted by the City.

Impact Fees - Accounts for street and public safety impact fees received and allowed and approved expenditures of each.

Light Maintenance - Accounts for special assessment revenues levied, received, and expended for street lighting.

Gas Tax - Accounts for revenues from State gasoline taxes apportioned from the State of Montana Department of Highways.

Forestry - Accounts for special assessment revenues levied, received, and expended to care for almost 7000 trees.

MACI Grant - Accounts for grant monies received and City matching monies used to purchase equipment (street sweeper) through the Montana Air & Congestion Initiative.

Community Development Misc. - Accounts for monies received and expended in planning and implementing economic and community development programs.

Rural Development Loan Revolving (2) - Accounts for monies received, grant and other, and expended in the process of providing gap financing for business retention, expansion, or start-up.

Law Enforcement Grants (COPS, Drug Enforcement, CHRP) - Accounts for multiple grants received by the Police Department and all related revenues and expenditures.

Court Grant - Accounts for grant monies received by the Municipal Court and all related revenues and expenditures.

Cultural Arts Grants - Accounts for grant monies received from the Montana Arts Council for three local nonprofit organizations. The City is the sponsor for these organizations.

Preserve America Grant - Accounts for grant monies received for and expenditures related to efforts to promote the City's historic downtown as a destination.

CDBG – ED FVCC Grant - Accounts for pass-thru grant monies received for and expenditures related to expanding the welding/metals fabrication program at Flathead Valley Community College.

EPA Brownfields Grants (3) - Accounts for grant monies received for and expenditures related to environmental assessments.

Fire Grants - Accounts for multiple grants received by the Fire Department and all related revenues and expenditures.

Hazmat Grant - Accounts for the grant monies received for and expenditures related to respond and remedy hazmat calls of the City Fire Department.

Trails Grant - Accounts for grant monies received by the Parks Department and all related revenues and expenditures for the expansion of the urban trail system.

NSP Grant - Accounts for pass-thru monies received and expended in implementing an economic and community development program related to purchasing foreclosed homes for resale.

DEBT SERVICE FUNDS

G.O. Bonds - Accounts for the debt service payments associated with the Woodland Water Park and the Fire Station #52 general obligation bonds.

City Hall Debt Service - Accounts for the debt service payments associated with the new City Hall at 201 1st Avenue East.

Airport TIF Debt Service - Accounts for the debt service payments associated with the Airport Tax Increment District.

Westside TIF Debt Service - Accounts for the debt service payments associated with the Westside Tax Increment District.

Debt Service Revolving - Accounts for monies associated with the closing out of debt service funds and covering other debt service fund payment shortages.

S & C's - Accounts for the debt service payments associated with Sidewalk & Curb bonds.

SID 343 - Accounts for the debt service payments associated with the Special Improvement District #343 bonds.

SID 345 - Accounts for the debt service payments associated with the Special Improvement District #345 bonds.

CAPITAL PROJECT FUNDS

S & C Construction - Accounts for the monies received for and expenditures related to sidewalk and curb construction.

“Willows” Storm Project - Accounts for monies received for and expenditures related to the “Willows” storm sewer improvements project.

**BUDGETARY COMPARISON SCHEDULE – NONMAJOR
FUNDS**

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	AIRPORT TIF	WESTSIDE TIF	PARKS IN LIEU	PARKS	AMBULANCE	OLD SCHOOL TIF (TECH)
ASSETS						
Cash and investments	603,038	3,130,274	9,388	439,619	34,122	13,210
Taxes and assessments receivable, net	-	(1,244)	-	45,398	-	74,269
Accounts receivable - net	-	-	-	8,367	256,428	-
Notes and loans receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	35,966	-	90,035	-	-
Prepays	-	-	-	11,938	6,107	-
Other debits	-	-	-	-	-	-
Restricted assets:						
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>603,038</u>	<u>3,164,996</u>	<u>9,388</u>	<u>595,357</u>	<u>296,657</u>	<u>87,479</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	-	-	44,275	2,071	-
Retainage	-	-	-	-	-	-
Accrued payroll	-	561	-	50,140	32,050	-
Due to other funds	-	-	-	-	-	-
Other credits	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>561</u>	<u>-</u>	<u>94,415</u>	<u>34,121</u>	<u>-</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	253,083	-
Unavailable revenue - deferred loans	-	-	-	-	-	-
Unavailable revenue - deferred taxes and assessments	-	(1,244)	-	45,398	-	74,269
Total deferred inflows of resources	<u>-</u>	<u>(1,244)</u>	<u>-</u>	<u>45,398</u>	<u>253,083</u>	<u>74,269</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	-	-	11,938	6,107	-
Restricted						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	3,346	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	9,388	443,606	-	-
Community Development	603,038	3,165,679	-	-	-	13,210
Debt Service	-	-	-	-	-	-
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>603,038</u>	<u>3,165,679</u>	<u>9,388</u>	<u>455,544</u>	<u>9,453</u>	<u>13,210</u>
Total liabilities and fund balance	<u>603,038</u>	<u>3,164,996</u>	<u>9,388</u>	<u>595,357</u>	<u>296,657</u>	<u>87,479</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	OLD SCHOOL TIF (IND)	HEALTH LEVY	BUILDING DEPT.	PUBLIC SAFETY IMPACT FEES	LIGHT DIST.	GAS TAX
ASSETS						
Cash and investments	1	2,580	435,112	8,815	103,138	476,100
Taxes and assessments receivable, net	19,519	91,105	-	-	20,679	-
Accounts receivable - net	-	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	83,474	-	-	22,829	-
Prepays	-	-	3,324	-	-	-
Other debits	-	-	-	286	-	-
Restricted assets:						
Restricted cash and investments	-	-	-	452,621	-	-
Total assets	<u>19,520</u>	<u>177,159</u>	<u>438,436</u>	<u>461,722</u>	<u>146,646</u>	<u>476,100</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	-	2,486	-	16,408	37,990
Retainage	-	-	-	-	-	1,167
Accrued payroll	-	-	6,311	-	2,023	-
Due to other funds	-	45,000	-	-	-	-
Other credits	-	-	-	286	-	-
Total liabilities	<u>-</u>	<u>45,000</u>	<u>8,797</u>	<u>286</u>	<u>18,431</u>	<u>39,157</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	-	-
Unavailable revenue - deferred loans	-	-	-	-	-	-
Unavailable revenue - deferred taxes and assessments	19,519	91,105	-	-	20,679	-
Total deferred inflows of resources	<u>19,519</u>	<u>91,105</u>	<u>-</u>	<u>-</u>	<u>20,679</u>	<u>-</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	-	3,324	-	-	-
Restricted						
General Government	-	41,054	-	-	-	-
Public Safety	-	-	426,315	461,436	-	-
Public Works	-	-	-	-	107,536	436,943
Culture and Recreation	-	-	-	-	-	-
Community Development	1	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>1</u>	<u>41,054</u>	<u>429,639</u>	<u>461,436</u>	<u>107,536</u>	<u>436,943</u>
Total liabilities and fund balance	<u>19,520</u>	<u>177,159</u>	<u>438,436</u>	<u>461,722</u>	<u>146,646</u>	<u>476,100</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	URBAN FORESTRY	MACI GRANT	CD MISC.	RD REVOLVING LOAN (2)	DRUG ENFORCEMENT GRANT	CHRP GRANT
ASSETS						
Cash and investments	68,680	60,314	260,828	200,976	22,632	4,462
Taxes and assessments receivable, net	10,602	-	-	-	-	-
Accounts receivable - net	-	-	-	-	-	-
Notes and loans receivable	-	-	44,717	552,572	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	22,786	-	-	-	2,085	-
Prepays	-	-	-	-	-	-
Other debits	-	-	-	-	-	-
Restricted assets:						
Restricted cash and investments	92,282	-	-	-	-	-
Total assets	<u>194,350</u>	<u>60,314</u>	<u>305,545</u>	<u>753,548</u>	<u>24,717</u>	<u>4,462</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	67	-	-	-	-	-
Retainage	-	-	-	-	-	-
Accrued payroll	2,003	-	-	-	2,511	1,483
Due to other funds	-	-	-	-	-	-
Other credits	-	-	-	-	-	-
Total liabilities	<u>2,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,511</u>	<u>1,483</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	-	-
Unavailable revenue - deferred loans	-	-	44,717	552,572	-	-
Unavailable revenue - deferred taxes and assessments	10,602	-	-	-	-	-
Total deferred inflows of resources	<u>10,602</u>	<u>-</u>	<u>44,717</u>	<u>552,572</u>	<u>-</u>	<u>-</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	-	-	-	-	-
Restricted						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	22,206	2,979
Public Works	-	60,314	-	-	-	-
Culture and Recreation	181,678	-	-	-	-	-
Community Development	-	-	260,828	200,976	-	-
Debt Service	-	-	-	-	-	-
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>181,678</u>	<u>60,314</u>	<u>260,828</u>	<u>200,976</u>	<u>22,206</u>	<u>2,979</u>
Total liabilities and fund balance	<u>194,350</u>	<u>60,314</u>	<u>305,545</u>	<u>753,548</u>	<u>24,717</u>	<u>4,462</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	LAW ENFORCEMENT GRANTS	PRESERVE AMERICA GRANT	BROWNFIELDS GRANTS (2)	FIRE GRANTS	HAZMAT GRANT	TRAILS GRANTS
ASSETS						
Cash and investments	(20,298)	(1,375)	(15,133)	40	13,727	(57,895)
Taxes and assessments receivable, net	-	-	-	-	-	-
Accounts receivable - net	-	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	23,149	1,375	18,933	-	-	59,895
Prepays	-	-	-	-	-	-
Other debits	969	-	-	-	-	-
Restricted assets:						
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>3,820</u>	<u>-</u>	<u>3,800</u>	<u>40</u>	<u>13,727</u>	<u>2,000</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	-	3,800	40	212	-
Retainage	-	-	-	-	-	2,000
Accrued payroll	614	-	-	-	2,472	-
Due to other funds	-	-	-	-	-	-
Other credits	-	-	-	-	-	-
Total liabilities	<u>614</u>	<u>-</u>	<u>3,800</u>	<u>40</u>	<u>2,684</u>	<u>2,000</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	-	-
Unavailable revenue - deferred loans	-	-	-	-	-	-
Unavailable revenue - deferred taxes and assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	-	-	-	-	-
Restricted						
General Government						
Public Safety	3,206	-	-	-	11,043	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>3,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,043</u>	<u>-</u>
Total liabilities and fund balance	<u>3,820</u>	<u>-</u>	<u>3,800</u>	<u>40</u>	<u>13,727</u>	<u>2,000</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	Total Special			AIRPORT TIF	WESTSIDE TIF	
	NSP GRANT (2)	Revenue Funds	G.O. BONDS	DEBT SERVICE	DEBT SERVICE	
ASSETS						
Cash and investments	33,056	5,825,411	(25,175)	326	(67,491)	988
Taxes and assessments receivable, net	-	260,328	71,819	-	51,284	-
Accounts receivable - net	-	264,795	-	-	-	-
Notes and loans receivable	-	597,289	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	360,527	46,695	-	71,987	-
Prepays	-	21,369	-	-	-	-
Other debits	-	1,255	-	-	-	-
Restricted assets:						
Restricted cash and investments	-	544,903	-	-	184,875	-
Total assets	<u>33,056</u>	<u>7,875,877</u>	<u>93,339</u>	<u>326</u>	<u>240,655</u>	<u>988</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	33,056	140,405	-	-	-	-
Retainage	-	3,167	-	-	-	-
Accrued payroll	-	100,168	-	-	-	-
Due to other funds	-	45,000	-	-	-	-
Other credits	-	286	-	-	-	-
Total liabilities	<u>33,056</u>	<u>289,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	253,083	-	-	-	-
Unavailable revenue - deferred loans	-	597,289	-	-	-	-
Unavailable revenue - deferred taxes and assessments	-	260,328	71,819	-	51,284	-
Total deferred inflows of resources	<u>-</u>	<u>1,110,700</u>	<u>71,819</u>	<u>-</u>	<u>51,284</u>	<u>-</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	21,369	-	-	-	-
Restricted						
General Government	-	41,054	-	-	-	-
Public Safety	-	930,531	-	-	-	-
Public Works	-	604,793	-	-	-	-
Culture and Recreation	-	634,672	-	-	-	-
Community Development	-	4,243,732	-	-	-	-
Debt Service	-	-	21,520	326	189,371	988
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>6,476,151</u>	<u>21,520</u>	<u>326</u>	<u>189,371</u>	<u>988</u>
Total liabilities and fund balance	<u>33,056</u>	<u>7,875,877</u>	<u>93,339</u>	<u>326</u>	<u>240,655</u>	<u>988</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	SID REVOLVING	S & C'S	SID 343	SID 345	Total Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	43,462	558	-	(1,908)	(49,240)	5,776,171
Taxes and assessments receivable, net	-	37,317	503,671	241,000	905,091	1,165,419
Accounts receivable - net	-	-	-	-	-	264,795
Notes and loans receivable	-	-	-	-	-	597,289
Due from other funds	208,707	-	-	-	208,707	208,707
Due from other governments	-	900	9,375	-	128,957	489,484
Prepays	-	-	-	-	-	21,369
Other debits	-	-	-	-	-	1,255
Restricted assets:						
Restricted cash and investments	29,393	-	57,795	11,172	283,235	828,138
Total assets	<u>281,562</u>	<u>38,775</u>	<u>570,841</u>	<u>250,264</u>	<u>1,476,750</u>	<u>9,352,627</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	-	-	-	-	140,405
Retainage	-	-	-	-	-	3,167
Accrued payroll	-	-	-	-	-	100,168
Due to other funds	-	-	-	-	-	45,000
Other credits	-	-	-	-	-	286
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,026</u>
Deferred inflows of resources						
Unavailable revenue - deferred accounts receivable	-	-	-	-	-	253,083
Unavailable revenue - deferred loans	-	-	-	-	-	597,289
Unavailable revenue - deferred taxes and assessments	-	37,317	503,671	241,000	905,091	1,165,419
Total deferred inflows of resources	<u>-</u>	<u>37,317</u>	<u>503,671</u>	<u>241,000</u>	<u>905,091</u>	<u>2,015,791</u>
Fund Balance:						
Nonspendable - not in spendable form:						
Long-term receivables						
Prepaid	-	-	-	-	-	21,369
Restricted						
General Government	-	-	-	-	-	41,054
Public Safety	-	-	-	-	-	930,531
Public Works	-	-	-	-	-	604,793
Culture and Recreation	-	-	-	-	-	634,672
Community Development	-	-	-	-	-	4,243,732
Debt Service	281,562	1,458	67,170	9,264	571,659	571,659
Unrestricted fund balance:						
Unassigned	-	-	-	-	-	-
Total fund balance	<u>281,562</u>	<u>1,458</u>	<u>67,170</u>	<u>9,264</u>	<u>571,659</u>	<u>7,047,810</u>
Total liabilities and fund balance	<u>281,562</u>	<u>38,775</u>	<u>570,841</u>	<u>250,264</u>	<u>1,476,750</u>	<u>9,352,627</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

