

City of Belgrade, Montana

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

CITY OF BELGRADE, MONTANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2015

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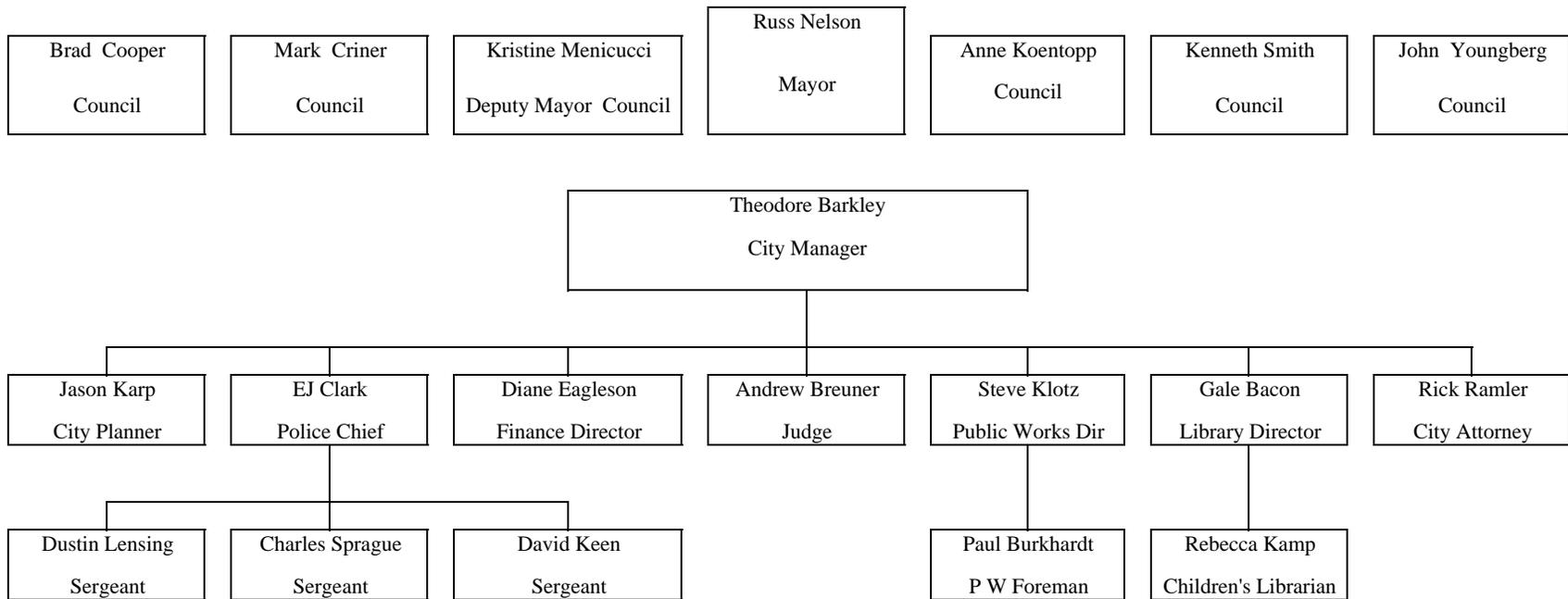
PART I

INTRODUCTORY SECTION

CITY OF BELGRADE, MONTANA

ORGANIZATIONAL CHART

June 30, 2015



PART II
FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Belgrade, Montana (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belgrade, Montana, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the City of Belgrade, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City's internal control over financial reporting and compliance.

Amatics CPA Group

Bozeman, Montana

November 2, 2016

A. Management's Discussion and Analysis

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

Our discussion and analysis of the City of Belgrade's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which begin on page II-13.

USING THIS ANNUAL REPORT

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

**Reporting the City as a Whole
The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

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

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

USING THIS ANNUAL REPORT (Continued)

Fund Financial Statements (Continued)

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

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

**The City as Trustee
Reporting the City's Fiduciary Responsibilities**

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

THE CITY AS A WHOLE

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

Net position of the City's governmental activities is \$8,360,537. *Unrestricted* net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements total \$1,886,371 at the end of this year. The net position of our business-type activities totaled \$12,640,305 and unrestricted net position totaled \$615,964. The unrestricted net position of the business-type funds cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The City generally can only use the net position of business-type activities to finance the continuing operations of the water and sewer operations.

An analysis of the City's revenues for Fiscal Years 2014 and 2015 is shown below. In FY 2015, general revenues were consistent with the general revenues received in FY 2014. General revenues were \$2,900,053 in FY 2015 which was a decrease of 3.70% from FY 2014 general revenues of \$3,011,570.

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

THE CITY AS A WHOLE (Continued)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change</u>	<u>% Change</u>
Total General Revenues	\$ 3,011,570	\$ 2,900,053	\$ (111,517)	-3.70%
Program Revenues				
Charges for Services	3,388,462	3,587,274	198,812	5.87%
Operating Grants & Contributions	362,001	491,608	129,607	35.80%
Capital Grants & Contributions	<u>523,025</u>	<u>44,454</u>	<u>(478,571)</u>	<u>-91.50%</u>
Total Program Revenues	4,273,488	4,123,336	(150,152)	-3.51%
Total General & Program Revenues	7,285,058	7,023,389	(261,669)	-3.59%
Cost of all Programs	7,913,390	7,121,398	(791,992)	-10.01%
Change in Net Position	<u>\$ (628,332)</u>	<u>\$ (98,009)</u>	<u>\$ 530,323</u>	<u>-84.40%</u>

Charges for services grew by \$198,812 from \$3,388,462 in FY 2014 to \$3,587,274 in FY 2015. This 5.87% increase in charges for services can be attributed to new construction in the City generating income from impact fees and building permits.

Operating Grants and contributions increased by 35.8% from \$362,001 in FY 2014 to \$491,608 in FY 2015. Capital grants decreased from \$523,025 to \$44,454. In FY 2014, the City reported revenue from the forgiveness of a water system revenue loan in the amount of \$500,000. No similar grant revenue was reported in FY 2015.

The cost of programs exceeded the general and program revenues received by \$98,009 in FY 2015 and \$628,332 in FY 2014. The city did take steps in FY 2014 to increase revenues by raising rates in the water fund by 15% and sewer rates by 25%. The impact of this change can be seen in the increase in charges for services of \$198,812 in FY 2015. Revenues were similar within the two years and expenditures/expenses decreased from FY 2014 to FY 2015.

The City issued 78 building permits in FY 2015 compared to 83 in FY 2014. In FY 2015, this generated building permit fees of \$85,735 and impact fees of \$401,345. Impact fees of \$235,036 were collected for governmental impacts, \$68,103 for water service impacts and \$98,206 for sewer service impacts.

Operating Grants and Contributions increased from \$362,001 in FY 2014 to \$491,608 in FY 2015. The Belgrade Police Department received Highway Safety Program grant funds to provide DUI and seat belt safety patrols in the amount of \$11,680. The City received a \$300 Arbor Day grants to celebrate Arbor Day and plant trees in local parks in both FY 2014 and FY 2015. The Belgrade Library received contributions of \$6,114 in FY 2015 for normally received state grants. Community Transportation Enhancement Program funds of \$31,937 and a planning grant of \$4,000 were also received.

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

THE CITY AS A WHOLE (Continued)

Streets and Roads

In Fiscal Year 2015, the City received \$125,606 in fuel tax revenues from the state; these revenues are collected by the state and apportioned to the cities and counties based on the number of miles of roads and streets in the city open for public use. The City uses these funds to repair and maintain streets throughout the City.

The City of Belgrade also has a City Wide Street Maintenance Fund to provide funding for street maintenance projects. In Fiscal Year 2014, most lots in the City were assessed \$35 per year for street maintenance and this assessment generated \$171,292 in revenue. The City Council reviewed the Street Maintenance assessment in FY 2014 and determined that rate needed to be increased in order to properly maintain City streets. The review found that the City had not raised the annual assessment since 1996. The City Council voted to increase the street maintenance fees by \$12 per year per lot over the next three years. In FY 2015, street maintenance fees were increased to \$47 per year for most lots; in FY 2016 fees will be \$59 per lot and in FY 2017 \$71 per lot.

The City generally accumulates funds for several years in the street maintenance funds and then completes a major project using the Street Maintenance funds. In Fiscal Year 2015, the City undertook the first phase of a micro seal project, completing approximately 1/3 of streets as planned.

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

Governmental Activities

In FY 2015, governmental general and program revenues were \$4,759,098, an increase of 4.24% from FY 2014. The majority of this increase in revenues can be attributed to one-time program revenue items that occurred in FY 2015 that did not occur in FY 2014.

The cost to programs decreased by \$24,671 or 0.52% which can be attributed to costs being comparatively stable within the two years, with overall changes being slight. Departments maintained a similar budget from the prior year and costs were maintained.

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

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change</u>	<u>% Change</u>
Total General Revenues	\$ 3,226,287	\$ 3,117,888	\$ (108,399)	-3.36%
Program Revenues				
Charges for Services	954,359	1,117,665	163,306	17.11%
Operating Grants & Contributions	362,001	491,608	129,607	35.80%
Capital Grants & Contributions	23,025	31,937	8,912	38.71%
Total Program Revenues	1,339,385	1,641,210	301,825	22.53%
Total General & Program Revenues	4,565,672	4,759,098	193,426	4.24%
Cost of all Programs	4,779,513	4,754,842	(24,671)	-0.52%
Change in Net Position	<u>\$ (213,841)</u>	<u>\$ 4,256</u>	<u>\$ 218,097</u>	<u>-101.99%</u>

Intergovernmental Revenues - The Belgrade Police Department received several grants in FY 2015 from the Montana Department of Transportation totaling \$11,680 to help with highway safety programs. The library received county contributions of \$124,450, a grant of \$25,000 from the Gates Foundation and a State Aid per Capita Grant of \$4,634. Montana State Entitlement Share revenue to the City was \$737,379.