	AIRPORT TIF	WESTSIDE TIF	PARKS IN LIEU	PARKS	AMBULANCE	OLD SCHOOL TIF (TECH)
REVENUES						
Taxes and assessments	-	281,061	-	884,051	-	49,813
Licenses and permits	-	-	-	-	-	-
Intergovernmental	42,671	234,165	-	14,000	100,049	3,057
Charges for services	-	-	12,722	523,405	567,337	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	5,000	2,051	-	-
Investment earnings	1,570	15,284	161	1,322	67	77
Total revenues	<u>44,241</u>	<u>530,510</u>	<u>17,883</u>	<u>1,424,829</u>	<u>667,453</u>	<u>52,947</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	960,244	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	1,461,874	-	-
Community Development	32,539	60,939	-	-	-	22,230
Debt service - principal	-	-	-	24,454	-	-
Debt service - interest	-	-	-	888	-	-
Capital outlay	-	-	32,800	15,900	-	-
Total expenditures	<u>32,539</u>	<u>60,939</u>	<u>32,800</u>	<u>1,503,116</u>	<u>960,244</u>	<u>22,230</u>
Excess (deficiency) of revenues over expenditures	<u>11,702</u>	<u>469,571</u>	<u>(14,917)</u>	<u>(78,287)</u>	<u>(292,791)</u>	<u>30,717</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	450,000	-	-	68,000	291,796	-
Transfers (out)	-	(32,520)	(11,673)	-	-	(22,000)
Total other financing sources and uses	<u>450,000</u>	<u>(32,520)</u>	<u>(11,673)</u>	<u>68,000</u>	<u>291,796</u>	<u>(22,000)</u>
Net change in fund balance	<u>461,702</u>	<u>437,051</u>	<u>(26,590)</u>	<u>(10,287)</u>	<u>(995)</u>	<u>8,717</u>
Fund balances - beginning	141,336	2,728,628	35,978	465,831	10,448	4,493
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	<u>141,336</u>	<u>2,728,628</u>	<u>35,978</u>	<u>465,831</u>	<u>10,448</u>	<u>4,493</u>
Fund balances - ending	<u>603,038</u>	<u>3,165,679</u>	<u>9,388</u>	<u>455,544</u>	<u>9,453</u>	<u>13,210</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

	OLD SCHOOL	HEALTH LEVY	BUILDING	PUBLIC	LIGHT DIST.	GAS TAX
	TIF (IND)		DEPT.	SAFETY		
REVENUES						
Taxes and assessments	2,520	719,914	-	-	235,953	-
Licenses and permits	-	-	352,656	-	-	-
Intergovernmental	-	22,274	-	-	-	364,563
Charges for services	-	-	83,242	153,952	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	14,282	-
Investment earnings	68	-	2,078	2,092	527	2,209
Total revenues	2,588	742,188	437,976	156,044	250,762	366,772
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	340,626	3,500	-	-
Public works	-	-	-	-	282,740	280,301
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	29,326	10,658	-
Debt service - interest	-	-	-	5,977	465	-
Capital outlay	-	-	22,155	-	100,329	72,123
Total expenditures	-	-	362,781	38,803	394,192	352,424
Excess (deficiency) of revenues over expenditures	2,588	742,188	75,195	117,241	(143,430)	14,348
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	97,651	-
Transfers in	-	-	-	-	-	-
Transfers (out)	(8,797)	(728,000)	-	-	-	-
Total other financing sources and uses	(8,797)	(728,000)	-	-	97,651	-
Net change in fund balance	(6,209)	14,188	75,195	117,241	(45,779)	14,348
Fund balances - beginning	6,210	26,866	354,444	344,195	153,315	422,595
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	6,210	26,866	354,444	344,195	153,315	422,595
Fund balances - ending	1	41,054	429,639	461,436	107,536	436,943

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

	URBAN FORESTRY	MACI GRANT	CD MISC.	RD REVOLVING LOAN (2)	STONEGARDEN GRANT	DRUG ENFORCEMEN T GRANT
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,750	151,111	-	-	4,622	34,179
Charges for services	216,333	-	9,820	98,030	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	492	-	865	-	-	10,976
Investment earnings	698	-	1,320	2,117	-	-
Total revenues	<u>220,273</u>	<u>151,111</u>	<u>12,005</u>	<u>100,147</u>	<u>4,622</u>	<u>45,155</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	4,622	90,376
Public works	-	-	-	-	-	-
Parks and recreation	202,721	-	-	-	-	-
Community Development	-	-	-	100,007	-	-
Debt service - principal	8,155	-	-	25,633	-	-
Debt service - interest	319	-	-	6,466	-	-
Capital outlay	-	174,533	-	-	-	-
Total expenditures	<u>211,195</u>	<u>174,533</u>	<u>-</u>	<u>132,106</u>	<u>4,622</u>	<u>90,376</u>
Excess (deficiency) of revenues over expenditures	<u>9,078</u>	<u>(23,422)</u>	<u>12,005</u>	<u>(31,959)</u>	<u>-</u>	<u>(45,221)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	55,000
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
Net change in fund balance	<u>9,078</u>	<u>(23,422)</u>	<u>12,005</u>	<u>(31,959)</u>	<u>-</u>	<u>9,779</u>
Fund balances - beginning	172,600	83,736	248,823	232,935	-	12,427
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	<u>172,600</u>	<u>83,736</u>	<u>248,823</u>	<u>232,935</u>	<u>-</u>	<u>12,427</u>
Fund balances - ending	<u>181,678</u>	<u>60,314</u>	<u>260,828</u>	<u>200,976</u>	<u>-</u>	<u>22,206</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

	CHRP GRANT	LAW ENFORCEMEN T GRANTS	CULTURAL ARTS GRANTS	PRESERVE AMERICA GRANT	CDBG-ED (FVCC) GRANT	DUI COURT GRANT
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	52,164	1,280	12,568	258,155	3,003
Charges for services	-	18,959	-	-	-	-
Fines and forfeitures	-	-	-	-	-	325
Miscellaneous	-	7,250	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	-	78,373	1,280	12,568	258,155	3,328
EXPENDITURES						
General government	-	-	1,280	-	-	8,373
Public safety	76,477	78,358	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	12,568	258,155	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	76,477	78,358	1,280	12,568	258,155	8,373
Excess (deficiency) of revenues over expenditures	(76,477)	15	-	-	-	(5,045)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	36,436	3,500	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	36,436	3,500	-	-	-	-
Net change in fund balance	(40,041)	3,515	-	-	-	(5,045)
Fund balances - beginning	43,020	2,742	-	-	-	5,045
Restatements	-	(3,051)	-	-	-	-
Fund balances - beginning restated	43,020	(309)	-	-	-	5,045
Fund balances - ending	2,979	3,206	-	-	-	-

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

REVENUES	BROWNFIELDS GRANTS (2)	FIRE GRANTS	HAZMAT GRANT	TRAILS GRANTS	NSP GRANT (2)	Total Special Revenue Funds
Taxes and assessments	-	-	-	-	-	2,173,312
Licenses and permits	-	-	-	-	-	352,656
Intergovernmental	272,627	105,820	44,167	152,378	733,074	2,608,677
Charges for services	-	-	-	-	-	1,683,800
Fines and forfeitures	-	-	-	-	-	325
Miscellaneous	-	4,294	-	-	-	45,210
Investment earnings	-	-	136	-	-	29,726
Total revenues	<u>272,627</u>	<u>110,114</u>	<u>44,303</u>	<u>152,378</u>	<u>733,074</u>	<u>6,893,706</u>
EXPENDITURES						
General government	-	-	-	-	-	9,653
Public safety	-	4,984	79,649	-	-	1,638,836
Public works	-	-	-	-	-	563,041
Parks and recreation	-	-	-	-	-	1,664,595
Community Development	272,627	-	-	-	733,074	1,492,139
Debt service - principal	-	-	-	-	-	98,226
Debt service - interest	-	-	-	-	-	14,115
Capital outlay	-	109,179	-	164,050	-	691,069
Total expenditures	<u>272,627</u>	<u>114,163</u>	<u>79,649</u>	<u>164,050</u>	<u>733,074</u>	<u>6,171,674</u>
Excess (deficiency) of revenues over expenditures	-	(4,049)	(35,346)	(11,672)	-	722,032
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	97,651
Transfers in	-	-	-	11,672	-	916,404
Transfers (out)	-	-	-	-	-	(802,990)
Total other financing sources and uses	-	-	-	<u>11,672</u>	-	<u>211,065</u>
Net change in fund balance	-	(4,049)	(35,346)	-	-	933,097
Fund balances - beginning	-	4,049	46,389	-	-	5,546,105
Restatements	-	-	-	-	-	(3,051)
Fund balances - beginning restated	-	4,049	46,389	-	-	5,543,054
Fund balances - ending	-	-	11,043	-	-	6,476,151

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

REVENUES	G.O. BONDS	CITY HALL	AIRPORT TIF	WESTSIDE TIF	SID	S & C'S
			DEBT SERVICE	DEBT SERVICE	REVOLVING	
Taxes and assessments	486,393	-	630,891	-	-	9,935
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	101,890	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	54,866	-	-	-	-
Investment earnings	730	-	1,251	-	1,454	-
Total revenues	487,123	156,756	632,142	-	1,454	9,935
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	445,000	116,190	135,000	13,000	-	8,198
Debt service - interest	57,213	40,562	45,800	19,380	-	1,222
Capital outlay	-	-	-	-	-	-
Total expenditures	502,213	156,752	180,800	32,380	-	9,420
Excess (deficiency) of revenues over expenditures	(15,090)	4	451,342	(32,380)	1,454	515
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	12,100	-
Transfers in	-	-	-	32,520	-	-
Transfers (out)	-	-	(450,000)	-	-	-
Total other financing sources and uses	-	-	(450,000)	32,520	12,100	-
Net change in fund balance	(15,090)	4	1,342	140	13,554	515
Fund balances - beginning	36,610	322	188,029	848	268,008	943
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	36,610	322	188,029	848	268,008	943
Fund balances - ending	21,520	326	189,371	988	281,562	1,458

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

REVENUES	SID 343	SID 345	Total Debt Service Funds	S & C CONSTRUCTION	"WILLOWS" PROJECT	Total Capital Project Funds
Taxes and assessments	104,587	-	1,231,806	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	101,890	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	54,866	-	-	-
Investment earnings	-	-	3,435	-	-	-
Total revenues	<u>104,587</u>	<u>-</u>	<u>1,391,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	90,000	1,000	808,388	-	-	-
Debt service - interest	26,720	908	191,805	-	-	-
Capital outlay	-	-	-	17,472	185,719	203,191
Total expenditures	<u>116,720</u>	<u>1,908</u>	<u>1,000,193</u>	<u>17,472</u>	<u>185,719</u>	<u>203,191</u>
Excess (deficiency) of revenues over expenditures	<u>(12,133)</u>	<u>(1,908)</u>	<u>391,804</u>	<u>(17,472)</u>	<u>(185,719)</u>	<u>(203,191)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	11,172	23,272	17,472	218,728	236,200
Transfers in	-	-	32,520	-	-	-
Transfers (out)	-	-	(450,000)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>11,172</u>	<u>(394,208)</u>	<u>17,472</u>	<u>218,728</u>	<u>236,200</u>
Net change in fund balance	<u>(12,133)</u>	<u>9,264</u>	<u>(2,404)</u>	<u>-</u>	<u>33,009</u>	<u>33,009</u>
Fund balances - beginning	79,303	-	574,063	-	(33,009)	(33,009)
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	<u>79,303</u>	<u>-</u>	<u>574,063</u>	<u>-</u>	<u>(33,009)</u>	<u>(33,009)</u>
Fund balances - ending	<u>67,170</u>	<u>9,264</u>	<u>571,659</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Kalispell, Montana
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2014

		Total Nonmajor Governmental Funds
REVENUES		
Taxes and assessments	\$	3,405,118
Licenses and permits		352,656
Intergovernmental		2,710,567
Charges for services		1,683,800
Fines and forfeitures		325
Miscellaneous		100,076
Investment earnings		33,161
Total revenues	\$	<u>8,285,703</u>
EXPENDITURES		
General government	\$	9,653
Public safety		1,638,836
Public works		563,041
Parks and recreation		1,664,595
Community Development		1,492,139
Debt service - principal		906,614
Debt service - interest		205,920
Capital outlay		894,260
Total expenditures	\$	<u>7,375,058</u>
Excess (deficiency) of revenues over expenditures	\$	<u>910,645</u>
OTHER FINANCING SOURCES (USES)		
Issuance of debt	\$	357,123
Transfers in		948,924
Transfers (out)		(1,252,990)
Total other financing sources and uses	\$	<u>53,057</u>
Net change in fund balance	\$	<u>963,702</u>
Fund balances - beginning	\$	6,087,159
Restatements		(3,051)
Fund balances - beginning restated	\$	<u>6,084,108</u>
Fund balances - ending	\$	<u><u>7,047,810</u></u>

**BUDGETARY COMPARISON SCHEDULE – OTHER MAJOR
FUNDS**

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Major Debt Service Fund
 For the Fiscal Year Ended June 30, 2014