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

Debt Service expenditures for principal and interest were \$376,451 from governmental funds, of which \$225,582 was principal and \$150,869 was for interest and fees. In FY 2014 the City took out a loan to purchase a fire truck in the amount of \$304,008 and also took a draw of \$4,589 on the InterCap loan used to complete the repair of the library roof. The City was able to refinance its water and sewer loans to reduce the interest rates. Interest rates on the sewer loans were reduced from 3.75% and 4% to 2%. Interest rates on the water loans were reduced from 3.75% to 2% and 3%. Included in the debt service expenditures figures above are the debt service for SID 78, which totaled \$290,955 for FY 2015, including \$125,605 in interest, \$165,000 in principal and \$350 in agent fees.

The cost of all *governmental activities* for Fiscal Year 2015 was \$4,754,842. However, as shown in the Statement of Activities on page II-14, the amount that our taxpayers ultimately financed for these activities through City taxes was \$3,113,632 because some of the cost was paid by those who directly benefited from the programs (Charges for Services \$1,117,665) or by other governments and organizations that subsidized certain programs with grants and contributions (Operating Grants \$491,608 and Capital Grants \$31,937).

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

THE CITY AS A WHOLE (Continued)

Governmental Activities (Continued)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change</u>	<u>% Change</u>
Total Cost of Governmental Services	\$ 4,779,513	\$ 4,754,842	\$ (24,671)	-0.52%
Charges for Services	954,359	1,117,665	163,306	17.11%
Operating Grants	362,001	491,608	129,607	35.80%
Capital Grants and Contributions	23,025	31,937	8,912	38.71%
Taxpayers Ultimately Financed	<u>\$ 3,440,128</u>	<u>\$ 3,113,632</u>	<u>\$ (326,496)</u>	<u>-9.49%</u>

Business-type Activities

Operating revenues of the City's business-type activities for Fiscal Year 2015 were \$2,469,609 compared to \$2,434,103 in Fiscal Year 2014. Operating and interest expenses for FY 2015 were \$2,366,556 compared with \$3,133,877 in FY 2014. The factors driving these results include:

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

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change</u>
Charges for Services			
Water	\$ 1,154,796	\$ 1,173,945	\$ 19,149
Sewer	1,279,307	1,295,664	16,357
Total Revenues	<u>2,434,103</u>	<u>2,469,609</u>	<u>35,506</u>
Expenses			
Water	1,984,735	1,283,964	(700,771)
Sewer	1,149,142	1,082,592	(66,550)
Total Expenses	<u>3,133,877</u>	<u>2,366,556</u>	<u>(767,321)</u>
Interest Income	11,283	6,299	(4,984)
Intergovernmental Revenues	500,000	12,517	(487,483)
Operating Transfers	(226,000)	(224,134)	1,866
	<u>285,283</u>	<u>(205,318)</u>	<u>(490,601)</u>
Change in Net Position	<u>\$ (414,491)</u>	<u>\$ (102,265)</u>	<u>\$ 312,226</u>

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

THE CITY'S FUNDS

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

- Building Fund – Building Fund revenues in FY 2015 continued to rebound. In FY 2015 revenues were \$96,544 compared with \$81,950 in FY 2014 and \$113,077 in FY 2013. The decrease in revenues in FY 2014 compared to FY 2013 can be attributed to the construction of a new motel in FY 2013 which required a large number of permits to be issued. In FY 2015 there have been three new commercial applications - the Bozeman Deaconess Hospital, Goodwill, and the Family Dollar Store. It is expected that with the opening of the new Belgrade I-90 interchange, construction will remain strong.
- Planning Fund – FY 2015 planning fees and permits revenues were \$49,120, compared to the FY 2014 revenues of \$19,610. In fiscal year 2014 the City saw a regular stream of residential homes and smaller projects go through the City's planning department. The Meadowlark and Ryen Glenn subdivisions continued to build out in FY 2015 and are expected to be completed in FY 2018.
- Water Fund - In FY 2015 the City agreed to settle a lawsuit with a former contractor who had worked on the water main replacement project in the amount of \$650,000 and was paid in December 2014.
- Impact Fee Fund – In Fiscal Year 2015 impact fee revenues continued its solid growth. In FY 2015 impact fee revenues were \$235,037, compared with \$210,425 in FY 2014, \$156,666 in FY 2013 and \$89,819 in FY 2012. The majority of the impact fee revenue in FY 2014 came from the construction of single family homes. In FY 2015, the Impact Fee Fund continued its strong performance due to the approval of the new Ryen Glenn subdivision and the continued construction in the Meadowlark subdivision. It is anticipated that the opening of the new Belgrade interchange on Interstate 90 will make Belgrade more attractive to homebuyers and businesses due to the improved access to Bozeman.
- The City adopted impact fees for Parks, Water, Sewer, Streets, Fire and Administration at 55% of the allowable amount in Fiscal Year 2008 and the City is in the process of reviewing its impact fees in order to determine the best uses for the funds collected and also to determine if the fee level is adequate to support Belgrade's infrastructure and community needs caused by the City's growth.

General Fund budgetary highlights

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

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

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

The City's mill value increased by 1.84% for Fiscal Year 2015 compared to 3.45% for Fiscal Year 2014 and 1.01% for Fiscal Year 2013.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

	FY 2014	FY 2015	Change
Other Assets	\$ 12,425,491	\$ 12,803,908	\$ 378,417
Capital Assets	20,885,956	18,843,326	(2,042,630)
Total City Wide Assets	33,311,447	31,647,234	(1,664,213)
Deferred Outflows of Resources	-	208,268	208,268
Liabilities	1,320,385	688,120	(632,265)
Long Term Liabilities	8,391,145	9,791,863	1,400,718
Total Liabilities	9,711,530	10,479,983	768,453
Deferred Inflows of Resources	-	374,677	374,677
Net Investment in Capital Assets	12,367,738	10,794,692	(1,573,046)
Restricted for general government	416,102	648,573	232,471
Restricted for public safety	779,815	892,331	112,516
Restricted for public works	1,236,198	1,554,570	318,372
Restricted for culture and recreation	49,264	49,251	(13)
Restricted for housing and community developr	-	-	-
Restricted for library capital purchases	12,310	26,236	13,926
Restricted for replacement and depreciation	404,851	400,245	(4,606)
Restricted for debt service	4,575,703	4,132,609	(443,094)
Unrestricted	3,757,936	2,502,335	(1,255,601)
Total Net Position	\$ 23,599,917	\$ 21,000,842	\$ (2,599,075)

CAPITAL ASSETS

At the end of Fiscal Year 2015, the City had \$3,311,618 invested in capital assets in the governmental funds and \$15,531,708 in the water and sewer funds for a total of \$18,843,326. This was a decrease of \$2,042,630 from Fiscal Year 2014 which is explained in the next paragraph, for restatement of capital assets.

The City Council considered and passed a change to its capitalization threshold policy for placement on the depreciation schedule from \$1,000 in cost and 1 year of expected life to \$10,000 in cost and 2 years of expected life to comply with current recommendations from GASB and other State of Montana agencies.

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

CAPITAL ASSETS (Continued)

In FY 2015, governmental funds added \$137,911 in assets and booked \$715,035 in depreciation. The change in capitalization threshold policy resulted in the write off of previously capitalized assets that are now below the newly-implemented capitalization threshold. Assets were written off in the amount of \$113,090 (net book value, i.e. cost less accumulated depreciation). Some of the major capital assets acquired by the governmental funds in FY 2015 include:

S-590 Bobcat Loader (83%)	\$	50,000
Micropave	\$	15,682
2016 Chevy Police Pickup	\$	38,342
Portable SM Arms Trainer	\$	12,424
Sidewalks II	\$	21,463

In the Water and Sewer Funds, the capital assets net of depreciation decreased by \$1,352,497. Capital assets of \$66,721 were added while \$1,157,637 in depreciation was booked. The change in capitalization threshold policy resulted in the write off of previously capitalized assets that are now below the newly-implemented capitalization threshold. Assets were written off in the amount of \$261,581 (net book value, i.e. cost less accumulated depreciation). Some of the capital asset additions for the water and sewer funds include:

Water Tower Painting	\$	14,482
S-590 Bobcat Loader (17%)	\$	10,309
24" Waterline Sleeve	\$	18,068
Water Meters	\$	26,862

DEBT

In FY 2014 long-term debt increased due to the purchase of a Smeal Fire Truck for \$304,008 and an additional draw on the Intercap loan to repair and improve the library roof of \$4,589. No additional long-term debt was incurred in FY 2015.

At year-end, the City had \$3,595,634 in governmental bonds and notes outstanding, which includes \$235,000 general obligation debt incurred for library expansion, \$3,030,000 in special assessments, a note payable for the fire truck of \$266,911 and a note payable for the library roof loan of \$63,723.

In FY 2014 the City was able to refinance its \$2,510,000 in water revenue bonds and \$2,252,000 in sewer revenue bonds through the revolving loan funds offered by the Department of Natural Resources and Conservation (DNRC). Using the DNRC Revolving Loan Fund programs the City reduced the interest rates on their sewer loans that had been at 3.75% and 4% down to 2%. The rates for the water revenue bonds were refinanced from 3.75% to rates at 2.25% and 3.00%. This debt refinancing reduced interest payments on water loans by \$203,027 over the next 15 years and reduced interest payments on sewer loans by \$204,329 over the next 10 years.

At the end of FY 2015 the City owed \$2,565,000 in bonds for its water system and \$1,888,000 in bonds for its sewer system.

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

ECONOMIC FACTORS AND FUTURE BUDGETS AND RATES

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

During the 2014-2015 budgeting process the City made the decision to increase street maintenance fees from per dwelling unit to \$47. The fee is used to maintain the city streets and had not been adjusted since it was established in 1996. The \$47 fee for Fiscal Year 2015 will be increased to \$59 for FY 2016 and \$71 for FY 2017. The increased fees will allow the City to better maintain the City's streets and reduce the need for costly replacement of some streets in the future.