SID 344				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 216,118	\$ 216,118	\$ 83,160	\$ (132,958)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	-	-	-	-
Amounts available for appropriation	216,118	216,118	83,160	(132,958)
CHARGES TO APPROPRIATIONS (OUTFLOWS);				
General government	-	-	-	-
Public safety	-	-	83,160	(132,958)
Public works	-	-	-	-
Community development	-	-	-	-
Conservation of natural resources	-	-	-	-
Debt service - principal	225,000	225,000	225,000	-
Debt service - interest	142,283	142,283	142,283	-
Capital outlay	-	-	-	-
Total charges to appropriations	367,283	367,283	367,283	-
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Transfers in	30,797	30,797	30,797	-
Transfers out	-	-	-	-
Total other financing sources (uses)	30,797	30,797	30,797	-
Net change in fund balance			\$ (253,326)	
Fund balance - beginning of the year			\$ 44,619	
Fund balance - beginning of the year - restated			44,619	
Fund balance - end of the year			\$ (208,707)	

**BUDGETARY COMPARISON SCHEDULE – NONMAJOR
FUNDS**

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	AIRPORT TIF			Westside TIF		
	Budget	Actual	Positive / (Negative) Variance	Budget	Actual	Positive / (Negative) Variance
REVENUES						
Taxes and assessments	-	-	-	371,200	281,061	(90,139)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	14,832	42,671	27,839	95,000	234,165	139,165
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	500	1,570	1,070	20,000	15,284	(4,716)
Total revenues	15,332	44,241	28,909	486,200	530,510	44,310
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	141,372	32,539	108,833	2,049,335	60,939	1,988,396
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	141,372	32,539	108,833	2,049,335	60,939	1,988,396
Excess (deficiency) of revenues over expenditures	(126,040)	11,702	137,742	(1,563,135)	469,571	2,032,706
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	450,000	450,000	-	-	-	-
Transfers (out)	-	-	-	(32,520)	(32,520)	-
Total other financing sources and uses	450,000	450,000	-	(32,520)	(32,520)	-
Net change in fund balance	323,960	461,702	137,742	(1,595,655)	437,051	2,032,706
Fund balances - beginning		141,336			2,728,628	
Restatements		-			-	
Fund balances - beginning restated		141,336			2,728,628	
Fund balances - ending		603,038			3,165,679	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Parks in Lieu</u>			<u>Parks</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	877,500	884,051	6,551
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	14,000	14,000	-
Charges for services	1,400	12,722	11,322	476,500	523,405	46,905
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	6,400	5,000	(1,400)	2,000	2,051	51
Investment earnings	400	161	(239)	1,400	1,322	(78)
Total revenues	<u>8,200</u>	<u>17,883</u>	<u>9,683</u>	<u>1,371,400</u>	<u>1,424,829</u>	<u>53,429</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	1,531,509	1,461,874	69,635
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	24,505	24,454	51
Debt service - interest	-	-	-	1,361	888	473
Capital outlay	32,800	32,800	-	7,880	15,900	(8,020)
Total expenditures	<u>32,800</u>	<u>32,800</u>	<u>-</u>	<u>1,565,255</u>	<u>1,503,116</u>	<u>62,139</u>
Excess (deficiency) of revenues over expenditures	<u>(24,600)</u>	<u>(14,917)</u>	<u>9,683</u>	<u>(193,855)</u>	<u>(78,287)</u>	<u>115,568</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	68,000	68,000	-
Transfers (out)	(11,673)	(11,673)	-	-	-	-
Total other financing sources and uses	<u>(11,673)</u>	<u>(11,673)</u>	<u>-</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Net change in fund balance	<u>(36,273)</u>	<u>(26,590)</u>	<u>9,683</u>	<u>(125,855)</u>	<u>(10,287)</u>	<u>115,568</u>
Fund balances - beginning		35,978			465,831	
Restatements		-			-	
Fund balances - beginning restated		<u>35,978</u>			<u>465,831</u>	
Fund balances - ending		<u>9,388</u>			<u>455,544</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>AMBULANCE</u>			<u>OLD SCHOOL TIF (TECH)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	46,050	49,813	3,763
Licenses and permits	-	-	-	-	-	-
Intergovernmental	110,000	100,049	(9,951)	362	3,057	2,695
Charges for services	588,600	567,337	(21,263)	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	67	67	50	77	27
Total revenues	<u>698,600</u>	<u>667,453</u>	<u>(31,147)</u>	<u>46,462</u>	<u>52,947</u>	<u>6,485</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	968,919	960,244	8,675	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	24,250	22,230	2,020
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>968,919</u>	<u>960,244</u>	<u>8,675</u>	<u>24,250</u>	<u>22,230</u>	<u>2,020</u>
Excess (deficiency) of revenues over expenditures	<u>(270,319)</u>	<u>(292,791)</u>	<u>(22,472)</u>	<u>22,212</u>	<u>30,717</u>	<u>8,505</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	264,558	291,796	27,238	-	-	-
Transfers (out)	-	-	-	(22,000)	(22,000)	-
Total other financing sources and uses	<u>264,558</u>	<u>291,796</u>	<u>27,238</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net change in fund balance	<u>(5,761)</u>	<u>(995)</u>	<u>4,766</u>	<u>212</u>	<u>8,717</u>	<u>8,505</u>
Fund balances - beginning		10,448			4,493	
Restatements		-			-	
Fund balances - beginning restated		<u>10,448</u>			<u>4,493</u>	
Fund balances - ending		<u>9,453</u>			<u>13,210</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	OLD SCHOOL TIF (IND)		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES			
Taxes and assessments	13,000	2,520	(10,480)
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Investment earnings	-	68	68
Total revenues	<u>13,000</u>	<u>2,588</u>	<u>(10,412)</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Community Development	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>13,000</u>	<u>2,588</u>	<u>(10,412)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt		-	-
Transfers in		-	-
Transfers (out)	(13,000)	(8,797)	4,203
Total other financing sources and uses	<u>(13,000)</u>	<u>(8,797)</u>	<u>4,203</u>
Net change in fund balance	<u>-</u>	<u>(6,209)</u>	<u>(6,209)</u>
Fund balances - beginning		6,210	
Restatements		-	
Fund balances - beginning restated		<u>6,210</u>	
Fund balances - ending		<u>1</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Health Levy</u>			<u>Building Department</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	724,657	719,914	(4,743)	-	-	-
Licenses and permits	-	-	-	237,200	352,656	115,456
Intergovernmental	-	22,274	22,274	-	-	-
Charges for services	-	-	-	50,000	83,242	33,242
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	1,500	2,078	578
Total revenues	<u>724,657</u>	<u>742,188</u>	<u>17,531</u>	<u>288,700</u>	<u>437,976</u>	<u>149,276</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	330,050	340,626	(10,576)
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	50,000	22,155	27,845
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,050</u>	<u>362,781</u>	<u>17,269</u>
Excess (deficiency) of revenues over expenditures	<u>724,657</u>	<u>742,188</u>	<u>17,531</u>	<u>(91,350)</u>	<u>75,195</u>	<u>166,545</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	(729,000)	(728,000)	1,000	-	-	-
Total other financing sources and uses	<u>(729,000)</u>	<u>(728,000)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(4,343)</u>	<u>14,188</u>	<u>18,531</u>	<u>(91,350)</u>	<u>75,195</u>	<u>166,545</u>
Fund balances - beginning		26,866			354,444	
Restatements		-			-	
Fund balances - beginning restated		<u>26,866</u>			<u>354,444</u>	
Fund balances - ending		<u>41,054</u>			<u>429,639</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Impact Fees			Light Maintenance		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	237,500	235,953	(1,547)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	67,200	153,952	86,752	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	14,282	14,282
Investment earnings	2,175	2,092	(83)	900	527	(373)
Total revenues	<u>69,375</u>	<u>156,044</u>	<u>86,669</u>	<u>238,400</u>	<u>250,762</u>	<u>12,362</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	44,000	3,500	40,500	-	-	-
Public works	-	-	-	296,025	282,740	13,285
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	29,250	29,326	(76)	23,000	10,658	12,342
Debt service - interest	5,955	5,977	(22)	1,438	465	973
Capital outlay	250,000	-	250,000	101,275	100,329	946
Total expenditures	<u>329,205</u>	<u>38,803</u>	<u>290,402</u>	<u>421,738</u>	<u>394,192</u>	<u>27,546</u>
Excess (deficiency) of revenues over expenditures	<u>(259,830)</u>	<u>117,241</u>	<u>377,071</u>	<u>(183,338)</u>	<u>(143,430)</u>	<u>39,908</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	98,000	97,651	(349)
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,000</u>	<u>97,651</u>	<u>(349)</u>
Net change in fund balance	<u>(259,830)</u>	<u>117,241</u>	<u>377,071</u>	<u>(85,338)</u>	<u>(45,779)</u>	<u>39,559</u>
Fund balances - beginning		344,195			153,315	
Restatements		-			-	
Fund balances - beginning restated		<u>344,195</u>			<u>153,315</u>	
Fund balances - ending		<u>461,436</u>			<u>107,536</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Gas Tax</u>			<u>URBAN FORESTRY</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	360,000	364,563	4,563	2,750	2,750	-
Charges for services	-	-	-	207,200	216,333	9,133
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	750	492	(258)
Investment earnings	2,000	2,209	209	500	698	198
Total revenues	<u>362,000</u>	<u>366,772</u>	<u>4,772</u>	<u>211,200</u>	<u>220,273</u>	<u>9,073</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	660,500	280,301	380,199	-	-	-
Parks and recreation	-	-	-	321,840	202,721	119,119
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	8,210	8,155	55
Debt service - interest	-	-	-	400	319	81
Capital outlay	85,000	72,123	12,877	-	-	-
Total expenditures	<u>745,500</u>	<u>352,424</u>	<u>393,076</u>	<u>330,450</u>	<u>211,195</u>	<u>119,255</u>
Excess (deficiency) of revenues over expenditures	<u>(383,500)</u>	<u>14,348</u>	<u>397,848</u>	<u>(119,250)</u>	<u>9,078</u>	<u>128,328</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(383,500)</u>	<u>14,348</u>	<u>397,848</u>	<u>(119,250)</u>	<u>9,078</u>	<u>128,328</u>
Fund balances - beginning		422,595			172,600	
Restatements		-			-	
Fund balances - beginning restated		<u>422,595</u>			<u>172,600</u>	
Fund balances - ending		<u>436,943</u>			<u>181,678</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>MACI GRANT</u>			<u>CD MISC.</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	524,000	151,111	(372,889)	-	-	-
Charges for services	-	-	-	9,820	9,820	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	865	865
Investment earnings	-	-	-	1,200	1,320	120
Total revenues	<u>524,000</u>	<u>151,111</u>	<u>(372,889)</u>	<u>11,020</u>	<u>12,005</u>	<u>985</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	25,865	-	25,865
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	650,000	174,533	475,467	-	-	-
Total expenditures	<u>650,000</u>	<u>174,533</u>	<u>475,467</u>	<u>25,865</u>	<u>-</u>	<u>25,865</u>
Excess (deficiency) of revenues over expenditures	<u>(126,000)</u>	<u>(23,422)</u>	<u>102,578</u>	<u>(14,845)</u>	<u>12,005</u>	<u>26,850</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	42,264	-	(42,264)	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>42,264</u>	<u>-</u>	<u>(42,264)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(83,736)</u>	<u>(23,422)</u>	<u>60,314</u>	<u>(14,845)</u>	<u>12,005</u>	<u>26,850</u>
Fund balances - beginning		83,736			248,823	
Restatements		-			-	
Fund balances - beginning restated		<u>83,736</u>			<u>248,823</u>	
Fund balances - ending		<u>60,314</u>			<u>260,828</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>RD REVOLVING LOAN (2)</u>			<u>STONEGARDEN GRANT</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	17,750	4,622	(13,128)
Charges for services	94,826	98,030	3,204	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	800	2,117	1,317	-	-	-
Total revenues	<u>95,626</u>	<u>100,147</u>	<u>4,521</u>	<u>17,750</u>	<u>4,622</u>	<u>(13,128)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	17,750	4,622	13,128
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	214,314	100,007	114,307	-	-	-
Debt service - principal	26,050	25,633	417	-	-	-
Debt service - interest	6,800	6,466	334	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>247,164</u>	<u>132,106</u>	<u>115,058</u>	<u>17,750</u>	<u>4,622</u>	<u>13,128</u>
Excess (deficiency) of revenues over expenditures	<u>(151,538)</u>	<u>(31,959)</u>	<u>119,579</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(151,538)</u>	<u>(31,959)</u>	<u>119,579</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		232,935			-	
Restatements		-			-	
Fund balances - beginning restated		<u>232,935</u>			-	
Fund balances - ending		<u>200,976</u>			-	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Drug Enforcement Grant</u>			<u>CHRP GRANT</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	29,260	34,179	4,919	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	10,976	10,976	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>29,260</u>	<u>45,155</u>	<u>15,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	90,376	90,376	-	78,663	76,477	2,186
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>90,376</u>	<u>90,376</u>	<u>-</u>	<u>78,663</u>	<u>76,477</u>	<u>2,186</u>
Excess (deficiency) of revenues over expenditures	<u>(61,116)</u>	<u>(45,221)</u>	<u>15,895</u>	<u>(78,663)</u>	<u>(76,477)</u>	<u>2,186</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	55,000	55,000	-	36,939	36,436	(503)
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>36,939</u>	<u>36,436</u>	<u>(503)</u>
Net change in fund balance	<u>(6,116)</u>	<u>9,779</u>	<u>15,895</u>	<u>(41,724)</u>	<u>(40,041)</u>	<u>1,683</u>
Fund balances - beginning		12,427			43,020	
Restatements		-			-	
Fund balances - beginning restated		<u>12,427</u>			<u>43,020</u>	
Fund balances - ending		<u>22,206</u>			<u>2,979</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	LAW ENFORCEMENT GRANTS			CULTURAL ARTS GRANTS		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	51,500	52,164	664	23,750	1,280	(22,470)
Charges for services	20,000	18,959	(1,041)	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	2,500	7,250	4,750	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>74,000</u>	<u>78,373</u>	<u>4,373</u>	<u>23,750</u>	<u>1,280</u>	<u>(22,470)</u>
EXPENDITURES						
General government	-	-	-	23,750	1,280	22,470
Public safety	90,413	78,358	12,055	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>90,413</u>	<u>78,358</u>	<u>12,055</u>	<u>23,750</u>	<u>1,280</u>	<u>22,470</u>
Excess (deficiency) of revenues over expenditures	<u>(16,413)</u>	<u>15</u>	<u>16,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	3,500	3,500	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(12,913)</u>	<u>3,515</u>	<u>16,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		2,742			-	
Restatements		<u>(3,051)</u>			-	
Fund balances - beginning restated		<u>(309)</u>			-	
Fund balances - ending		<u>3,206</u>			-	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Preserve America Grant</u>			<u>CDBG - ED FVCC</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	19,819	12,568	(7,251)	359,500	258,155	(101,345)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>19,819</u>	<u>12,568</u>	<u>(7,251)</u>	<u>359,500</u>	<u>258,155</u>	<u>(101,345)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	19,819	12,568	7,251	359,500	258,155	101,345
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>19,819</u>	<u>12,568</u>	<u>7,251</u>	<u>359,500</u>	<u>258,155</u>	<u>101,345</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	-	-	-	-	-	-
Fund balances - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>DUI Court Grant</u>			<u>BROWNFIELDS GRANTS (2)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	63,996	3,003	(60,993)	1,141,217	272,627	(868,590)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	325	325	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>63,996</u>	<u>3,328</u>	<u>(60,668)</u>	<u>1,141,217</u>	<u>272,627</u>	<u>(868,590)</u>
EXPENDITURES						
General government	64,987	8,373	56,614	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	1,141,217	272,627	868,590
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>64,987</u>	<u>8,373</u>	<u>56,614</u>	<u>1,141,217</u>	<u>272,627</u>	<u>868,590</u>
Excess (deficiency) of revenues over expenditures	<u>(991)</u>	<u>(5,045)</u>	<u>(4,054)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(991)</u>	<u>(5,045)</u>	<u>(4,054)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		5,045			-	
Restatements		-			-	
Fund balances - beginning restated		<u>5,045</u>			<u>-</u>	
Fund balances - ending		<u>-</u>			<u>-</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	FIRE GRANTS			HAZMAT GRANT		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	122,403	105,820	(16,583)	44,167	44,167	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	2,500	4,294	1,794	-	-	-
Investment earnings	-	-	-	100	136	36
Total revenues	<u>124,903</u>	<u>110,114</u>	<u>(14,789)</u>	<u>44,267</u>	<u>44,303</u>	<u>36</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	17,600	4,984	12,616	86,434	79,649	6,785
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	112,403	109,179	3,224	-	-	-
Total expenditures	<u>130,003</u>	<u>114,163</u>	<u>15,840</u>	<u>86,434</u>	<u>79,649</u>	<u>6,785</u>
Excess (deficiency) of revenues over expenditures	<u>(5,100)</u>	<u>(4,049)</u>	<u>1,051</u>	<u>(42,167)</u>	<u>(35,346)</u>	<u>6,821</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(5,100)</u>	<u>(4,049)</u>	<u>1,051</u>	<u>(42,167)</u>	<u>(35,346)</u>	<u>6,821</u>
Fund balances - beginning		4,049			46,389	
Restatements		-			-	
Fund balances - beginning restated		<u>4,049</u>			<u>46,389</u>	
Fund balances - ending		<u>-</u>			<u>11,043</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	TRAILS GRANTS			NSP GRANT (2)		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	105,826	152,378	46,552	768,134	733,074	(35,060)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>105,826</u>	<u>152,378</u>	<u>46,552</u>	<u>768,134</u>	<u>733,074</u>	<u>(35,060)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	768,134	733,074	35,060
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	164,050	164,050	-	-	-	-
Total expenditures	<u>164,050</u>	<u>164,050</u>	<u>-</u>	<u>768,134</u>	<u>733,074</u>	<u>35,060</u>
Excess (deficiency) of revenues over expenditures	<u>(58,224)</u>	<u>(11,672)</u>	<u>46,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	11,672	11,672	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>11,672</u>	<u>11,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(58,224)</u>	<u>-</u>	<u>58,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
Fund balances - beginning restated	-	-	-	-	-	-
Fund balances - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Total Special Revenue Funds			G.O. BONDS		
	Budget	Actual	Positive / (Negative) Variance	Budget	Actual	Positive / (Negative) Variance
REVENUES						
Taxes and assessments	2,269,907	2,173,312	(96,595)	491,500	486,393	(5,107)
Licenses and permits	237,200	352,656	115,456	-	-	-
Intergovernmental	3,868,266	2,608,677	(1,259,589)	-	-	-
Charges for services	1,515,546	1,683,800	168,254	-	-	-
Fines and forfeitures	-	325	325	-	-	-
Miscellaneous	14,150	45,210	31,060	-	-	-
Investment earnings	31,525	29,726	(1,799)	500	730	230
Total revenues	7,936,594	6,893,706	(1,042,888)	492,000	487,123	(4,877)
EXPENDITURES						
General government	88,737	9,653	79,084	-	-	-
Public safety	1,724,205	1,638,836	85,369	-	-	-
Public works	956,525	563,041	393,484	-	-	-
Parks and recreation	1,853,349	1,664,595	188,754	-	-	-
Community Development	4,743,806	1,492,139	3,251,667	-	-	-
Debt service - principal	111,015	98,226	12,789	445,000	445,000	-
Debt service - interest	15,954	14,115	1,839	57,313	57,213	100
Capital outlay	1,453,408	691,069	762,339	-	-	-
Total expenditures	10,946,999	6,171,674	4,775,325	502,313	502,213	100
Excess (deficiency) of revenues over expenditures	(3,010,405)	722,032	3,732,437	(10,313)	(15,090)	(4,777)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	98,000	97,651	(349)	-	-	-
Transfers in	920,261	916,404	(3,857)	-	-	-
Transfers (out)	(808,193)	(802,990)	5,203	-	-	-
Total other financing sources and uses	210,068	211,065	997	-	-	-
Net change in fund balance	(2,800,337)	933,097	3,733,434	(10,313)	(15,090)	(4,777)
Fund balances - beginning		5,546,105			36,610	
Restatements		(3,051)			-	
Fund balances - beginning restated		5,543,054			36,610	
Fund balances - ending		6,476,151			21,520	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>City Hall Debt Service</u>			<u>Airport TIF Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	638,500	630,891	(7,609)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	101,890	101,890	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	54,862	54,866	4	-	-	-
Investment earnings	-	-	-	1,500	1,251	(249)
Total revenues	<u>156,752</u>	<u>156,756</u>	<u>4</u>	<u>640,000</u>	<u>632,142</u>	<u>(7,858)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	116,190	116,190	-	135,000	135,000	-
Debt service - interest	40,562	40,562	-	45,800	45,800	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>156,752</u>	<u>156,752</u>	<u>-</u>	<u>180,800</u>	<u>180,800</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	4	4	459,200	451,342	(7,858)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(450,000)	(450,000)	-
Total other financing sources and uses	-	-	-	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>4</u>	<u>4</u>	<u>9,200</u>	<u>1,342</u>	<u>(7,858)</u>
Fund balances - beginning		322			188,029	
Restatements		-			-	
Fund balances - beginning restated		<u>322</u>			<u>188,029</u>	
Fund balances - ending		<u>326</u>			<u>189,371</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Westside TIF Debt</u>			<u>SID Revolving</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	1,454	1,454
Total revenues	-	-	-	-	1,454	1,454
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	13,000	13,000	-	-	-	-
Debt service - interest	19,520	19,380	140	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	32,520	32,380	140	-	-	-
Excess (deficiency) of revenues over expenditures	(32,520)	(32,380)	140	-	1,454	1,454
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	12,100	12,100
Transfers in	32,520	32,520	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	32,520	32,520	-	-	12,100	12,100
Net change in fund balance	-	140	140	-	13,554	13,554
Fund balances - beginning		848			268,008	
Restatements		-			-	
Fund balances - beginning restated		848			268,008	
Fund balances - ending		988			281,562	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>S & C's</u>			<u>SID 343</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	9,386	9,935	549	104,587	104,587	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	<u>9,386</u>	<u>9,935</u>	<u>549</u>	<u>104,587</u>	<u>104,587</u>	<u>-</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	8,200	8,198	2	90,000	90,000	-
Debt service - interest	1,236	1,222	14	28,510	26,720	1,790
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>9,436</u>	<u>9,420</u>	<u>16</u>	<u>118,510</u>	<u>116,720</u>	<u>1,790</u>
Excess (deficiency) of revenues over expenditures	<u>(50)</u>	<u>515</u>	<u>565</u>	<u>(13,923)</u>	<u>(12,133)</u>	<u>1,790</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(50)</u>	<u>515</u>	<u>565</u>	<u>(13,923)</u>	<u>(12,133)</u>	<u>1,790</u>
Fund balances - beginning		943			79,303	
Restatements		-			-	
Fund balances - beginning restated		<u>943</u>			<u>79,303</u>	
Fund balances - ending		<u>1,458</u>			<u>67,170</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	SID 345			Total Debt Service Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	18,640	-	(18,640)	1,262,613	1,231,806	(30,807)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	101,890	101,890	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	54,862	54,866	4
Investment earnings	-	-	-	2,000	3,435	1,435
Total revenues	18,640	-	(18,640)	1,421,365	1,391,997	(29,368)
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	8,000	1,000	7,000	815,390	808,388	7,002
Debt service - interest	10,640	908	9,732	203,581	191,805	11,776
Capital outlay	-	-	-	-	-	-
Total expenditures	18,640	1,908	16,732	1,018,971	1,000,193	18,778
Excess (deficiency) of revenues over expenditures	-	(1,908)	(1,908)	402,394	391,804	(10,590)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	11,172	11,172	-	23,272	23,272
Transfers in	-	-	-	32,520	32,520	-
Transfers (out)	-	-	-	(450,000)	(450,000)	-
Total other financing sources and uses	-	11,172	11,172	(417,480)	(394,208)	23,272
Net change in fund balance	-	9,264	9,264	(15,086)	(2,404)	12,682
Fund balances - beginning		-			574,063	
Restatements		-			-	
Fund balances - beginning restated		-			574,063	
Fund balances - ending		<u>9,264</u>			<u>571,659</u>	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>S & C Construction</u>			<u>"WILLOWS" PROJECT</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES						
Taxes and assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-
Capital outlay	25,000	17,472	7,528	208,991	185,719	23,272
Total expenditures	25,000	17,472	7,528	208,991	185,719	23,272
Excess (deficiency) of revenues over expenditures	(25,000)	(17,472)	7,528	(208,991)	(185,719)	23,272
OTHER FINANCING SOURCES (USES)						
Issuance of debt	25,000	17,472	(7,528)	208,991	218,728	9,737
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources and uses	25,000	17,472	(7,528)	208,991	218,728	9,737
Net change in fund balance	-	-	-	-	33,009	33,009
Fund balances - beginning		-			(33,009)	
Restatements		-			-	
Fund balances - beginning restated		-			(33,009)	
Fund balances - ending		-			-	

See accompanying notes to the financial statements

City of Kalispell, Montana
 Budgetary Comparison Schedule
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Total Capital Project Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>
REVENUES			
Taxes and assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Investment earnings	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Community Development	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	233,991	203,191	30,800
Total expenditures	<u>233,991</u>	<u>203,191</u>	<u>30,800</u>
Excess (deficiency) of revenues over expenditures	<u>(233,991)</u>	<u>(203,191)</u>	<u>30,800</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	233,991	236,200	2,209
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources and uses	<u>233,991</u>	<u>236,200</u>	<u>2,209</u>
Net change in fund balance	<u>-</u>	<u>33,009</u>	<u>33,009</u>
Fund balances - beginning		(33,009)	
Restatements		-	
Fund balances - beginning restated		<u>(33,009)</u>	
Fund balances - ending		<u>-</u>	

See accompanying notes to the financial statements

COMBINING AND INDIVIDUAL FUND STATEMENTS

NONMAJOR PROPRIETARY FUNDS

Airport Enterprise - Accounts for all monies received and expensed in the operation of the City airport.

Solid Waste - Accounts for assessments received and expenses incurred in the operation of the City solid waste department.

City of Kalispell, Montana
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2014

	<u>Airport Enterprise</u>	<u>Solid Waste</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 101,449	\$ 797,707	\$ 899,156
Taxes and assessments receivable, net	-	25,616	25,616
Accounts receivable - net	748	-	748
Due from other governments	-	97,168	97,168
Prepays	-	6,495	6,495
Total current assets	<u>102,197</u>	<u>926,986</u>	<u>1,029,183</u>
Noncurrent assets:			
Capital assets - land	1,359,545	-	1,359,545
Capital assets - depreciable, net	1,100,061	706,189	1,806,250
Total noncurrent assets	<u>2,459,606</u>	<u>706,189</u>	<u>3,165,795</u>
Total assets	<u>2,561,803</u>	<u>1,633,175</u>	<u>4,194,978</u>
LIABILITIES			
Current liabilities:			
Accounts payable	191	16,055	16,246
Accrued payroll	-	9,409	9,409
Current portion of long-term capital liabilities	-	18,833	18,833
Current portion of compensated absences payable	-	39,892	39,892
Total current liabilities	<u>191</u>	<u>84,189</u>	<u>84,380</u>
Noncurrent liabilities:			
Noncurrent portion of long-term capital liabilities	-	154,155	154,155
Noncurrent portion of compensated absences	-	27,664	27,664
Total noncurrent liabilities	<u>-</u>	<u>181,819</u>	<u>181,819</u>
Total liabilities	<u>191</u>	<u>266,008</u>	<u>266,199</u>
NET POSITION			
Net investment in capital assets	2,459,606	533,201	2,992,807
Unrestricted	102,006	833,966	935,972
Total net position	<u>\$ 2,561,612</u>	<u>\$ 1,367,167</u>	<u>\$ 3,928,779</u>