In March 2015 the City voters approved a Municipal Services Levy of 37 mills for the purpose of supporting police, fire, and library activities. This mill levy is projected to produce \$327,000 in additional revenue in FY 2016 making services more sustainable and strengthening all governmental activities.

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

City officials are confident that reserves can be adequately maintained at a level of 15% as recommended by the Government Finance Officers Association (GFOA). Property taxes are the City's primary revenue source, followed by intergovernmental revenues, charges for service and special assessments. More detailed information about the City's revenues, expenditures, assets and liabilities is presented in the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

B. Basic Financial Statements

Government-Wide Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,377,794	\$ 999,272	\$ 7,377,066
Restricted cash and investments	219,146	951,259	1,170,405
Receivables, net	3,484,453	230,375	3,714,828
Notes receivable	521,660	-	521,660
Seized property	8,535	-	8,535
Fiduciary fund receivable	11,414	-	11,414
Capital assets			
Nondepreciable land	366,591	600	367,191
Other capital assets, net of depreciation	2,945,027	15,531,108	18,476,135
Total capital assets	<u>3,311,618</u>	<u>15,531,708</u>	<u>18,843,326</u>
Total assets	<u>13,934,620</u>	<u>17,712,614</u>	<u>31,647,234</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>163,524</u>	<u>44,744</u>	<u>208,268</u>
LIABILITIES			
Accounts payable and accrued expenses	6,912	(165)	6,747
Compensated absences payable	42,000	11,810	53,810
Current portion long-term debt	236,563	391,000	627,563
Long-term liabilities			
Compensated absences	220,122	44,424	264,546
Other post-employment health benefits	157,996	50,921	208,917
Due in more than one year	3,359,071	4,062,000	7,421,071
Net pension liability	<u>1,454,659</u>	<u>442,670</u>	<u>1,897,329</u>
Total liabilities	<u>5,477,323</u>	<u>5,002,660</u>	<u>10,479,983</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>260,284</u>	<u>114,393</u>	<u>374,677</u>
NET POSITION			
Net investment in capital assets	(284,016)	11,078,708	10,794,692
Restricted for general government	648,573	-	648,573
Restricted for public safety	892,331	-	892,331
Restricted for public works	1,554,570	-	1,554,570
Restricted for culture and recreation	49,251	-	49,251
Restricted for library capital purchases	26,236	-	26,236
Restricted for replacement and depreciation	-	400,245	400,245
Restricted for debt service	3,587,221	545,388	4,132,609
Unrestricted	<u>1,886,371</u>	<u>615,964</u>	<u>2,502,335</u>
Total net position	<u>\$ 8,360,537</u>	<u>\$ 12,640,305</u>	<u>\$ 21,000,842</u>

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

CITY OF BELGRADE, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 734,345	\$ 166,325	\$ 9,724	\$ -	\$ (558,296)	\$ -	\$ (558,296)
Public safety	2,446,206	218,029	207,660	-	(2,020,517)	-	(2,020,517)
Public works	674,675	645,011	137,286	31,937	139,559	-	139,559
Public welfare	79,526	10,647	763	-	(68,116)	-	(68,116)
Culture and recreation	565,923	77,653	136,175	-	(352,095)	-	(352,095)
Housing and community development	82,904	-	-	-	(82,904)	-	(82,904)
Other	20,394	-	-	-	(20,394)	-	(20,394)
Interest and fiscal fees	150,869	-	-	-	(150,869)	-	(150,869)
Total governmental activities	<u>4,754,842</u>	<u>1,117,665</u>	<u>491,608</u>	<u>31,937</u>	<u>(3,113,632)</u>	<u>-</u>	<u>(3,113,632)</u>
Business-type activities:							
Water	1,283,964	1,173,945	-	6,257	-	(103,762)	(103,762)
Sewer	1,082,592	1,295,664	-	6,260	-	219,332	219,332
Total business-type activities	<u>2,366,556</u>	<u>2,469,609</u>	<u>-</u>	<u>12,517</u>	<u>-</u>	<u>115,570</u>	<u>115,570</u>
Total primary government	<u>\$ 7,121,398</u>	<u>\$ 3,587,274</u>	<u>\$ 491,608</u>	<u>\$ 44,454</u>	<u>(3,113,632)</u>	<u>115,570</u>	<u>(2,998,062)</u>
General revenues:							
Property taxes, levied for general purposes					2,108,187	-	2,108,187
Grants and contributions not restricted to specific programs					756,429	-	756,429
Unrestricted investment earnings					17,332	6,299	23,631
Miscellaneous					11,806	-	11,806
Transfers					224,134	(224,134)	-
Total general revenues					<u>3,117,888</u>	<u>(217,835)</u>	<u>2,900,053</u>
Change in net position					4,256	(102,265)	(98,009)
Net position-beginning					10,061,510	13,538,407	23,599,917
prior period adjustment					(1,705,229)	(795,837)	(2,501,066)
Net position-ending					<u>\$ 8,360,537</u>	<u>\$ 12,640,305</u>	<u>\$ 21,000,842</u>

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

Fund Financial Statements

Governmental Fund Financial Statements

CITY OF BELGRADE, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Volunteer Fire</u>	<u>CDBG 1992 and Prior</u>	<u>CDBG 1993 and After</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 347,343	\$ 101,535	\$ 435,332	\$ 1,188,320	\$ 640,817	\$ 3,664,447	\$ 6,377,794
Receivables:							
Property taxes	12,384	(3,735)	-	-	-	66,254	74,903
Customers, net	22,816	-	-	-	-	70	22,886
Special assessments	-	-	-	-	3,212,950	6,191	3,219,141
Other governments	89,390	39,881	-	-	-	38,252	167,523
Seized property	-	-	-	-	-	8,535	8,535
Due from other City funds	11,054	-	-	-	-	360	11,414
Notes receivable	-	-	381,435	140,225	-	-	521,660
Restricted cash and cash equivalents	109,039	-	-	16,195	-	93,912	219,146
Total assets	<u>\$ 592,026</u>	<u>\$ 137,681</u>	<u>\$ 816,767</u>	<u>\$ 1,344,740</u>	<u>\$ 3,853,767</u>	<u>\$ 3,878,021</u>	<u>\$ 10,623,002</u>

(continued)

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

**CITY OF BELGRADE, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2015**

	<u>General</u>	<u>Volunteer Fire</u>	<u>CDBG 1992 and Prior</u>	<u>CDBG 1993 and After</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,212
Deposits payable	1,700	-	-	-	-	-	1,700
Advances of notes receivable	-	-	381,435	140,225	-	-	521,660
Total liabilities	<u>6,912</u>	<u>-</u>	<u>381,435</u>	<u>140,225</u>	<u>-</u>	<u>-</u>	<u>528,572</u>
Deferred inflows of resources:							
Deferred inflows - tax revenues	12,384	(3,735)	-	-	-	66,256	74,905
Deferred inflows - special assessments	-	-	-	-	3,212,950	6,820	3,219,770
Deferred inflows - court fines	23,842	-	-	-	-	-	23,842
Total deferred inflows of resources	<u>36,226</u>	<u>(3,735)</u>	<u>-</u>	<u>-</u>	<u>3,212,950</u>	<u>73,076</u>	<u>3,318,517</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	141,416	-	-	-	3,396,334	3,537,750
Committed	-	-	435,332	1,204,515	-	246,441	1,886,288
Assigned	104,313	-	-	-	640,817	162,170	907,300
Unassigned	444,575	-	-	-	-	-	444,575
Total fund balances	<u>548,888</u>	<u>141,416</u>	<u>435,332</u>	<u>1,204,515</u>	<u>640,817</u>	<u>3,804,945</u>	<u>6,775,913</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 592,026</u>	<u>\$ 137,681</u>	<u>\$ 816,767</u>	<u>\$ 1,344,740</u>	<u>\$ 3,853,767</u>	<u>\$ 3,878,021</u>	<u>\$ 10,623,002</u>

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

CITY OF BELGRADE, MONTANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2015

Fund balances - total governmental funds		\$ 6,775,913
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 12,468,815	
Less: accumulated depreciation	<u>(9,157,197)</u>	3,311,618
<p>Advances and deferred inflows in the governmental funds are reported on the full accrual basis in the entity-wide statements.</p>		
		3,840,177
<p>Deferred outflows related to pensions are not receivable in the current period and therefore are not reported in the governmental funds.</p>		
		163,524
<p>Deferred inflows related to pensions are not payable in the current period and therefore are not reported in the governmental funds.</p>		
		(260,284)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds payable	(3,595,634)	
Net pension liability	(1,454,659)	
Other post-employment health benefits	(157,996)	
Compensated absences	<u>(262,122)</u>	<u>(5,470,411)</u>
Net position of governmental activities		<u><u>\$ 8,360,537</u></u>