See accompanying notes to the financial statements

City of Kalispell, Montana
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Airport Enterprise</u>	<u>Solid Waste</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 78,657	\$ 949,803	\$ 1,028,460
Miscellaneous revenues	-	1,873	1,873
Total operating revenues	<u>78,657</u>	<u>951,676</u>	<u>1,030,333</u>
OPERATING EXPENSES			
Personal services	28,271	488,845	517,116
Supplies	277	95,838	96,115
Purchased services	32,243	27,943	60,186
Fixed charges	20,499	107,372	127,871
Depreciation	96,461	92,652	189,113
Total operating expenses	<u>177,751</u>	<u>812,650</u>	<u>990,401</u>
Operating income (loss)	<u>(99,094)</u>	<u>139,026</u>	<u>39,932</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	646	4,478	5,124
Total non-operating revenues (expenses)	<u>646</u>	<u>4,478</u>	<u>5,124</u>
Income (loss) before contributions and transfers	<u>(98,448)</u>	<u>143,504</u>	<u>45,056</u>
Change in net position	<u>(98,448)</u>	<u>143,504</u>	<u>45,056</u>
Net Position - beginning of the year	2,844,493	1,223,663	4,068,156
Restatements	(184,433)	-	(184,433)
Net Position - beginning of the year - restated	<u>2,660,060</u>	<u>1,223,663</u>	<u>3,883,723</u>
Net Position - end of the year	<u>\$ 2,561,612</u>	<u>\$ 1,367,167</u>	<u>\$ 3,928,779</u>

See accompanying notes to the financial statements

City of Kalispell, Montana
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended June 30, 2014

	<u>Airport</u> <u>Enterprise</u>	<u>Solid Waste</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 78,359	\$ 937,536	\$ 1,015,895
Cash payments for claims	(71,919)	(246,462)	(318,381)
Cash payments to employees	(\$36,904)	(\$480,835)	(\$517,739)
Net cash provided (used) by operating activities	<u>(30,464)</u>	<u>212,113</u>	<u>181,649</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(\$453,598)	(453,598)
Proceeds from bonds, loans and advances		\$172,988	172,988
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(280,610)</u>	<u>(280,610)</u>
Cash flows from non-capital financing activities:			
Net cash provided (used) from non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	646	4,478	5,124
Net cash provided (used) by investing activities	<u>646</u>	<u>4,478</u>	<u>5,124</u>
Net increase (decrease) in cash and cash equivalents	(29,818)	(64,019)	(93,837)
Cash and cash equivalents at beginning	131,267	861,726	992,993
Restatement		-	-
Cash and cash equivalents at end	<u>\$ 101,449</u>	<u>\$ 797,707</u>	<u>\$ 899,156</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (99,094)	\$ 139,026	\$ 39,932
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	96,461	92,652	189,113
Changes in assets and liabilities:			
Accounts receivable - net	(298)	-	(298)
Ppd health insurance	608	-	608
Taxes and assessments receivable, net	-	3,670	3,670
Due from county	-	(15,936)	(15,936)
Comp absences	(8,051)	6,325	(1,726)
Accounts payable	(18,900)	(15,309)	(34,209)
Accrued payroll	(1,190)	1,685	495
Net cash provided (used) by operating activities	<u>\$ (30,464)</u>	<u>\$ 212,113</u>	<u>\$ 181,649</u>

See accompanying notes to the financial statements

COMBINING AND INDIVIDUAL FUND STATEMENTS

AGENCY FUNDS

TBID Clearing - Accounts for monies received for and due to the Tourism Business Improvement District.

Payroll Clearing - Accounts for payroll deductions and expenses payable to other agencies and vendors.

Performance Bonds - Accounts for monies held by the City as a guarantee of performance by developers or vendors.

City of Kalispell, Montana
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

	<u>TBID Clearing</u>	<u>Payroll Clearing</u>	<u>Performance Bonds</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and investments	\$ 2,066	\$ 461,057	\$ 36,329	\$ 499,452
Total assets	<u>2,066</u>	<u>461,057</u>	<u>36,329</u>	<u>499,452</u>
LIABILITIES				
Current liabilities:				
Due to others	<u>2,066</u>	<u>461,057</u>	<u>36,329</u>	<u>499,452</u>
Total liabilities	<u>2,066</u>	<u>461,057</u>	<u>36,329</u>	<u>499,452</u>
NET POSITION				
Unrestricted	-	-	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

City of Kalispell, Montana
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2014

	Payroll Clearing			
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Current assets:				
Cash and investments	\$ 484,338	\$ 7,660,404	\$ (7,683,685)	\$ 461,057
Total assets	\$ 484,338	\$ 7,660,404	\$ (7,683,685)	\$ 461,057
LIABILITIES				
Current liabilities:				
Due to others	\$ 484,338	\$ 7,660,404	\$ (7,683,685)	\$ 461,057
Total liabilities	\$ 484,338	\$ 7,660,404	\$ (7,683,685)	\$ 461,057

	Performance Bonds			
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Current assets:				
Cash and investments	\$ 29,823	\$ 49,794	\$ (43,288)	\$ 36,329
Total assets	\$ 29,823	\$ 49,794	\$ (43,288)	\$ 36,329
LIABILITIES				
Current liabilities:				
Due to others	\$ 29,823	\$ 49,794	\$ (43,288)	\$ 36,329
Total liabilities	\$ 29,823	\$ 49,794	\$ (43,288)	\$ 36,329

	Tourism Business Improvement District			
	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Cash and investments	\$ 928	\$ 518,610	\$ (517,472)	\$ 2,066
Total assets	\$ 928	\$ 518,610	\$ (517,472)	\$ 2,066
LIABILITIES				
Due to others	\$ 928	\$ 518,610	\$ (517,472)	\$ 2,066
Total liabilities	\$ 928	\$ 518,610	\$ (517,472)	\$ 2,066

See accompanying notes to the financial statements

STATISTICAL SECTION

This part of the City of Kalispell's financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosure and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the City of Kalispell annual financial report for the relevant year.

Note: The City of Kalispell implemented GASB Statement 34 in fiscal year 2003, therefore the data for prior years are not shown; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

CITY OF KALISPELL, MONTANA
NET POSITION BY COMPONENT
Past Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 15,365,719	\$ 12,270,552	\$ 60,554,766	\$ 62,594,205	\$ 65,102,418	\$ 77,682,685	\$ 78,295,883	\$ 75,621,152	\$ 72,872,788	\$ 71,734,631
Restricted	6,496,492	9,423,345	6,996,834	6,831,619	6,095,175	7,186,867	8,129,527	9,296,513	7,745,994	8,577,197
Unrestricted	6,315,102	8,092,703	7,476,121	6,400,925	5,927,400	5,953,248	5,921,717	5,849,339	6,851,705	7,516,921
Total governmental activities net position	<u>\$ 28,177,313</u>	<u>\$ 29,786,600</u>	<u>\$ 75,027,721</u>	<u>\$ 75,826,749</u>	<u>\$ 77,124,993</u>	<u>\$ 90,822,800</u>	<u>\$ 92,347,127</u>	<u>\$ 90,767,004</u>	<u>\$ 87,470,487</u>	<u>\$ 87,828,749</u>
Business-type activities										
Net investment in capital assets	\$ 26,714,449	\$ 33,305,438	\$ 44,997,371	\$ 54,143,386	\$ 60,183,999	\$ 60,359,380	\$ 58,713,395	\$ 56,992,686	\$ 56,139,329	\$ 58,015,752
Restricted	1,827,022	10,656,773	11,708,419	9,402,486	6,574,373	5,731,993	5,914,396	6,107,459	6,735,034	7,590,734
Unrestricted	12,844,038	6,521,277	6,004,775	8,621,068	5,753,597	6,122,979	6,221,456	7,320,447	8,650,365	8,435,587
Total business-type activities net position	<u>\$ 41,385,509</u>	<u>\$ 50,483,488</u>	<u>\$ 62,710,565</u>	<u>\$ 72,166,940</u>	<u>\$ 72,511,969</u>	<u>\$ 72,214,352</u>	<u>\$ 70,849,247</u>	<u>\$ 70,420,592</u>	<u>\$ 71,524,728</u>	<u>\$ 74,042,073</u>
Primary Government										
Net investment in capital assets	\$ 42,080,168	\$ 45,575,990	\$ 105,552,137	\$ 116,737,591	\$ 125,286,417	\$ 138,042,065	\$ 137,009,278	\$ 132,613,838	\$ 129,012,117	\$ 129,750,383
Restricted	8,323,514	20,080,118	18,705,253	16,234,105	12,669,548	12,918,860	14,043,923	15,403,972	14,481,028	16,167,931
Unrestricted	19,159,140	14,613,980	13,480,896	15,021,993	11,680,997	12,076,227	12,143,173	13,169,786	15,502,070	15,952,508
Total primary government net position	<u>\$ 69,562,822</u>	<u>\$ 80,270,088</u>	<u>\$ 137,738,286</u>	<u>\$ 147,993,689</u>	<u>\$ 149,636,962</u>	<u>\$ 163,037,152</u>	<u>\$ 163,196,374</u>	<u>\$ 161,187,596</u>	<u>\$ 158,995,215</u>	<u>\$ 161,870,822</u>

CITY OF KALISPELL, MONTANA
CHANGES IN NET POSITION
Past Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 2,050,695	\$ 2,688,413	\$ 5,851,576	\$ 7,230,428	\$ 6,778,754	\$ 5,149,809	\$ 5,310,274	\$ 6,995,454	\$ 6,709,523	\$ 5,688,135
Public Safety	5,853,586	6,875,372	7,684,804	9,608,419	8,962,262	9,015,732	8,729,290	8,536,332	9,293,138	9,269,827
Public Works	1,890,861	2,196,190	1,979,249	2,326,750	2,327,255	3,201,811	3,306,165	2,844,001	3,074,630	2,573,627
Parks and recreation	1,587,454	1,719,630	1,895,781	2,302,240	2,009,168	1,860,308	1,845,939	1,913,920	1,991,585	2,123,237
Community Development	1,112,746	1,482,210	3,706,504	979,002	1,012,555	1,629,656	2,033,880	1,426,377	3,616,337	1,601,170
Miscellaneous	1,517	1,053	(14,839)							
Interest	288,363	529,263	736,927	701,786	672,386	627,678	580,361		390,770	357,857
Total governmental activities expenses	\$ 12,785,222	\$ 15,492,131	\$ 21,840,002	\$ 23,148,625	\$ 21,762,380	\$ 21,484,994	\$ 21,805,909	\$ 21,716,084	\$ 25,075,984	\$ 21,613,853
Business-type activities:										
Airport		\$ 105,429	\$ 174,865	\$ 202,122	\$ 204,842	\$ 176,702	\$ 214,636	\$ 217,616	\$ 225,974	\$ 177,751
Water	1,668,032	1,808,613	2,080,954	2,394,777	2,597,419	2,638,011	2,689,293	2,592,628	2,660,877	2,625,046
Sewer	3,191,852	3,570,618	4,037,350	4,716,788	5,354,062	5,976,393	5,882,868	5,564,219	5,255,654	5,114,591
Ambulance	1,167,458	1,383,918	1,707,121							
Solid Waste	548,514	615,882	654,839	762,782	772,132	801,909	718,139	749,481	783,967	812,650
Total business-type activities expenses	6,575,856	7,484,460	8,655,129	8,076,469	8,928,455	9,593,015	9,504,936	9,123,944	8,926,472	8,730,038
Total primary government expense:	\$ 19,361,078	\$ 22,976,591	\$ 30,495,131	\$ 31,225,094	\$ 30,690,835	\$ 31,078,009	\$ 31,310,845	\$ 30,840,028	\$ 34,002,456	\$ 30,343,891
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 419,416	\$ 434,172	\$ 432,519	\$ 621,250	\$ 829,925	\$ 951,940	\$ 1,039,553	\$ 865,223	\$ 669,964	\$ 628,729
Public Safety	1,316,455	1,799,378	2,542,711	2,441,274	1,867,539	1,622,104	1,678,825	1,753,969	1,928,011	2,033,870
Public Works	1,400,939	1,499,638	1,650,116	2,269,770	2,604,731	2,098,848	2,312,530	2,226,027	2,201,616	2,172,122
Parks and recreation	590,636	700,576	739,245	754,025	547,874	624,158	592,868	619,634	711,969	752,460
Community Development	301,017	464,300	1,993,623	507,699	228,989	136,598	28,161	243,088	170,429	283,134
Operating grants and contributions	1,584,106	1,793,603	1,782,022	2,108,149	2,074,401	3,768,083	3,588,307	2,554,322	2,688,746	2,636,321
Capital grants and contributions	457,360	158,695	5,473,543	6,318,780	6,551,018	2,284,267	3,351,562	1,385,939	1,378,649	1,519,825
Total governmental activities program revenues	\$ 6,069,929	\$ 6,850,362	\$ 12,813,779	\$ 15,020,947	\$ 14,704,477	\$ 11,485,998	\$ 12,591,806	\$ 9,648,202	\$ 9,749,384	\$ 10,026,461
Business-type activities:										
Charges for services:										
Airport		\$ 48,207	\$ 69,297	\$ 91,958	\$ 72,373	\$ 70,694	\$ 70,900	\$ 76,572	\$ 75,813	\$ 78,657
Water	2,962,127	2,927,706	2,343,047	2,722,421	2,562,569	2,624,521	2,296,594	2,430,380	2,740,512	2,985,959
Sewer	4,424,997	4,455,533	3,813,703	4,104,508	4,163,757	4,129,271	4,124,020	4,554,155	4,977,286	4,967,223
Ambulance	1,256,048	1,365,111	1,463,513							
Solid Waste	603,305	615,094	623,132	709,514	758,236	767,404	805,613	851,563	900,643	951,676
Operating grants and contributions	96,702	79,501	121,264	10,465				2,416	8,354	8,372
Capital grants and contributions	4,856,418	2,976,538	10,087,410	9,486,451	1,257,291	1,280,807	888,609	679,690	1,012,027	2,137,977
Total business-type activities program revenues	14,199,597	12,467,690	18,521,366	17,125,317	8,814,226	8,872,697	8,185,736	8,594,776	9,714,635	11,129,864
Total primary government program revenue	\$ 20,269,526	\$ 19,318,052	\$ 31,335,145	\$ 32,146,264	\$ 23,518,703	\$ 20,358,695	\$ 20,777,542	\$ 18,242,978	\$ 19,464,019	\$ 21,156,325
Net (Expense) / Revenue										
Governmental activities	\$ (6,715,293)	\$ (8,641,769)	\$ (9,026,223)	\$ (8,127,678)	\$ (7,057,903)	\$ (9,998,996)	\$ (9,214,103)	\$ (12,067,881)	\$ (15,326,600)	\$ (11,587,392)
Business-type activities	7,623,741	4,983,230	9,866,237	9,048,848	(114,229)	(720,318)	(1,319,200)	(529,168)	788,163	2,399,826
Total primary government net expense	\$ 908,448	\$ (3,658,539)	\$ 840,014	\$ 921,170	\$ (7,172,132)	\$ (10,719,314)	\$ (10,533,303)	\$ (12,597,049)	\$ (14,538,437)	\$ (9,187,566)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,752,795	\$ 10,322,742	\$ 5,374,150	\$ 5,824,984	\$ 6,252,363	\$ 6,370,333	\$ 7,563,944	\$ 7,469,972	\$ 8,092,684	\$ 8,739,807
Misc.							98,469	106,783	151,062	184,781
Investment earnings	332,066	364,000	496,992	278,957	159,208	106,799	81,041	130,836	71,573	48,193
Grants and entitlements not restricted	2,177,066	2,353,992	2,301,876	2,221,506	2,223,398	2,608,937	2,316,980	2,603,949	2,657,356	2,835,264
Gas Tax		318,622	324,774	342,226	354,678	361,349	366,904	361,157	360,650	364,563
Gain (loss) sale of capital assets		(61,395)	1,210,868			(392)		(212,127)		
Transfers		(3,060,201)	(1,514,159)	415,503		(194,558)	(112,574)	27,188	(358,169)	(218,728)
Total governmental activities	\$ 7,261,927	\$ 10,237,760	\$ 8,194,501	\$ 9,083,176	\$ 8,989,647	\$ 9,252,468	\$ 10,314,764	\$ 10,487,758	\$ 10,975,156	\$ 11,953,880
Business-type activities:										
Investment earnings	\$ 179,428	\$ 610,799	\$ 898,491	\$ 832,296	\$ 467,038	\$ 228,143	\$ 163,907	\$ 142,299	\$ 102,311	\$ 83,224
Gain (loss) sale of capital assets	(30,663)	459,892						(41,786)		
Special Item - legal settlement							(312,736)			
Transfers		3,060,201	1,514,159	(415,503)		194,558	112,574		358,169	218,728
Total business-type activities	148,765	4,130,892	2,412,650	416,793	467,038	422,701	(36,255)	100,513	460,480	301,952
Total primary government	\$ 7,410,692	\$ 14,368,652	\$ 10,607,151	\$ 9,499,969	\$ 9,456,685	\$ 9,675,169	\$ 10,278,509	\$ 10,588,271	\$ 11,435,636	\$ 12,255,832
Change in Net Position										
Governmental activities	\$ 546,634	\$ 1,595,991	\$ (831,722)	\$ 955,498	\$ 1,931,744	\$ (746,528)	\$ 1,100,661	\$ (1,580,123)	\$ (4,351,444)	\$ 366,488
Business-type activities	7,772,506	9,114,122	12,278,887	9,465,641	352,809	(297,617)	(1,355,455)	(428,655)	1,248,643	2,701,778
Total primary government	\$ 8,319,140	\$ 10,710,113	\$ 11,447,165	\$ 10,421,139	\$ 2,284,553	\$ (1,044,145)	\$ (254,794)	\$ (2,008,778)	\$ (3,102,801)	\$ 3,068,266