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

CITY OF BELGRADE, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Volunteer Fire</u>	<u>CDBG 1992 and Prior</u>	<u>CDBG 1993 and After</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 451,327	\$ 550,837	\$ -	\$ -	\$ -	\$ 1,211,612	\$ 2,213,776
Special assessments	-	-	-	-	389,606	252,250	641,856
Licenses and permits	120,277	-	-	-	-	96,644	216,921
Intergovernmental	718,136	7,714	-	-	-	554,124	1,279,974
Charges for services	2,998	-	-	-	-	289,504	292,502
Fines and forfeitures	107,990	-	-	-	-	18,552	126,542
Interest on investments	692	196	1,225	3,570	1,894	9,755	17,332
Loan repayment	-	-	96,808	18,091	-	-	114,899
Other	11,917	-	-	-	-	66,992	78,909
Total revenues	<u>1,413,337</u>	<u>558,747</u>	<u>98,033</u>	<u>21,661</u>	<u>391,500</u>	<u>2,499,433</u>	<u>4,982,711</u>
EXPENDITURES							
Current							
General government	423,045	-	-	-	-	227,035	650,080
Public safety	932,570	505,462	-	-	-	904,474	2,342,506
Public works	-	-	-	-	-	184,960	184,960
Public welfare	45,917	-	-	-	-	28,748	74,665
Culture and recreation	85,470	-	-	-	-	395,084	480,554
Housing and community developmen	-	-	-	21,762	-	81,333	103,095
Other	20,394	-	-	-	-	-	20,394
Capital outlay	-	-	-	-	-	137,911	137,911
Debt service							
Principal payments	-	26,086	-	-	165,000	34,496	225,582
Interest and fiscal fees	-	11,098	-	-	125,955	13,816	150,869
Total expenditures	<u>1,507,396</u>	<u>542,646</u>	<u>-</u>	<u>21,762</u>	<u>290,955</u>	<u>2,007,857</u>	<u>4,370,616</u>
Excess (deficiency) of revenues over expenditures	<u>(94,059)</u>	<u>16,101</u>	<u>98,033</u>	<u>(101)</u>	<u>100,545</u>	<u>491,576</u>	<u>612,095</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	268,833	17,000	-	-	-	622,830	908,663
Transfers out	(71,000)	-	-	(3,000)	-	(610,529)	(684,529)
Total other financing sources (uses)	<u>197,833</u>	<u>17,000</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>12,301</u>	<u>224,134</u>
Net change in fund balances	103,774	33,101	98,033	(3,101)	100,545	503,877	836,229
FUND BALANCE - beginning of year							
	<u>445,114</u>	<u>108,315</u>	<u>337,299</u>	<u>1,207,616</u>	<u>540,272</u>	<u>3,301,068</u>	<u>5,939,684</u>
FUND BALANCE - end of year							
	<u>\$ 548,888</u>	<u>\$ 141,416</u>	<u>\$ 435,332</u>	<u>\$ 1,204,515</u>	<u>\$ 640,817</u>	<u>\$ 3,804,945</u>	<u>\$ 6,775,913</u>

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

CITY OF BELGRADE, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$ 836,229
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of these assets is depreciated over the assets' useful lives.</p>		
Expenditures for capital assets	\$ 137,911	
Less: current year depreciation	<u>(715,035)</u>	(577,124)
<p>Repayment of principal is an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of net position.</p>		
Principal payments		225,582
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(91,960)
<p>Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues and expenses in the governmental funds.</p>		
		(447,747)
<p>Some expenditures reported in governmental funds are to be collected on a long-term basis and therefore are not reported as expenses in the statement of activities:</p>		
Accrued compensated absences.	(997)	
CDBG loans	19,472	
Change in pension expense related to net pension liability	<u>40,801</u>	<u>59,276</u>
Change in net position of governmental activities		<u>\$ 4,256</u>

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

Proprietary Fund Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 570,870	\$ 428,402	\$ 999,272
Receivables			
Customers, net	111,855	118,520	230,375
Total current assets	682,725	546,922	1,229,647
Other assets			
Restricted cash and equivalents	572,071	379,188	951,259
Property, plant and equipment			
Nondepreciable:			
Land	600	-	600
Depreciable:			
Buildings and structures	108,094	16,637	124,731
Improvements	510,762	12,562,824	13,073,586
Machinery and equipment	265,503	224,409	489,912
Water and tower lines	12,723,881	-	12,723,881
Accumulated depreciation and amortization	(5,641,673)	(5,239,329)	(10,881,002)
Net property, plant and equipment	7,967,167	7,564,541	15,531,708
Total assets	9,221,963	8,490,651	17,712,614
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	22,368	22,376	44,744

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

CITY OF BELGRADE, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ (165)	\$ -	\$ (165)
Accrued employee benefits payable	5,905	5,905	11,810
Bonds, notes, and loans payable	143,000	248,000	391,000
Total current liabilities	148,740	253,905	402,645
Noncurrent liabilities			
Revenue bonds due after one year	2,422,000	1,640,000	4,062,000
Other post-employment health benefits	25,526	25,395	50,921
Net pension liability	221,293	221,377	442,670
Accrued employee benefits payable due after one year	22,212	22,212	44,424
Total noncurrent liabilities	2,691,031	1,908,984	4,600,015
Total liabilities	2,839,771	2,162,889	5,002,660
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	57,186	57,207	114,393
NET POSITION			
Net investment in capital assets	5,402,167	5,676,541	11,078,708
Restricted for debt service	226,400	318,988	545,388
Restricted for replacement and depreciation	340,045	60,200	400,245
Unrestricted	378,762	237,202	615,964
Total net position	\$ 6,347,374	\$ 6,292,931	\$ 12,640,305

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

CITY OF BELGRADE, MONTANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 1,173,945	\$ 1,295,664	\$ 2,469,609
OPERATING EXPENSES			
Salaries and benefits	321,563	321,467	643,030
Supplies	35,823	19,403	55,226
Purchased services	191,024	186,388	377,412
Other expenses	13,599	4,739	18,338
Depreciation and amortization	648,462	509,175	1,157,637
Total operating expenses	1,210,471	1,041,172	2,251,643
Operating income (loss)	(36,526)	254,492	217,966
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,092	2,207	6,299
Interest expense	(73,493)	(41,420)	(114,913)
Intergovernmental revenues	6,257	6,260	12,517
Total nonoperating revenues (expenses)	(63,144)	(32,953)	(96,097)
Income (loss) before contributions and transfers	(99,670)	221,539	121,869
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers out	(112,067)	(112,067)	(224,134)
Change in net position	(211,737)	109,472	(102,265)
NET POSITION,			
beginning of year	6,997,556	6,540,851	13,538,407
prior period adjustment	(438,445)	(357,392)	(795,837)
NET POSITION,			
end of year	\$ 6,347,374	\$ 6,292,931	\$ 12,640,305

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

CITY OF BELGRADE, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operations			
Receipts from customers	\$ 1,176,110	\$ 1,295,886	\$ 2,471,996
Payments to suppliers	(890,693)	(210,532)	(1,101,225)
Payments to employees	(314,153)	(314,142)	(628,295)
Net Cash Provided (Used) by Operating Activities	<u>(28,736)</u>	<u>771,212</u>	<u>742,476</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out	(112,067)	(112,067)	(224,134)
Receipts from grants	6,257	6,260	12,517
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(105,810)</u>	<u>(105,807)</u>	<u>(211,617)</u>
Cash Flows from Capital and Related Financing Activities			
Additions to property, plant and equipment	(62,412)	(4,309)	(66,721)
Principal paid on bonds, interfund loans, loans and leases	(139,000)	(244,000)	(383,000)
Interest paid on bonds, interfund loans, loans and leases	(73,493)	(41,420)	(114,913)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(274,905)</u>	<u>(289,729)</u>	<u>(564,634)</u>
Cash Flows from Investing Activities			
Interest on investments	4,092	2,207	6,299
Net Cash Flows Provided (Used) by Investing Activities	<u>4,092</u>	<u>2,207</u>	<u>6,299</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(405,359)	377,883	(27,476)
Cash and Cash Equivalents at Beginning of Year	<u>1,548,300</u>	<u>429,707</u>	<u>1,978,007</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,142,941</u>	<u>\$ 807,590</u>	<u>\$ 1,950,531</u>
Classified As:			
Current Assets	\$ 570,870	\$ 428,402	\$ 999,272
Restricted Assets	572,071	379,188	951,259
Totals	<u>\$ 1,142,941</u>	<u>\$ 807,590</u>	<u>\$ 1,950,531</u>

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

CITY OF BELGRADE, MONTANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Income (loss)	\$ (36,526)	254,492	\$ 217,966
Adjustments to reconcile operating income (loss)			
to net cash provided by operating activities			
Depreciation and amortization	648,462	509,175	1,157,637
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	2,165	220	2,385
Deferred outflows of resources	(4,593)	(4,595)	(9,188)
Increase (Decrease) in:			
Accounts payable	(247)	-	(247)
Other post-employment benefits	15,507	15,507	31,014
Net pension liability	(63,477)	(63,581)	(127,058)
Deferred inflows of resources	57,186	57,207	114,393
Legal settlement payable	(650,000)	-	(650,000)
Accrued employee benefits	2,787	2,787	5,574
Total adjustments	7,790	516,720	524,510
Net cash provided by operating activities	\$ (28,736)	771,212	\$ 742,476

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

Fiduciary Fund Financial Statements

CITY OF BELGRADE, MONTANA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Fire Department Relief	City Court Restitution	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 10,625	\$ 30,105	\$ 40,730
Investments	150,257	-	150,257
Total assets	<u>\$ 160,882</u>	<u>\$ 30,105</u>	<u>\$ 190,987</u>
LIABILITIES			
Due to other City funds	\$ -	\$ 11,414	\$ 11,414
Due to others	160,882	18,691	179,573
Total liabilities	<u>\$ 160,882</u>	<u>\$ 30,105</u>	<u>\$ 190,987</u>

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

Notes to Financial Statements

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

For the year ended June 30, 2015, the City implemented two GASB Statements that had no impact on the City's financial statements: GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB 68 replaces the requirements of Statements No. 27 and 50 related to pension plans that are administered through trusts and equivalent arrangements. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

For the year ended June 30, 2015, the City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The provisions of this statement are required to be applied simultaneously with the provisions of GASB 68.

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2015, and for the year then ended.

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

A) Reporting Entity

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

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

B) Basis of Accounting/Measurement Focus

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

Government-Wide Financial Statements

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Accounting/Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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

Certain eliminations have been made as prescribed by GASB 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. There are no internal service fund transactions to be eliminated.

Governmental Fund Financial Statements

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

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund. The City has no nonmajor proprietary funds. Additionally, the City has no internal service funds. Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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

Fiduciary Fund Financial Statements

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

C) Funds

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

Governmental Funds

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

Proprietary Funds

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Cash and Investments

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

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

E) Restricted Cash

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

F) Budgets

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

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

G) Use of Estimates

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

H) Eliminations and Reclassifications

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. City policy has set the capitalization threshold for reporting capital assets at \$10,000. Gifts and contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net Position, net of accumulated depreciation. Capital assets which are not depreciable, such as land and construction in progress are reported separately. Depreciation expense is reported in the Statement of Activities by function and is calculated using the straight-line method based on the asset's estimated useful life.