Unaudited statistical section

CITY OF KALISPELL, MONTANA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Past Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable							\$ 129,345	\$ 195,545	\$ 179,383	\$ 176,550
Restricted							45,652			
Assigned							56,068	138,224	138,840	125,448
Unassigned							911,198	1,415,486	1,832,060	2,107,411
Unreserved	2,257,244	1,745,591	1,701,363	614,283	372,381	767,012				
Total general fund	<u>\$ 2,257,244</u>	<u>\$ 1,745,591</u>	<u>\$ 1,701,363</u>	<u>\$ 614,283</u>	<u>\$ 372,381</u>	<u>\$ 767,012</u>	<u>\$ 1,142,263</u>	<u>\$ 1,749,255</u>	<u>\$ 2,150,283</u>	<u>\$ 2,409,409</u>
All Other Governmental										
Nonspendable							\$ 973	\$ 36,563	\$ 32,925	\$ 32,925
Restricted							8,175,319	9,384,555	7,745,994	8,736,417
Unassigned							(46,765)			(208,707)
Reserved	3,180,091	3,884,168	2,357,819	1,704,399	975,841	891,227				
Unreserved, reported in:										
Special revenue funds	5,582,805	5,539,177	4,644,899	5,127,220	5,119,334	6,311,640				
Total all other governmental funds	<u>\$ 8,762,896</u>	<u>\$ 9,423,345</u>	<u>\$ 7,002,718</u>	<u>\$ 6,831,619</u>	<u>\$ 6,095,175</u>	<u>\$ 7,202,867</u>	<u>\$ 8,129,527</u>	<u>\$ 9,421,118</u>	<u>\$ 7,778,919</u>	<u>\$ 8,560,635</u>

Note: The City of Kalispell implemented the new standards for reporting fund balance, GASB Statement 54, in fiscal year 2011.

CITY OF KALISPELL, MONTANA
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Past Ten Fiscal Years
 (modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes and assessments	\$ 4,929,980	\$ 5,762,480	\$ 6,443,167	\$ 6,879,980	\$ 7,367,487	\$ 8,085,877	\$ 8,301,367	\$ 8,857,628	\$ 8,915,749	\$ 8,735,146
Licenses and permits	463,152	712,654	1,374,244	729,230	328,040	325,787	323,271	395,211	330,807	423,354
Intergovernmental	3,922,052	4,302,142	4,616,415	4,718,521	5,184,134	7,366,576	7,865,669	6,142,095	6,882,344	6,405,255
Charges for services	2,898,718	3,307,364	3,638,633	4,669,634	4,778,786	4,817,847	4,740,643	4,511,738	4,339,260	4,386,312
Fines and forfeitures	535,875	519,391	579,287	554,518	489,108	497,126	549,267	539,579	585,906	572,066
Miscellaneous	132,327	113,855	82,243	527,108	201,852	252,339	251,458	147,907	129,351	184,272
Investment earnings	330,746	358,754	496,992	278,957	159,208	106,800	79,484	78,076	71,572	48,193
Total revenues	13,212,850	15,076,640	17,230,981	18,357,948	18,508,615	21,452,352	22,111,159	20,672,234	21,254,989	20,754,598
Expenditures										
General government	1,524,123	2,126,772	2,123,774	2,634,295	2,437,743	2,565,522	2,532,377	3,409,323	2,512,714	2,893,332
Public safety	5,604,169	6,650,069	7,399,753	9,195,960	8,569,405	8,851,001	8,332,769	8,044,589	8,820,726	8,755,082
Public works	1,791,913	2,085,890	1,864,465	2,194,497	2,210,238	2,761,933	3,039,460	2,673,729	2,904,562	2,376,067
Parks and recreation	1,236,972	1,350,474	1,508,943	1,854,149	1,590,360	1,453,215	1,385,997	1,439,646	1,519,173	1,664,595
Community development	1,109,542	1,478,928	2,062,332	970,861	1,018,756	1,622,982	2,034,606	1,355,200	3,616,337	1,601,170
Other	1,517	1,053	940							
Capital outlay	2,051,190	7,667,087	4,353,483	2,480,415	1,804,037	949,400	1,944,635	1,075,598	1,701,728	1,201,998
Debt service:										
Principal	411,819	678,236	999,530	1,928,305	1,088,314	1,125,928	1,059,505	5,243,827	1,259,716	1,264,227
Interest	288,363	529,263	743,484	701,786	672,386	627,678	580,361	639,724	390,770	357,857
Total expenditures	14,019,608	22,567,772	21,056,704	21,960,268	19,391,239	19,957,659	20,909,710	23,881,636	22,725,726	20,114,328
Excess of revenues over (under) expenditures	(806,758)	(7,491,132)	(3,825,723)	(3,602,320)	(882,624)	1,494,693	1,201,449	(3,209,402)	(1,470,737)	640,270
Other Financing Sources (Uses)										
Transfers in	1,644,739	1,442,171	1,044,868	1,529,504	1,290,617	1,740,512	1,229,303	1,414,504	1,512,214	1,639,721
Transfers out	(1,644,739)	(1,842,110)	(1,044,868)	(1,194,291)	(1,290,617)	(1,740,512)	(1,229,303)	(1,414,504)	(1,512,214)	(1,639,721)
Issuance of debt	3,469,501	8,039,867	150,000	2,162,081	8,980	7,629	100,462	4,821,585	243,680	403,623
Sales of capital assets			1,210,868	3,317	6,029			233,637		
Bond premium								52,763		
Total other financing sources (uses)	3,469,501	7,639,928	1,360,868	2,500,611	15,009	7,629	100,462	5,107,985	243,680	403,623
Net change in fund balances	\$ 2,662,743	\$ 148,796	\$ (2,464,855)	\$ (1,101,709)	\$ (867,615)	\$ 1,502,322	\$ 1,301,911	\$ 1,898,583	\$ (1,227,057)	\$ 1,043,893
Debt service as a percentage of noncapital expenditures	5.85%	8.10%	10.44%	13.50%	10.01%	9.23%	8.65%	25.80%	7.85%	8.58%

unaudited statistical section

REVENUE CAPACITY

CITY OF KALISPELL, MONTANA
MARKET VALUE OF TAXABLE PROPERTY
Past Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Taxable Value	Less Tax Increment	Total Taxable Valuation	Total Direct Tax Rate	Estimated Market Value	Taxable Value as a Percentage of Market Value
2005	\$ 27,840	\$ 926	\$ 26,914	155.00	\$ 818,606	3.29%
2006	\$ 29,770	\$ 1,119	\$ 28,651	170.00	\$ 893,658	3.21%
2007	\$ 32,494	\$ 701	\$ 31,793	166.90	\$ 1,035,070	3.07%
2008	\$ 35,810	\$ 923	\$ 34,887	162.85	\$ 1,148,125	3.04%
2009	\$ 37,850	\$ 1,341	\$ 36,509	170.23	\$ 1,190,541	3.07%
2010	\$ 39,522	\$ 1,540	\$ 37,982	169.81	\$ 1,269,511	2.99%
2011	\$ 41,074	\$ 1,626	\$ 39,448	170.34	\$ 1,360,162	2.90%
2012	\$ 41,785	\$ 1,716	\$ 40,069	175.93	\$ 1,413,041	2.84%
2013	\$ 40,531	\$ 1,515	\$ 39,016	185.60	\$ 1,450,786	2.69%
2014	\$ 40,798	\$ 1,464	\$ 39,334	185.10	\$ 1,506,125	2.61%

Source: Flathead County and Montana Department of Revenue
Note: Assessed by Montana Department of Revenue every six years

CITY OF KALISPELL, MONTANA
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Past Ten Fiscal Years
(rate per \$1000 of assessed value)

Fiscal Year Ended June 30,	City of Kalispell			Total Direct Tax Rate	Overlapping Rates		
	Basic Rate	Health Insurance	General Obligation Debt Service		Kalispell School District	Flathead County	State of Montana
2005	130.00	13.00	12.00	155.00	337.02	107.52	46.00
2006	137.00	12.50	20.50	170.00	375.51	112.64	46.00
2007	134.90	13.50	18.50	166.90	361.23	115.88	46.00
2008	132.60	14.75	15.50	162.85	351.09	119.96	46.00
2009	138.76	16.22	15.25	170.23	358.27	104.51	46.00
2010	140.11	15.20	14.50	169.81	350.47	113.12	46.00
2011	141.50	14.64	14.20	170.34	341.38	122.77	46.00
2012	145.88	16.55	13.50	175.93	337.15	125.69	46.00
2013	154.60	18.50	12.50	185.60	327.58	125.96	46.00
2014	154.10	18.50	12.50	185.10	335.79	124.94	46.00

Source: Flathead County

CITY OF KALISPELL, MONTANA
 PRINCIPAL PROPERTY TAX PAYERS
 Current Year, One and Eight Years Ago

Taxpayer	2014			2013			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
CENTURYTEL OF MONTANA INC	\$ 2,090,786	1	5.01%	\$ 1,053,168	2	2.52%	\$ 995,774	1	3.07%
FLATHEAD ELECTRIC COOPERATIVE INC	1,695,893	2	4.06%	1,964,761	1	4.70%	993,212	2	3.06%
NORTHWESTERN CORP TRANSMISSION & DISTRIBUTION	817,220	3	1.96%	836,224	3	2.00%	596,027	4	1.84%
FLATHEAD HOSPITAL DEVELOPMENT COMPANY LLC	607,044	4	1.45%	624,315	4	1.49%	775,231	3	2.39%
WAL-MART ESTATE BUSINESS TRUST	518,643	5	1.24%	402,695	5	0.96%			
INLAND WESTERN KALISPELL MOUNTAIN VIEW LLC	378,234	6	0.91%	240,226	8	0.58%			
WSPGB MALL LLC	320,041	7	0.77%						
STATE OF MONTANA DNRC	309,046	8	0.74%						
BRESNAN COMMUNICATIONS LLD	293,796	9	0.70%						
FIRST INTERSTATE BANK	262,320	10	0.63%	247,690	9	0.59%			
RED LION HOTELS LIMITED PARTNERSHIP				356,542	6	0.85%			
NORTHWEST HEALTHCARE CORP	261,239		0.63%	161,503	7	0.39%	264,458	7	0.82%
KING QTIP MARTIAL TRUST, G JERRY	201,319		0.48%	234,027	10	0.56%			
TARGET CORPORATION							238,437	8	0.74%
HD DEVELOPMENT OF MARYLAND INC							207,012	9	0.64%
KALISPELL GOLDBERG LLC							502,392	5	1.55%
GVD COMMERCIAL PROPERTIES INC							494,803	6	1.53%
ROCKY MTN SUB SPECIALTY ASSOCIATES LLC							159,622	10	0.49%
Total	<u>\$ 7,755,581</u>		<u>18.57%</u>	<u>\$ 6,121,151</u>		<u>14.66%</u>	<u>\$ 5,226,968</u>		<u>16.94%</u>
Total City Taxable Assessed Value	<u>\$41,761,366</u>			<u>\$40,798,448</u>			<u>\$32,417,808</u>		

Source: Flathead County

Unaudited statistical section

**CITY OF KALISPELL, MONTANA
PROPERTY TAX LEVIES AND COLLECTIONS
Past Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	4,171,670	3,971,847	95.21%	184,805	4,156,652	99.64%
2006	4,870,670	4,540,926	93.23%	310,262	4,851,187	99.60%
2007	5,306,252	5,097,185	96.06%	178,290	5,275,475	99.42%
2008	5,831,659	5,614,138	96.27%	107,314	5,721,452	98.11%
2009	6,214,927	5,883,671	94.67%	274,773	6,158,444	99.09%
2010	6,449,723	6,036,354	93.59%	411,551	6,447,905	99.97%
2011	6,719,572	6,182,842	92.01%	534,932	6,717,774	99.97%
2012	7,049,515	6,847,410	97.13%	176,875	7,024,285	99.64%
2013	7,241,555	7,078,423	97.75%	74,951	7,153,374	98.78%
2014	7,280,909	6,986,904	95.96%	n/a	6,986,904	95.96%

Source: Flathead County
City Manager's Recommended Budget

Unaudited statistical section

CITY OF KALISPELL, MONTANA
WATER SOLD BY TYPE OF CUSTOMER
Past Ten Fiscal Years
(in thousands of gallons)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Type of Customer									
Residential	458,054	494,293	560,565	620,857	565,060	506,020	509,575	545,349	475,419
Commercial	481,241	504,591	550,512	556,018	527,405	540,942	515,959	495,461	544,564
Total	939,295	998,884	1,111,077	1,176,875	1,092,465	1,046,962	1,025,534	1,040,810	1,019,983
Total direct rate per 1000 gallons	\$ 1.64	\$ 1.80	\$ 1.92	\$ 2.05	\$ 2.29	\$ 2.30	\$ 2.06	\$ 2.14	\$ 2.49

SEWER SOLD BY TYPE OF CUSTOMER
Past Ten Fiscal Years
(in thousands of gallons)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Type of Customer									
Residential	311,788	326,351	342,771	361,875	354,477	357,747	332,977	331,165	367,916
Commercial	519,146	579,002	580,838	544,071	519,402	521,204	449,167	527,307	538,810
Total	830,934	905,353	923,609	905,946	873,879	878,951	782,144	858,472	906,726
Total direct rate per 1000 gallons	\$ 3.30	\$ 3.40	\$ 3.57	\$ 3.77	\$ 4.22	\$ 3.79	\$ 4.20	\$ 4.37	\$ 4.61

Source: City of Kalispell Finance Department

Unaudited statistical section

CITY OF KALISPELL, MONTANA
WATER AND SEWER RATES

Fiscal Year Ended June 30,	Water				Sewer			
	Bi-Monthly Base Rate		Rate per 1000 Gallons		Bi-Monthly Base Rate		Rate per 1000 Gallons	
	in city	out of city	in city	out of city	in city	out of city	in city	out of city
2004	\$ 2.85	\$ 3.56	\$ 1.66	\$ 2.08	\$ 2.85	\$ 3.56	\$ 3.48	\$ 4.35
2005	\$ 3.00	\$ 3.75	\$ 1.83	\$ 2.29	\$ 3.00	\$ 3.75	\$ 3.62	\$ 4.53
2006	\$ 3.25	\$ 4.06	\$ 2.01	\$ 2.51	\$ 3.25	\$ 4.06	\$ 3.80	\$ 4.75
2007	\$ 3.55	\$ 4.44	\$ 2.21	\$ 2.76	\$ 3.55	\$ 4.44	\$ 3.99	\$ 4.99
2008	\$ 3.75	\$ 4.69	\$ 2.43	\$ 3.04	\$ 3.75	\$ 4.69	\$ 4.19	\$ 5.24
2009	\$ 3.75	\$ 4.69	\$ 2.43	\$ 3.04	\$ 3.75	\$ 4.69	\$ 4.19	\$ 5.24
2010	\$ 3.75	\$ 4.69	\$ 2.43	\$ 3.04	\$ 3.75	\$ 4.69	\$ 4.19	\$ 5.24
2011	\$ 3.75	\$ 4.69	\$ 2.43	\$ 3.04	\$ 9.38	\$ 11.73	\$ 4.19	\$ 5.24
2012	\$ 3.75	\$ 4.69	\$ 2.43	\$ 3.04	\$ 15.00	\$ 18.75	\$ 4.19	\$ 5.24
2013	\$ 9.38	\$ 11.73	\$ 2.43	\$ 3.04	\$ 15.00	\$ 18.75	\$ 4.78	\$ 5.98
2014	\$ 15.00	\$ 18.75	\$ 2.43	\$ 3.04	\$ 15.00	\$ 18.75	\$ 4.78	\$ 5.98
2015	\$ 15.00	\$ 18.75	\$ 2.43	\$ 3.04	\$ 16.88	\$ 21.10	\$ 4.78	\$ 5.98

	Irrigation (sprinkling)				Flathead County Water & Sewer District #1 - Evergreen			
	Bi-Monthly Base Rate		Rate per 1000 Gallons		Monthly Base Rate		Rate per 1000 Gallons	
	in city	out of city	in city	out of city	out of city	Trumble Cr*	Evergreen**	
2004	\$ 2.85	\$ 3.56	\$ 1.05	\$ 1.31			\$	1.55
2005	\$ 3.00	\$ 3.75	\$ 1.15	\$ 1.44			\$	1.37
2006	\$ 3.25	\$ 4.06	\$ 1.27	\$ 1.59			\$	1.36
2007	\$ 3.55	\$ 4.44	\$ 1.39	\$ 1.74			\$	1.31
2008	\$ 3.75	\$ 4.69	\$ 1.55	\$ 1.94			\$	1.47
2009	\$ 3.75	\$ 4.69	\$ 1.55	\$ 1.94			\$	1.63
2010	\$ 3.75	\$ 4.69	\$ 1.55	\$ 1.94	\$ 13.37	\$ 6.21	\$	1.85
2011	\$ 3.75	\$ 4.69	\$ 1.55	\$ 1.94	\$ 21.27	\$ 6.37	\$	1.76
2012	\$ 3.75	\$ 4.69	\$ 1.55	\$ 1.94	\$ 28.29	\$ 6.37	\$	1.48
2013	\$ 9.38	\$ 11.73	\$ 1.55	\$ 1.94	\$ 28.29	\$ 6.37	\$	1.67
2014	\$ 15.00	\$ 18.75	\$ 1.55	\$ 1.94	\$ 28.71	\$ 6.84	\$	1.74
2015	\$ 15.00	\$ 18.75	\$ 1.55	\$ 1.94	\$ 22.77	\$ 6.84	\$	1.78

Some customers pay to install a separate irrigation meter and are then billed actual meter readings for their irrigation use. The City also bills customers a "sprinkling" rate based off of an average usage in the "winter months" deduction.

**Evergreen has its own collections system and only uses the City's sewage treatment plant, which results in a reduced charge. The City bills the district, which in turn bills the users within the district. The district is counted as 1 sewer connection.

*The City of Kalispell entered into an agreement with Flathead County Water & Sewer District #1 - Evergreen to treat the wastewater from the Trumble Creek subdivision. Present build out of this subdivision is less than 30 residences. Future build out could equal 400 residences.

Sources: City of Kalispell, Resolutions 4798/4799/5491

DEBT CAPACITY

CITY OF KALISPELL, MONTANA
RATIOS OF OUTSTANDING DEBT BY TYPE
Past Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Revenue Bonds	Special Assessment Bonds	Revenue Bonds	Notes Payable			
2005	6,345,000	1,006,512	350,283	1,256,498	8,541,692	33,123	17,533,108	3.02%	\$ 951.75
2006	6,085,000	2,314,448	288,523	5,730,774	9,770,250		24,188,995	3.65%	\$ 1,250.92
2007	5,785,000	2,269,944	222,868	5,389,846	8,703,159		22,370,817	3.14%	\$ 1,101.47
2008	5,475,000	3,303,829	153,073	5,079,534	19,471,713		33,483,149	4.51%	\$ 1,577.83
2009	5,145,000	3,062,562	78,876	4,760,665	22,193,000		35,240,103	4.73%	\$ 1,628.47
2010	4,805,000	2,833,340	1,445,000	4,410,462	19,541,000		33,034,802	4.82%	\$ 1,657.79
2011	4,450,000	2,682,566	1,325,000	4,077,194	18,410,000		30,944,760	4.31%	\$ 1,527.68
2012	4,145,000	2,422,191	1,700,000	3,845,329	17,333,000		29,445,520	3.76%	\$ 1,437.28
2013	3,700,000	2,380,835	1,558,000	3,457,647	15,938,483		27,034,965	3.40%	\$ 1,319.62
2014	3,255,000	2,177,968	1,410,000	3,392,922	15,667,682	172,988	26,076,560	3.28%	\$ 1,272.83

Source: City Manager's Recommended Budget
City of Kalispell Finance Department

Unaudited statistical section

CITY OF KALISPELL, MONTANA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Past Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Externally Restricted for Repayment	Net Bonded Debt		
2005	6,345,000	1,256,498	89,525	7,511,973	27.9%	\$ 407.77
2006	6,085,000	5,730,774	541,525	11,274,249	39.4%	\$ 583.04
2007	5,785,000	5,389,846	541,525	10,633,321	33.4%	\$ 523.55
2008	5,475,000	5,079,534	541,525	10,013,009	28.7%	\$ 471.84
2009	5,145,000	4,760,665	371,873	9,533,792	26.1%	\$ 440.56
2010	4,805,000	4,410,462	541,525	8,673,937	22.8%	\$ 435.29
2011	4,450,000	4,077,194	531,075	7,996,119	20.3%	\$ 394.75
2012	4,145,000	3,845,329	414,292	7,576,037	18.9%	\$ 369.80
2013	3,700,000	3,457,647	349,694	6,807,953	17.4%	\$ 332.31
2014	3,255,000	3,392,922	172,267	6,475,655	16.4%	\$ 316.09

Source: City Manager's Recommended Budget
Montana Department of Revenue
Montana Department of Labor and Industry,
Quarterly Census of Employment and Wages (QCEW) Program

CITY OF KALISPELL, MONTANA
 LEGAL DEBT MARGIN INFORMATION
 Past Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit*	20,465,139	22,341,439	25,325,313	28,703,125	29,763,513	31,737,765	34,004,058	35,326,025	36,269,655	37,653,127
Total net debt applicable to limit	(6,310,086)	(6,047,416)	(5,717,734)	(5,420,264)	(5,110,575)	(4,761,233)	(4,401,000)	(4,091,000)	(3,663,390)	(3,233,480)
Legal debt margin	<u>\$14,155,053</u>	<u>\$16,294,023</u>	<u>\$19,607,579</u>	<u>\$23,282,861</u>	<u>\$24,652,938</u>	<u>\$26,976,532</u>	<u>\$29,603,058</u>	<u>\$31,235,025</u>	<u>\$32,606,265</u>	<u>\$34,419,647</u>
Total net debt applicable to the limit as a percentage of debt limit	30.83%	27.07%	22.58%	18.88%	17.17%	15.00%	12.94%	11.58%	10.10%	8.59%

*2.5% of total market value of taxable property

Source: City Manager's Recommended Budget
 Montana Department of Revenue

CITY OF KALISPELL, MONTANA
 PLEDGED REVENUE COVERAGE
 Past Ten Fiscal Years

Fiscal Year Ended June 30,	Water/Sewer Revenue Bonds					Special Assessment Bonds			
	Utility Service Charges*	Less: Operating Expenses**	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest	
2005	4,867,312	(2,876,292)	(748,586)	(219,565)	1,022,869	169,816	(117,107)	(67,412)	(14,703)
2006	5,508,970	(3,123,526)	(802,966)	(280,249)	1,302,229	149,008	(68,573)	(64,192)	16,243
2007	6,141,024	(3,794,101)	(532,655)	(222,847)	1,591,421	644,859	(340,929)	(277,456)	26,474
2008	7,628,374	(4,332,133)	(553,795)	(203,424)	2,539,022	607,086	(325,718)	(253,172)	28,196
2009	7,572,970	(4,676,950)	(579,197)	(182,006)	2,134,817	298,968	(327,423)	(241,088)	(269,543)
2010	7,213,024	(4,513,881)	(1,087,000)	(779,083)	833,060	711,971	(357,831)	(228,611)	125,529
2011	6,810,442	(4,478,406)	(1,131,000)	(737,866)	463,170	505,777	(334,210)	(212,843)	(41,276)
2012	7,359,224	(4,143,706)	(1,007,000)	(647,296)	1,561,222	332,474	(396,662)	(185,444)	(249,632)
2013	8,063,596	(4,410,574)	(1,387,000)	(446,979)	1,819,043	399,180	(391,662)	(186,121)	(178,603)
2014	8,289,654	(4,516,282)	(1,226,000)	(388,108)	2,159,264	197,682	(324,198)	(171,133)	(297,649)

*includes other revenues pledged for debt service

** excludes depreciation

Source: City of Kalispell Finance Department

DEMOGRAPHICS AND ECONOMICS

CITY OF KALISPELL, MONTANA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Past Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>K-12 School Enrollment*</u>	<u>Annual Unemployment Rate**</u>
2005	17,416	2,429,868	30,134	38.30	4,900	5.00%
2006	18,422	2,604,434	31,556	36.10	4,976	4.10%
2007	19,337	2,905,427	34,252	35.20	4,964	3.60%
2008	20,310	3,074,726	35,261	34.20	4,997	3.70%
2009	21,221	3,220,970	35,685	33.30	5,183	6.00%
2010	21,640	2,965,360	32,619	34.50	5,396	10.90%
2011	19,927	3,133,897	34,487	34.80	5,300	11.00%
2012	20,256	3,275,434	35,875	34.80	5,545	10.20%
2013	20,487	3,503,436	38,222	34.80	5,568	9.00%
2014	20,972	3,614,032	38,832	34.60	5,580	7.90%

*School District 5
 **calendar (annual)

Sources: Kalispell Public Schools Audit Report
 U.S. Census Bureau
 U.S. Department of Commerce - Bureau of Economic Analysis
 Montana Department of Labor & Industry

Unaudited statistical section

CITY OF KALISPELL, MONTANA
 PRINCIPAL PUBLIC AND PRIVATE INDUSTRY EMPLOYERS
 2014
 and 2006 class sizes (available)

<u>Private Employer</u>	<u>Rank</u>	<u>2014</u>		<u>2006 Class Size</u>	<u>Industry</u>
		<u>Estimated # of Employees</u>	<u>Estimated % of Total Employment</u>		
Kalispell Regional Medical Center	1	2,282	5.50%	9	Healthcare
School District #5	2	750	1.81%	8	Education
L.C. Staffing	3	550	1.33%	7	Other
Flathead County	4	492	1.19%	7	Government
Teletech	5	450	1.09%	8	Professional & Tech.
National Flood Services	6	422	1.02%		Finance & Insurance
Applied Materials (Semitool Inc.)	7	400	0.96%	8	Manufacturing
Wal-Mart	8	390	0.94%	7	Retail
Immanuel Lutheran Home	9	267	0.64%	6	Healthcare
City of Kalispell	10	182	0.44%	6	Government

Class 6 - 100 to 249 employees
Class 7 - 250 to 499 employees
Class 8 - 500 to 999 employees
Class 9 - 1000+ employees

Sources: Montana Department of Labor & Industry
 Montana West Economic Development
 Staff

GASB, Statement 44 requires the demographic and economic information should indicate the top ten employers in current year and nine years prior for comparison. The State of Montana, Department of Labor only reports the top 20 private employers in each county and does not rank them or provide the number of employees as they consider it confidential information. Nine year prior information is not available. This information will be updated as available.