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

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

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

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

J) Compensated Absences

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

K) Interfund Receivables and Payables

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) Fund Balance/Net Position

Fund Balance

Per GASB Statement No. 54, fund balance in the governmental funds is reported in two general classifications: nonspendable and spendable.

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

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

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

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

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

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

Minimum General Fund – Fund Balance

The City does not maintain a stabilization fund.

Net Position

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

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB 63 amended the GASB 34 reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets, in the Government-Wide, Proprietary Fund and Fiduciary Fund financial statements.

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

GASB 65 requires that a deferred inflow of resources be reported in the Governmental Fund financial statements when an asset is recorded for which the revenue is not available; therefore, the Governmental Fund financial statements report deferred inflows of tax revenues, deferred inflows of special assessment revenues, and deferred inflows of court fines.

GASB 68 requires that the City record and report its proportionate share of the collective net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources associated with pensions.

N) Pension Plans

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2. CASH AND INVESTMENTS

Cash held by the City is pooled and maintained in demand accounts. For the purposes of statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash. At year end, the carrying amount of the City's deposits was \$8,738,458 and the balance per the bank was \$8,895,997. Account balances are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per bank, per depositor. The uninsured portion of the bank balance was fully secured by collateralized securities held by the bank in the City's name in accordance with State law. On June 30, 2015, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year.

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 6,377,794	\$ 219,146	\$ 6,596,940
Business-type activities	999,272	951,259	1,950,531
Fiduciary funds	190,987	-	190,987
	<u>\$ 7,568,053</u>	<u>\$ 1,170,405</u>	<u>\$ 8,738,458</u>

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

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

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>
Cash and equivalents	N/A	N/A	\$ 79,310
Fixed income securities	Jan 2008 - Dec 2034	AAA	70,870
Mutual funds	N/A	N/A	-
Demand deposits	N/A	N/A	8,588,093
Petty cash	N/A	N/A	185
			<u>\$ 8,738,458</u>

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3. PROPERTY TAXES RECEIVABLE

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

Valuation of real property is the responsibility of the State of Montana and is done by statutory methods. Personal property is assessed by the County Assessor, an agent of the State of Montana. Valuations are determined under state law and submitted to the County Treasurer for the preparation of tax notices. Tax notices are generally mailed by the County Treasurer in May and June with all but mobile homes due July 31st and mobile home taxes due in payments on July 31st and September 30th. Delinquent taxes may be collected for up to 10 years. The County Treasurer may issue a writ of execution to the County Sheriff to seize the property and sell it to pay the taxes. Unpaid taxes at the end of 10 years may be written off by the County Commissioners. The City is permitted by state statutes to levy taxes up to certain fixed limits for various purposes. The taxes levied by the City for the year ended June 30, 2015, were within legal limits. The tax levies were based upon a taxable valuation of \$11,481,638.

4. SPECIAL ASSESSMENTS RECEIVABLE/DEFERRED INFLOWS OF RESOURCES

Special assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements for streets and lighting. Assessments are payable over a period of 18 to 20 year and bear interest of 5% to 14%. In the governmental funds, revenues from these assessments are recognized in the period in which they become both measurable and available. In the Government-Wide Financial Statements, however, these amounts are reported as revenues in the period they are levied. Once received, the monies will be used to meet the annual debt service requirements on related bonds. Deferred inflows of resources in the General Fund represent outstanding general property taxes at June 30, 2015. Again, these amounts are reported as revenue in the Government-Wide Financial Statements in the period in which they are levied. Deferred inflows of resources in Special Revenue Funds represent revenues not available to meet liabilities of the current period. Deferred inflows of resources in Debt Service Funds represent future assessments to be received to meet the related debt obligation.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

5. NOTES RECEIVABLE

The following is a summary of notes and contracts receivable as of June 30, 2015:

Special Revenue Notes Receivable:

4% note receivable from Amaltheia Dairy dated June 1, 2003, due in monthly installments of \$613 to January 1, 2015 as amended December 23, 2010. Original note was 6% due September 1, 2008. (a)	\$ 10,648
5% note receivable from Sphinx Mountain, dated March 1, 2005, due in monthly installments of \$965 to March 1, 2020. (a)	42,213
5% note receivable from Bar 3 Bar-B-Q dated March 6, 2007, due in monthly installments of \$518 to January 1, 2014. Loan is currently non-accrual. (a)	10,869
5% note receivable from Elite Trucking dated January 5, 2006, due in monthly installments of \$1,320 to February 1, 2026. (a)	129,356
4% note receivable from Stealth Products, Inc. dated November 22, 2013, due in monthly installments of \$3,446 to December 1, 2020. (a)	197,663
4% note receivable from Phillips Environmental Products, Inc. dba Cleanwaste dated February 10, 2010, due in monthly installments of \$2,548 to February 1, 2020. (a)	130,911
	\$ 521,660

(a) Restrictive Covenants

Notes receivable made from proceeds of CDBG Block Grants, contain restrictive covenants requiring a second priority interest in all equipment, accounts receivable, and inventory. The City was in compliance with the required covenants as of June 30, 2015.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS

In accordance with GASB 34, the City has reported all capital assets, with the exception of pre-July 1, 2003 infrastructure in the Government-Wide Statement of Net Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2015, depreciation expense on capital assets was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 77,933
Public Safety	74,809
Public Works	484,029
Public Health	5,879
Culture and Recreation	72,385
Total depreciation expense - governmental activities	<u>\$ 715,035</u>
 Business-type Activities:	
Water	\$ 648,462
Sewer	509,175
Total depreciation expense - business-type activities	<u>\$ 1,157,637</u>

All capital assets of the City are depreciable with the exception of land and construction in progress. Capital assets of the City for the year ended June 30, 2015, consisted of the following:

	June 30, 2014	Additions	Disposals	Prior Period Adjustment/ Reclassifications	June 30, 2015
Governmental Activities:					
Non-depreciable					
Land	\$ 322,196	\$ -	\$ -	\$ 7,250	\$ 329,446
Construction in progress	-	37,145	-	-	37,145
Depreciable					
Buildings and structures	2,975,133	-	-	(99,855)	2,875,278
Improvements	7,593,048	-	-	(6,997,166)	595,882
Machinery and equipment	2,523,107	100,766	-	(427,643)	2,196,230
Infrastructure	-	-	-	6,434,834	6,434,834
Total	13,413,484	137,911	-	(1,082,580)	12,468,815
Accumulated depreciation	<u>(9,411,733)</u>	<u>(715,035)</u>	-	<u>969,571</u>	<u>(9,157,197)</u>
Total governmental activities	<u>\$ 4,001,751</u>	<u>\$ (577,124)</u>	<u>\$ -</u>	<u>\$ (113,009)</u>	<u>\$ 3,311,618</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS (Continued)

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Prior Period Adjustment/ Reclassifications</u>	<u>June 30, 2015</u>
Business-type Activities:					
Non-depreciable					
Land	\$ 600	\$ -	\$ -	\$ -	\$ 600
Depreciable					
Buildings and structures	128,927	-	-	(4,196)	124,731
Improvements	15,088,699	-	-	(2,015,113)	13,073,586
Machinery and equipment	877,130	10,309	-	(397,527)	489,912
Water tower and lines	<u>10,661,342</u>	<u>56,412</u>	<u>-</u>	<u>2,006,127</u>	<u>12,723,881</u>
Total	26,756,698	66,721	-	(410,709)	26,412,710
Accumulated depreciation	<u>(9,872,493)</u>	<u>(1,157,637)</u>	<u>-</u>	<u>149,128</u>	<u>(10,881,002)</u>
Total business-type activities	<u>\$ 16,884,205</u>	<u>\$ (1,090,916)</u>	<u>\$ -</u>	<u>\$ (261,581)</u>	<u>\$ 15,531,708</u>
Total capital assets	<u>\$ 20,885,956</u>	<u>\$ (1,668,040)</u>	<u>\$ -</u>	<u>\$ (374,590)</u>	<u>\$ 18,843,326</u>
Accumulated Depreciation:					
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Prior Period Adjustment/ Reclassifications</u>	<u>June 30, 2015</u>
Governmental Activities:					
Buildings and structures	\$ (1,938,611)	\$ (135,218)	\$ -	\$ 30,704	\$ (2,043,125)
Improvements	(5,491,616)	(35,861)	-	5,034,468	(493,009)
Machinery and equipment	(1,981,506)	(98,382)	-	431,983	(1,547,905)
Infrastructure	<u>-</u>	<u>(445,574)</u>	<u>-</u>	<u>(4,527,584)</u>	<u>(4,973,158)</u>
Total governmental activities	<u>\$ (9,411,733)</u>	<u>\$ (715,035)</u>	<u>\$ -</u>	<u>\$ 969,571</u>	<u>\$ (9,157,197)</u>
Business-type Activities:					
Buildings	\$ (109,191)	\$ (6,237)	\$ -	\$ 3,170	\$ (112,258)
Improvements	(5,985,778)	(25,886)	-	5,404,048	(607,616)
Machinery and equipment	(732,106)	(13,190)	-	304,599	(440,697)
Water tower and lines	<u>(3,045,418)</u>	<u>(1,112,324)</u>	<u>-</u>	<u>(5,562,689)</u>	<u>(9,720,431)</u>
Total business-type activities	<u>\$ (9,872,493)</u>	<u>\$ (1,157,637)</u>	<u>\$ -</u>	<u>\$ 149,128</u>	<u>\$ (10,881,002)</u>
Total accumulated depreciation	<u>\$ (19,284,226)</u>	<u>\$ (1,872,672)</u>	<u>\$ -</u>	<u>\$ 1,118,699</u>	<u>\$ (20,038,199)</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

7. COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Footnote 1. As shown in the table below, the long-term portion of the debt, amounting to \$220,122 for governmental activities and \$44,424 for business-type activities at June 30, 2015, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amounts outstanding at June 30, 2015, were \$262,122 for governmental activities and \$56,234 for business-type activities.

	<u>Balance</u> <u>June 30, 2014</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance</u> <u>June 30, 2015</u>
Compensated absences				
Governmental Activities	\$ 261,125	\$ 42,997	\$ (42,000)	\$ 262,122
Business-type Activities	<u>50,660</u>	<u>17,574</u>	<u>(12,000)</u>	<u>56,234</u>
Total compensated absences	<u>\$ 311,785</u>	<u>\$ 60,571</u>	<u>\$ (54,000)</u>	<u>\$ 318,356</u>
	<u>Due within one</u> <u>year</u>	<u>Due after one</u> <u>year</u>	<u>Total</u>	
Compensated absences				
Governmental Activities	\$ 42,000	\$ 220,122	\$ 262,122	
Business-type Activities	<u>11,810</u>	<u>44,424</u>	<u>56,234</u>	
Total compensated absences	<u>\$ 53,810</u>	<u>\$ 264,546</u>	<u>\$ 318,356</u>	

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City's governmental activities for the year ended June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2015</u>
General obligation bonds	\$ 265,000	\$ -	\$ (30,000)	\$ 235,000
Special assessment debt	3,195,000	-	(165,000)	3,030,000
Notes payable	<u>361,216</u>	<u>-</u>	<u>(30,582)</u>	<u>330,634</u>
Totals	<u>\$ 3,821,216</u>	<u>\$ -</u>	<u>\$ (225,582)</u>	<u>\$ 3,595,634</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. LONG-TERM DEBT (Continued)

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

	Current Portion (Due within one year)	Long-term Portion (Due after one year)	Total Long Term Debt
General obligation bonds	\$ 30,000	\$ 205,000	\$ 235,000
Special assessment debt	175,000	2,855,000	3,030,000
Notes payable	31,563	299,071	330,634
	\$ 236,563	\$ 3,359,071	\$ 3,595,634

a. General Obligation Bonds

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

	Interest Rate	Amount	Due within one year
Library Project Bonds serial maturities through 2023	2.75-5.0%	\$ <u>235,000</u>	\$ <u>30,000</u>

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

	Principal	Interest	Total
Year ending June 30,			
2016	\$ 30,000	\$ 12,795	\$ 42,795
2017	30,000	11,445	41,445
2018	30,000	10,065	40,065
2019	35,000	8,655	43,655
2020	35,000	7,215	42,215
2021-2025	75,000	11,250	86,250
	\$ 235,000	\$ 61,425	\$ 296,425

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. LONG-TERM DEBT (Continued)

b. Special Assessment Bonds

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

	Balance	Issuances	Repayments	Balance
	June 30, 2014			June 30, 2015
SID #78	\$ 3,195,000	\$ -	\$ (165,000)	\$ 3,030,000

	Issue Date	Term	Issue Amount	Interest Rate	Annual Payment	Amount Outstanding
SID #78	04/08	20 yrs	\$ 4,000,000	2.2 - 4.25%	Variable	\$ 3,030,000

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

Year ending June 30,	Principal
2016	\$ 175,000
2017	180,000
2018	190,000
2019	200,000
2020	210,000
2021-2025	1,205,000
2026-2030	870,000
	\$ 3,030,000

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. LONG-TERM DEBT (Continued)

c. Notes Payable

The City has an Intercap loan payable for funds borrowed for the library roof replacement in 2013. The original note was for \$67,962 with interest at 1.25%. The interest rate adjusts annually; the interest rate at June 30, 2015 was 1.00%. Variable payments, including principal and interest, are required until June 19, 2027.

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

	Due within one year	Due after one year	Total
Intercap note payable - library roof replacement	\$ 4,552	\$ 59,171	\$ 63,723
Flathead Bank note payable - fire truck	27,011	239,900	266,911
	\$ 31,563	\$ 299,071	\$ 330,634

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

Year ending June 30,	Principal
2016	\$ 31,564
2017	32,711
2018	33,875
2019	35,083
2020	36,322
2021-2025	145,491
2026-2030	15,588
	\$ 330,634

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. LONG-TERM DEBT (Continued)

d. Revenue Bonds

Water

The government issues bonds in which the government pledges income derived from the acquired or constructed assets to pay for service of this debt. The ARRA A series debt will be forgiven upon completion of the program requirements. Water revenue bonds outstanding at June 30, 2015 are as follows:

Purpose	Issue Date	Term	Issue Amount	Interest Rate	Annual Payment	Amount Outstanding
Water System ARRA B	July 2009	20 yrs	\$ 131,179	0.75%	variable	\$ 238,000
WRF-11236	January 2011	20 yrs	161,300	3.75%	variable	123,000
WRF-11221	July 2010	20 yrs	2,718,000	3.75%	variable	2,204,000
						<u>\$ 2,565,000</u>

	Balance June 30, 2015	Issuances	Repayments	Balance June 30, 2016
Water System ARRA B	\$ 254,000	\$ -	\$ (16,000)	\$ 238,000
WRF-11236	131,000	-	(8,000)	123,000
WRF-11221	2,319,000	-	(115,000)	2,204,000
	<u>\$ 2,704,000</u>	<u>\$ -</u>	<u>\$ (139,000)</u>	<u>\$ 2,565,000</u>

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

Year ending June 30,	Principal	Interest	Total
2016	\$ 143,000	\$ 69,713	\$ 212,713
2017	146,000	65,828	211,828
2018	149,000	61,838	210,838
2019	153,000	57,758	210,758
2020	157,000	53,558	210,558
2021-2025	863,000	200,126	1,063,126
2026-2030	954,000	74,190	1,028,190
	<u>\$ 2,565,000</u>	<u>\$ 583,009</u>	<u>\$ 3,148,009</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. LONG-TERM DEBT (Continued)

d. Revenue Bonds (Continued)

Sewer

The government issues bonds in which the government pledges income derived from the acquired or constructed assets to pay for service of this debt. Sewer revenue bonds outstanding at June 30, 2015 are as follows:

Purpose	Issue Date	Term	Issue Amount	Interest Rate	Annual Payment	Amount Outstanding
Sewer System 2001	April 2001	20 yrs	\$ 1,058,000	4.00%	variable	\$ 370,000
Wasterwater Treatment 2003	April 2003	20 yrs	1,940,000	4.00%	variable	899,000
Wastewater 2003	August 2003	20 yrs	1,512,000	3.75%	variable	619,000
						\$ 1,888,000

	Balance June 30, 2014	Issuances	Repayments	Balance June 30, 2015
Sewer System 2001	\$ 434,000	\$ -	\$ (64,000)	\$ 370,000
Wasterwater Treatment 2003	1,009,000	-	(110,000)	899,000
Wastewater 2003	689,000	-	(70,000)	619,000
	\$ 2,132,000	\$ -	\$ (244,000)	\$ 1,888,000

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

Year ending June 30,	Principal	Interest	Total
2016	\$ 248,000	\$ 36,520	\$ 284,520
2017	255,000	31,530	286,530
2018	259,000	26,420	285,420
2019	263,000	21,210	284,210
2020	269,000	15,920	284,920
2021-2025	594,000	18,470	612,470
	\$ 1,888,000	\$ 150,070	\$ 2,038,070

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

9. FIRE DEPARTMENT RELIEF ASSOCIATION DISABILITY AND PENSION FUND

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

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

10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The plan is funded by the City and plan members receiving benefits. The City contributes up to \$800 per month per full time employee for health insurance benefits. This amount is prorated for part time employees working a minimum of 25 hours per week. Employees contribute the remaining balance of the cost for health insurance. The employee's cost varies based on the plan chosen and whether family coverage is selected. The City's plan offers several health insurance options. The options offer different deductible and coinsurance amounts. The City's plan offers retiree coverage, paid entirely by the retiree. Retiree cost depends on the plan and type of coverage selected and whether they are eligible for Medicare. For the fiscal year ended June 30, 2015, two retired members were receiving benefits.

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

MMIA, as the plan administrator for many Montana cities and towns, engaged an actuary to assist the cities, including the City of Belgrade, with the alternative measurement method for June 30, 2015.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

Annual required contribution/Annual OPEB cost (expense)	\$	93,512
Interest on net OPEB obligation		1,870
Adjustment to annual required contribution (end of year amortization factor 17.292)		<u>27,592</u>
Annual OPEB cost (expense)		122,974
Contributions made		<u>-</u>
Increase in net OPEB obligation		122,974
Net OPEB obligation - beginning of year		<u>85,943</u>
Net OPEB obligation - end of year	\$	<u><u>208,917</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 and the two preceding fiscal years were as follows:

Fiscal Year	Annual	Percentage of	Net OPEB
Ended	OPEB Cost	Annual OPEB Cost	Obligation
Ended	OPEB Cost	Contributed	Obligation
June 30, 2013	\$ 19,591	0.00%	\$ 19,591
June 30, 2014	\$ 66,352	0.00%	\$ 85,943
June 30, 2014	\$ 122,974	0.00%	\$ 208,917

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

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

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

The June 30, 2015 year end OPEB obligation is reported in the City's funds as follows:

<u>Functions/Programs</u>	<u>FY 2015 Expense</u>	<u>Net OPEB Obligation at Year End</u>
Primary Government:		
Governmental activities:		
General government	\$ 12,616	\$ 22,185
Public safety	61,832	106,137
Public works	3,099	4,986
Public welfare	1,783	3,141
Culture and recreation	11,757	20,037
Housing and community development	873	1,510
Total governmental activities	<u>91,960</u>	<u>157,996</u>
Business-type activities:		
Water	15,507	25,526
Sewer	15,507	25,395
Total business-type activities	<u>31,014</u>	<u>50,921</u>
Total primary government	<u>\$ 122,974</u>	<u>\$ 208,917</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

11. CLASSIFICATION OF NET POSITION

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

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

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

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

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

12. SEGMENT INFORMATION

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

13. INTERFUND ASSETS AND LIABILITIES

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

A summary of due from/to other funds at June 30, 2015, is as follows:

	Due From	Due To
General Fund	\$ 11,054	\$ -
Special Revenue Funds		
Drug Forfeiture	360	-
Trust and Agency Funds		
Court Restitution	-	11,414
	\$ 11,414	\$ 11,414

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

14. RISK MANAGEMENT

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

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

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

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

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

15. DEFERRED COMPENSATION PLAN

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

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

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. RETIREMENT PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS)

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. All new members from the universities also have a third option to join the university system’s Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Member’s highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member’s highest average compensation.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011

Age 60, 5 years of membership service;

Age 65, regardless of membership service; or

Any age, 30 years of membership service.