OPERATING STATISTICS

CITY OF KALISPELL, MONTANA
Full-Time Equivalent City Government Employees by Function/Program
Past Ten Fiscal Years

	FY 05	FY 06	FY 07	FY 08	FY 09	FY10	FY11	FY12	FY13	FY14
General Government										
Manager	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Human Resources	1.00	1.25	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
City Clerk	1.00	1.00	1.00	1.00	1.34	1.34	1.34	1.34	1.24	1.23
Media Specialist					0.50	0.55	0.55	0.55		
Finance	3.80	3.80	3.70	3.70	3.70	3.20	3.20	3.20	3.20	3.20
Attorney	3.00	3.00	5.00	5.00	4.66	4.66	4.66	4.66	4.66	4.67
Court	3.00	3.00	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Hall	0.20	1.00	1.00	1.00	1.00	1.00	1.40	1.40	1.40	1.40
Planning & Zoning	1.00	6.50	6.50	6.50	6.50	4.75	4.75	4.25	4.25	4.25
Building	5.30	6.50	6.50	7.50	7.50	5.25	3.45	3.95	3.95	3.95
Information Technology		1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.25	2.25
Total General Government	20.30	29.05	31.70	33.20	33.70	28.25	26.85	27.35	27.45	27.45
Public Safety										
Police	41.50	44.00	45.00	47.00	48.50	47.50	41.00	42.00	44.00	44.00
Fire	22.70	26.75	27.75	29.60	29.90	24.90	27.30	26.30	27.30	23.30
Ambulance	6.30	7.25	11.25	9.40	9.10	9.10	7.50	7.50	6.50	9.50
Total Public Safety	70.50	78.00	84.00	86.00	87.50	81.50	75.80	75.80	77.80	76.80
Public Works										
DPW	1.05	2.05	1.90	1.90	0.15	0.15	0.25	0.25	0.25	0.25
Garage	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Street Maint	11.05	11.05	11.00	11.45	12.05	12.30	12.65	12.35	12.25	12.25
Sign/signal	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.00
Light District				0.10	0.60	0.60	0.80	0.75	0.75	1.25
Water	11.05	13.05	12.95	15.20	15.75	15.95	15.60	15.25	14.90	14.80
Sewer	6.75	6.75	7.40	8.05	8.70	8.40	8.45	7.55	7.00	7.05
WWTP	6.80	7.80	7.40	9.40	9.40	8.40	8.05	7.90	7.55	7.55
Storm	2.40	3.40	4.60	5.35	6.00	6.20	6.40	6.45	6.20	6.20
Solid Waste	6.60	6.60	6.55	7.35	7.55	7.60	7.35	7.25	7.35	7.40
Total Public Works	50.70	55.70	56.80	63.80	65.70	65.10	65.05	63.25	61.75	61.75
Parks and Recreation										
Parks and Recreation	9.40	9.95	11.40	11.40	11.10	9.20	8.90	8.90	9.45	9.80
Forestry	2.10	2.05	2.55	2.55	2.80	2.80	3.00	3.00	3.20	2.85
Total Parks and Recreation	11.50	12.00	13.95	13.95	13.90	12.00	11.90	11.90	12.65	12.65
Community Development										
UDAG/Comm. Dev.	4.50	2.30	3.50	3.50	2.00	2.00	2.00	2.00	2.00	2.00
Airport										
Airport	0.75	0.75	0.75	0.75	1.00	1.00	0.50	0.50	0.50	0.50
Total all funds	158.25	177.80	190.70	201.20	203.80	189.85	182.10	180.80	182.15	181.15

Source: City Manager's Recommended Budget

CITY OF KALISPELL, MONTANA
Capital Asset Statistics by Function/Program
Past Ten Fiscal Years

	FY 05	FY 06	FY 07	FY 08	FY 09	FY10	FY11	FY12	FY13	FY14
Police										
Stations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Patrol Units (Cars)	10.00	10.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Patrol Units (Motorcycles)	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire										
Stations	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire Trucks	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Ambulances	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Streets										
Streets and Alleys (Miles)	110.00	114.00	130.00	133.00	139.00	139.00	139.00	139.00	139.00	139.00
Sidewalk Replaced (Linear Feet)	2438.00	1466.00	225.00	1411.00	1060.00	1060.00	776.00	1704.00	1476.00	1510.00
New Sidewalks (Linear Feet)			400.00							
Water										
Mains (Miles)	85.00	90.00	104.00	116.00	125.00	125.50	126.00	126.00	126.00	128.00
Wastewater										
Sanitary Mains (Miles)	101.00	106.00	108.00	119.00	130.00	130.50	130.50	130.50	130.50	131.00
Storm Mains (Miles)	36.00	38.00	40.00	47.00	52.00	52.00	52.00	52.00	53.00	53.00
Lift Stations	25.00	29.00	34.00	38.00	39.00	40.00	40.00	40.00	40.00	41.00
Treated Sewage (Gallons)	1004 mil	1075 mil	1029 mil	1039 mil	980 mil	991 mil	1129 mil	977 mil	955 mil	976 mil
Solid Waste										
Collection Vehicles	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Other Vehicles	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks										
City Parks (Acres)	335.79	366.20	420.73	429.74	429.74	429.74	429.74	429.74	429.74	429.74

Source: City of Kalispell Finance Department
City of Kalispell Public Works Department
City of Kalispell Parks Department
City of Kalispell Police Department

INDEPENDENT AUDITOR'S
REPORTS AND SCHEDULE OF
EXPENDITURES OF FEDERAL
AWARDS

AS REQUIRED BY U.S. OFFICE OF MANAGEMENT AND
BUDGET CIRCULAR A-133, AUDITS OF STATE AND
LOCAL GOVERNMENTS AND NON-PROFIT
ORGANIZATIONS

City of Kalispell, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's #	Award Amount	Beginning Bal July 1, 2013	Federal Revenue	Match/Other Revenue	Federal Expenditures	Match/Other Expenditures	Ending Balance June 30, 2014
<u>U.S. Department of Housing and Urban Development</u>									
<i>Passed through the State Dept. of Commerce</i>									
Community Development Block Grants/State's program	14.228	MT-NSP-007-01-001	\$ 4,000,000	\$ -	\$ 33,056	\$ -	\$ 33,056	\$ -	\$ -
Community Development Block Grants/State's program	14.228	MT-NSP-12-007-01-001	1,500,000	-	700,018	-	700,018	-	-
Community Development Block Grants/State's program	14.228	MT-CDBG-ED-13-01	273,945	-	258,155	-	258,155	-	-
Total U. S. Department of Housing and Urban Development				<u>-</u>	<u>991,229</u>	<u>-</u>	<u>991,229</u>	<u>-</u>	<u>-</u>
<u>U. S. Department of Transportation</u>									
<i>Passed through the State Department of Transportation</i>									
Highway Planning and Construction	20.205	n/a	160,546	-	160,546	71,330	160,546	71,330	-
Highway Planning and Construction	20.205	6770-110	151,111	-	151,111	23,422	151,111	23,422	-
Highway Planning and Construction	20.205	STPE6799(32,33)	152,378	-	152,378	11,672	152,378	11,672	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	107278	20,000	-	28,409	-	28,409	-	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	106727	20,000	-	7,203	-	7,203	-	-
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	CTS 106687	130,462	-	3,003	326	3,003	326	-
Total U. S. Department of Transportation				<u>-</u>	<u>502,650</u>	<u>106,750</u>	<u>502,650</u>	<u>106,750</u>	<u>-</u>
<u>U. S. Department of Justice</u>									
<i>Direct:</i>									
Bulletproof Vest Partnership Program	16.607	n/a	8,789	-	3,848	682	3,848	682	-
<i>Passed through Flathead County:</i>									
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0803	12,704	-	12,704	-	12,704	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-G01-91260	26,472	-	26,472	-	26,472	-	-
Total U. S. Department of Justice				<u>-</u>	<u>43,024</u>	<u>682</u>	<u>43,024</u>	<u>682</u>	<u>-</u>
<u>U. S. Department of the Interior/National Park Service</u>									
<i>Direct:</i>									
Save America's Treasurers	15.929	P10AP00105	75,000	-	12,568	12,568	12,568	12,568	-
Total U. S. Department of the Interior/National Park Service				<u>-</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	<u>12,568</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>									
<i>Passed through the Department of Military Affairs:</i>									
Assistance for Firefighters Grant	97.044	EMW-2011-SS-00052, 2010-SS-TO-0089	198,500	-	105,820	-	105,820	-	-
Homeland Security Grant Program	97.067	2009-SJ-T9-0002	97,548	-	4,622	-	4,622	-	-
Total U. S. Department of Homeland Security				<u>-</u>	<u>110,442</u>	<u>-</u>	<u>110,442</u>	<u>-</u>	<u>-</u>
<u>Environmental Protection Agency</u>									
<i>Direct:</i>									
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96807701-0	1,000,000	-	127,561	-	127,561	-	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97863001	400,000	-	145,066	-	145,066	-	-
Total Environmental Protection Agency				<u>-</u>	<u>272,627</u>	<u>-</u>	<u>272,627</u>	<u>-</u>	<u>-</u>
<u>Executive Office of the President</u>									
<i>Passed through State of Montana-Board of Crime Control:</i>									
High Intensity Drug Trafficking Areas Program	95.001	G11RM0035A, G12R, G13R	7,708	-	7,708	-	7,708	-	-
Total Executive Office of the President				<u>-</u>	<u>7,708</u>	<u>-</u>	<u>7,708</u>	<u>-</u>	<u>-</u>
Total Federal Assistance				<u>\$ -</u>	<u>\$ 1,940,248</u>	<u>\$ 120,000</u>	<u>\$ 1,940,248</u>	<u>\$ 120,000</u>	<u>\$ -</u>

CITY OF KALISPELL
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Kalispell, Flathead County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



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

To the City Council Members
City of Kalispell, Montana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and budgetary comparisons (for major funds) of the City of Kalispell as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Kalispell's basic financial statements, and have issued our report thereon dated December 29, 2014.

Internal Control over Financial Reporting

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

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

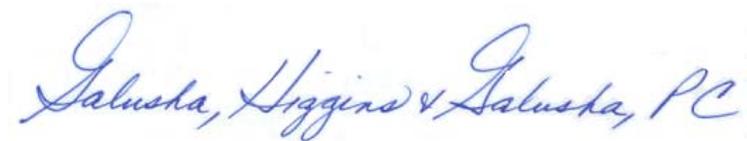
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Kalispell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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.

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GALUSHA, HIGGINS & GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
December 29, 2014



GALUSHA
HIGGINS
& GALUSHA_{PC}
EST. 1919

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council Members
City of Kalispell, Montana

Report on Compliance for Each Major Federal Program

We have audited the City of Kalispell's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Kalispell's major federal programs for the year ended June 30, 2014. The City of Kalispell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kalispell's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kalispell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kalispell's compliance.

Opinion on Each Major Federal Program

In our opinion the City of Kalispell complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

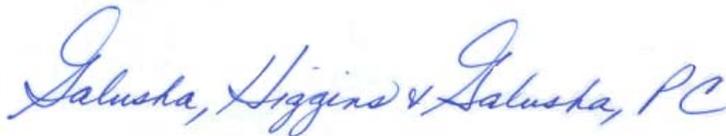
Report on Internal Control over Compliance

Management of the City of Kalispell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kalispell's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kalispell's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Galusha, Higgins & Galusha, PC". The signature is written in a cursive, flowing style.

GALUSHA, HIGGINS & GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
December 29, 2014

CITY OF KALISPELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: ***Unmodified***

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	___ yes	<u> x </u> no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	___ yes	<u> x </u> no
Reportable condition(s) identified not considered to be material weaknesses?	___ yes	<u> x </u> none reported

Type of auditor's report issued on compliance for major programs: ***Unmodified***

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	___ yes	<u> x </u> no
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Identification of major programs:

CFDA Numbers(s)	Name of Federal Program or Cluster
14.228	U.S. Department of Housing and Urban Development Community Development Block Grant Program
20.205	U.S. Department of Transportation Highway Planning and Construction
66.818	Environmental Protection Agency Brownsfield Programs

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
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Auditee qualified as low-risk auditee?	___ yes	<u> x </u> no
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City of Kalispell

SUMMARY OF AUDIT FINDINGS AND PRIOR AUDIT FINDINGS

For the year ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

There were not findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings related to compliance with grant requirements that are required to be reported in accordance with *Government Auditing Standards*.

SECTION IV – CURRENT STATUS OF PRIOR YEAR FINDINGS

Prior Audit Recommendation

Finding – 2013-001 – Deferred Revenue, Loan Receivable:

The City implemented an annual review process for all significant transactions and balances to insure that proper accounting principles have been applied.