Hired on or after July 1, 2011

Age 65, 5 years of membership service;

Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011

Age 50, 5 years of membership service; or

Any age, 25 years of membership service.

Hired on or after July 1, 2011

Age 55, 5 years of membership service.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)**

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member’s benefit.

*At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Overview of Contributions

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. State and University System employers are required to contribute 8.27% of members’ compensation.
 - b. Local government entities are required to contribution 8.17% of members’ compensation.
 - c. School district employers contributed 7.90% of members’ compensation.
 - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan’s Plan Choice Rate unfunded liability.
 - f. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members’ compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members’ compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund.

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the City are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during the years ended June 30, 2013, 2014, and 2015 were equal to the required contribution for each year. Total covered payroll for the City and total contributions to the plan for the year ended June 30, 2015 and the two previous years is presented in the following table.

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2015	\$ 1,266,768	\$ 100,075	\$ 103,495	\$ 1,267
2014	\$ 1,127,503	\$ 89,073	\$ 90,990	\$ 1,128
2013	\$ 1,201,579	\$ 84,293	\$ 84,952	\$ 1,202

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Stand-Alone Statements

The PERS financial information is reported in the Public Employees’ Retirement Board’s *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>.

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth*: 4.00%
*includes Inflation at 3.00%
- Merit Increases: 0% to 6%
- Investment Return: 7.75%
- Postretirement Benefit Increases:
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member’s benefit.

*At this time as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate 7.75%	1.0% Increase (8.75%)
PERS' Net Pension Liability	\$ 1,982,274,732	\$ 1,246,010,898	\$ 625,044,646
Employer's Proportionate Share of the Net Pension Liability at June 30, 2014	\$ 1,662,350	\$ 1,044,914	\$ 524,167

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees’ Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of 6/30/2013	Net Pension Liability as of 6/30/2014	Percent of Collective NPL
Employer Proportionate Share	\$ 1,344,643	\$ 1,044,914	0.223150%
State of Montana Proportionate Share associated with Employer	16,420	12,760	0.283474%
Total	\$ 1,361,063	\$ 1,057,674	0.506624%

At June 30, 2015, the employer recorded a liability of \$1,044,914 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer’s proportion of the Net Pension Liability was based on the employer’s contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS’ participating employers. At June 30, 2014, the employer’s proportion was 0.22315 percent.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective NPL.

Pension Expense

	Pension Expense as of 6/30/2014
Employer Proportionate Share	\$ 51,720
State of Montana Proportionate Share associated with Employer	<u>29,546</u>
Total	<u>\$ 81,266</u>

At June 30, 2015, the employer recognized a Pension Expense of \$81,266 for its proportionate share of the PERS’ Pension Expense. The employer also recognized grant revenue of \$29,546 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources in the amount of \$83,929 for the employers’ contributions for the fiscal year ended June 30, 2014.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

16. PENSION PLANS – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) (Continued)

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of PERS’ deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 269,988
Changes in proportion differences between employer contributions and proportionate share of contributions	2,123	35
Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions	103,495	-
Total	\$ 105,618	\$ 270,023

\$103,495 reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ 2,123	\$ 66,801	\$ (68,924)
2017	-	66,801	(66,801)
2018	-	66,801	(66,801)
2019	-	67,497	(67,497)
2020	-	-	-
Thereafter	-	-	-
	\$ 2,123	\$ 267,900	\$ (270,023)

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS)

Plan Description

The Municipal Police Officers’ Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service.

Summary of Benefits

Member’s final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;

Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member’s final average compensation

Eligibility for benefit

20 years of membership service, regardless of age

Early Retirement

Age 50, 5 years of membership service

Vesting

5 years of membership service

Monthly benefit formula

2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member’s benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member’s benefit

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor’s benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member’s DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member’s DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 743
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 60
 - Non-vested: 103
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 694
 - Disability Retirements: 21
 - Survivor Benefits: 29

Overview of Contributions

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Member contribution rates are dependent upon date of hire as a police officer. For fiscal year 2015:
 - i. If employed on or before June 30, 1975, member contributions as a percentage of salary are 5.8%;
 - ii. If employed after June 30, 1975 and prior to July 1, 1979, member contributions as a percentage of salary are 7.0%;
 - iii. If employed after June 30, 1979 and prior to July 1, 1997, member contributions as a percentage of salary are 8.5%; and,
 - iv. If employed on or after July 1, 1997 and for members electing GABA, member contributions as a percentage of salary were 9.0%.
 - b. Employer contributions to the system:
 - c. The employers are required to contribute 14.41% of member’s compensation.
 - d. The State contributes 29.37% of member’s compensation from the general fund.

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the City are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during the years ended June 30, 2013, 2014, and 2015 were equal to the required contribution for each year.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

Total covered payroll for the City and total contributions to the plan for the year ended June 30, 2015 and the two previous years is presented in the following table.

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2015	\$ 712,354	\$ 64,112	\$ 102,650	\$ 20,922
2014	\$ 727,852	\$ 65,507	\$ 104,883	\$ 213,770
2013	\$ 711,925	\$ 64,074	\$ 102,588	\$ 209,093

Stand-Alone Statements

The MPORS financial information is reported in the Public Employees’ Retirement Board’s *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>.

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth*: 4.00%
*includes Inflation at 3.00%
- Merit Increases: 0% to 7.3%
- Investment Return: 7.75%
- Postretirement Benefit Increases
 - If electing GABA or hired on or after July 1, 1997: 3.00%
 - After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage each January, inclusive of other adjustments to the member’s benefit.
 - Minimum Benefit Adjustment: 50% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 29.37% of salaries pensionable payroll paid by employers. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
	<u>(6.75%)</u>	<u>7.75%</u>	<u>(8.75%)</u>
MPORS' Net Pension Liability	\$ 226,560,623	\$ 157,135,903	\$ 102,022,702
Employer's Proportionate Share of the Net Pension Liability at June 30, 2014	\$ 1,229,023	\$ 852,415	\$ 553,442

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Municipal Police Officers’ Retirement System (MPORS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, employers are required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

	Net Pension Liability as of 6/30/2013	Net Pension Liability as of 6/30/2014	Percent of Collective NPL
Employer Proportionate Share	\$ 971,206	\$ 852,415	0.460223%
State of Montana Proportionate Share associated with Employer	1,961,952	1,721,979	0.668887%
Total	\$ 2,933,158	\$ 2,574,394	1.129110%

At June 30, 2015, the employer recorded a liability of \$852,415 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer’s proportion of the Net Pension Liability was based on the employer’s contributions received by MPORS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MPORS’ participating employers. At June 30, 2014, the employer’s proportion was 0.460223 percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective NPL.

**CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

Pension Expense

	Pension Expense as of 6/30/2014
Employer Proportionate Share	\$ 91,690
State of Montana Proportionate Share associated with Employer	185,225
Total	\$ 276,915

At June 30, 2015, the employer recognized a Pension Expense of \$276,915 for its proportionate share of the MPORS’ Pension Expense. The employer also recognized grant revenue of \$185,225 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources in the amount of \$105,827 for the employers’ contributions for the fiscal year ended June 30, 2014.

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of MPORS’ deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 104,654
Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions	102,650	-
Total	\$ 102,650	\$ 104,654

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

17. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (Continued)

\$102,650 reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 26,163	\$ (26,163)
2017	-	26,163	(26,163)
2018	-	26,163	(26,163)
2019	-	26,165	(26,165)
2020	-	-	-
Thereafter	-	-	-
	<u>\$ -</u>	<u>\$ 104,654</u>	<u>\$ (104,654)</u>

18. INTERLOCAL AGREEMENTS

In June 2014, the City of Belgrade entered into an Interlocal Agreement with the Central Valley Fire District (CVFD) to provide various services including fire suppression, fire prevention, education, emergency medical services, motor vehicle accident response, and other related services. Under the terms of the agreement, all employees of the Belgrade Fire District are members of the CVFD and vice versa. The CVFD chief manages all services under the agreement and the City Manager administrates the contract for the City. The City pays the district the amount generated by 37 mills plus 10 mills for ancillary costs of the department. There are an additional 11.33 mills levied that fund the City of Belgrade Firefighter Relief Association.

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

19. MAJOR PURPOSE PRESENTATION

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

	General Fund	Volunteer Fire	CDBG 1992 and Prior	CDBG 1993 and After	S.I.D. 78	Nonmajor Governmental Funds	Total Governmental Funds
Restricted							
General government	-	-	-	-	-	648,573	648,573
Public safety	-	141,416	-	-	-	750,915	892,331
Public works	-	-	-	-	-	1,554,570	1,554,570
Culture and recreation	-	-	-	-	-	75,487	75,487
Debt service	-	-	-	-	-	366,789	366,789
Total restricted	<u>-</u>	<u>141,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,396,334</u>	<u>3,537,750</u>
Committed							
General government	-	-	-	-	-	119,560	119,560
Public safety	-	-	-	-	-	4	4
Culture and recreation	-	-	-	-	-	126,877	126,877
Housing and community dev	-	-	435,332	1,204,515	-	-	1,639,847
Total committed	<u>-</u>	<u>-</u>	<u>435,332</u>	<u>1,204,515</u>	<u>-</u>	<u>246,441</u>	<u>1,886,288</u>
Assigned							
Public works	-	-	-	-	640,817	-	640,817
Capital projects	-	-	-	-	-	140,404	140,404
Employee leave	104,313	-	-	-	-	21,766	126,079
Total assigned	<u>104,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,817</u>	<u>162,170</u>	<u>907,300</u>
Unassigned	<u>444,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,575</u>
Total fund balances	<u>\$ 548,888</u>	<u>\$ 141,416</u>	<u>\$ 435,332</u>	<u>\$ 1,204,515</u>	<u>\$ 640,817</u>	<u>\$ 3,804,945</u>	<u>\$ 6,775,913</u>

CITY OF BELGRADE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

20. CONTINGENT LIABILITIES

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

The Volunteer Fire Department pension funding could result in additional liability to the City. See Footnote 9.

Flanagan and Morrow v. City of Belgrade

The City of Belgrade is the defendant in *Teresa Flanagan and Shelley Morrow v. City of Belgrade*, Montana Eighteenth Judicial District Court, Gallatin County, Cause No. DV-16-155C. The case was filed by two employees alleging unlawful discrimination, breach of employment agreement, breach of the covenant of good faith and fair dealing, constructive fraud, statutory claim for unpaid wages and related relief, unjust enrichment, negligent supervision, and negligent infliction of emotional distress. The City has not yet been served with a copy of the complaint. The City believes that the claims are subject to the defenses of preclusion, res judicata and collateral estoppel. The City believes that it will be successful in the outcome of the case.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 2, 2016, the date on which the financial statements were available to be issued.

22. PRIOR PERIOD ADJUSTMENTS

GASB Statement No.68 – Net Pension Liability

During the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, which required the recording of beginning net pension liability, deferred outflows of resources, and deferred inflows of resources related to the City's pension plans. For governmental activities, this decreased net position by \$1,592,220, increased net pension liability by \$1,746,202, and increased deferred outflows of resources by \$154,201. For business-type activities, this decreased net position by \$534,256, increased net pension liability by \$569,808, and increased deferred outflows of resources by \$35,556. See Notes 16 and 17 for more information.

Change to Capitalization Threshold for Capital Assets

On July 1, 2015, the City changed its capitalization threshold for capital assets. In prior years, the City's policy was to capitalize assets over \$1,000 with an estimated useful life of at least one year. The new policy is to capitalize assets over \$10,000 with an estimated useful life of at least two years. The City applied this change retrospectively with a prior period adjustment to write off previously capitalized assets that now fall under the new capitalization threshold. For governmental activities, the result of this change decreased net position by \$113,009, decreased depreciable capital assets by \$1,082,580, and decreased accumulated depreciation by \$969,571. For business-type activities, this decreased net position by \$261,581, decreased depreciable capital assets by \$410,709, and decreased accumulated amortization by \$149,128. See Note 6 for more information.

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

CITY OF BELGRADE MONTANA
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
Year Ended June 30, 2015

The annual other post-employment benefits (OPEB) costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	6/30/2012	\$ -	0.00%	\$ -
	6/30/2013	\$ 19,591	0.00%	\$ 19,591
	6/30/2014	\$ 66,252	0.00%	\$ 85,843
	6/30/2015	\$ 123,074	0.00%	\$ 208,917

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 620,194
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 620,194</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 2,072,137
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	29.9%

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Retiree Medical Plan	7/1/2012	\$ -	\$ 99,617	\$ 99,617	0%	\$ 1,745,992	5.7%
	7/1/2014	\$ -	\$ 620,194	\$ 620,194	0.0%	\$ 2,072,137	29.9%

CITY OF BELGRADE, MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
Last Two Fiscal Years

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
	2015	2014
Employer's proportionate share of the net pension liability	\$ 1,044,914	\$ 1,344,643
Employer's proportionate share of the net pension liability associated with the employer	0.223150%	0.223150%
State of MT proportionate share of the net pension liability associated with the employer	\$ 12,760	\$ 16,420
Total	\$ 1,057,674	\$ 1,361,063
Employer's covered-employee payroll	\$ 949,302	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	110.072%	Not available
Plan fiduciary net position the total pension liability	79.900%	Not available

SCHEDULE OF CONTRIBUTIONS		
	2015	2014
Contractually required contributions	\$ 103,495	\$ 83,929
Contributions in relation to the contractually required contributions	\$ 103,495	\$ 83,929
Contribution deficiency (excess)	-	-
Employer's covered-employee payroll	\$ 1,266,768	\$ 949,302
Contributions of covered-employee payroll	8.170%	8.841%

CITY OF BELGRADE, MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)
Last Two Fiscal Years

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
	2015	2014
Employer's proportionate share of the net pension liability	\$ 852,415	\$ 971,206
Employer's proportionate share of the net pension liability associated with the employer	0.460223%	0.460223%
State of MT proportionate share of the net pension liability associated with the employer	\$ 1,721,979	\$ 1,961,952
Total	\$ 2,574,394	\$ 2,933,158
Employer's covered-employee payroll	\$ 727,852	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	117.114%	Not available
Plan fiduciary net position the total pension liability	67.000%	Not available

SCHEDULE OF CONTRIBUTIONS		
	2015	2014
Contractually required contributions	\$ 102,650	\$ 105,827
Contributions in relation to the contractually required contributions	\$ 102,650	\$ 105,827
Contribution deficiency (excess)	-	-
Employer's covered-employee payroll	\$ 712,354	\$ 727,852
Contributions of covered-employee payroll	14.410%	14.540%

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

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 445,114	\$ 445,114	\$ 445,114	\$ -
Resources (inflows):				
Taxes	399,628	399,628	451,327	51,699
Special assessments	-	-	-	-
Licenses and permits	117,900	117,900	120,277	2,377
Intergovernmental	710,300	710,300	718,136	7,836
Charges for services	6,450	6,450	2,998	(3,452)
Fines and forfeitures	127,500	127,500	107,990	(19,510)
Interest on investments	1,000	1,000	692	(308)
Loan repayment	-	-	-	-
Transfers from other funds	268,833	268,833	268,833	-
Other	9,200	9,200	11,917	2,717
	<u>2,085,925</u>	<u>2,085,925</u>	<u>2,127,284</u>	<u>41,359</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	427,875	444,970	423,045	21,925
Public safety	1,034,103	975,953	932,570	43,383
Public works	-	-	-	-
Public welfare	53,153	52,153	45,917	6,236
Culture and recreation	73,853	86,153	85,470	683
Housing and community development	-	-	-	-
Other	13,000	17,000	20,394	(3,394)
Capital outlay	42,420	22,420	-	22,420
Debt service	-	-	-	-
Transfers to other funds	71,000	71,000	71,000	-
	<u>1,715,404</u>	<u>1,669,649</u>	<u>1,578,396</u>	<u>91,253</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 370,521</u>	<u>\$ 416,276</u>	<u>\$ 548,888</u>	<u>\$ 132,612</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - VOLUNTEER FIRE
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
				Positive (Negative)
Budgetary fund balance, July 1	\$ 108,315	\$ 108,315	\$ 108,315	\$ -
Resources (inflows):				
Taxes	550,637	550,637	550,837	200
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	7,714	7,714	7,714	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	100	100	196	96
Loan repayment	-	-	-	-
Transfers from other funds	17,000	17,000	17,000	-
Other	-	-	-	-
	<u>683,766</u>	<u>683,766</u>	<u>684,062</u>	<u>296</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	524,246	513,646	505,462	8,184
Public works	-	-	-	-
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	37,184	37,184	37,184	-
Transfers to other funds	-	-	-	-
	<u>561,430</u>	<u>550,830</u>	<u>542,646</u>	<u>8,184</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 122,336</u>	<u>\$ 132,936</u>	<u>\$ 141,416</u>	<u>\$ 8,480</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - CDBG 1992 AND PRIOR
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Budgetary fund balance, July 1	337,299	337,299	337,299	-
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	800	800	1,225	425
Loan repayment	81,500	81,500	96,808	15,308
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>419,599</u>	<u>419,599</u>	<u>435,332</u>	<u>15,733</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	300,000	300,000	-	300,000
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 119,599</u>	<u>\$ 119,599</u>	<u>\$ 435,332</u>	<u>\$ 315,733</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - CDBG 1993 AND AFTER
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,207,616	\$ 1,207,616	\$ 1,207,616	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	2,500	2,500	3,570	1,070
Loan repayment	15,500	15,500	18,091	2,591
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>1,225,616</u>	<u>1,225,616</u>	<u>1,229,277</u>	<u>3,661</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	27,436	24,886	21,762	3,124
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Transfers to other funds	3,000	3,000	3,000	-
	<u>30,436</u>	<u>27,886</u>	<u>24,762</u>	<u>3,124</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 1,195,180</u>	<u>\$ 1,197,730</u>	<u>\$ 1,204,515</u>	<u>\$ 6,785</u>

See the Independent Auditors' Report.

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

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2015**

	General Fund	Volunteer Fire	CDBG 1992 and Prior	CDBG 1993 and After
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,127,284	\$ 684,062	\$ 435,332	\$ 1,229,277
Differences - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(445,114)	(108,315)	(337,299)	(1,207,616)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	(268,833)	(17,000)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,413,337</u>	<u>\$ 558,747</u>	<u>\$ 98,033</u>	<u>\$ 21,661</u>
 Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,578,396	\$ 542,646	\$ -	\$ 24,762
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	(71,000)	-	-	(3,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,507,396</u>	<u>\$ 542,646</u>	<u>\$ -</u>	<u>\$ 21,762</u>

See the Independent Auditors' Report.

D. Supplemental Information

**Combining Financial Statements
Nonmajor Governmental Funds**

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue Funds					
	Comprehensive Liability Insurance	Parks - Cash in Lieu	City Library	City / County Planning	Permissive Medical Levy	PERS
ASSETS						
Cash and cash equivalents	\$ 42,725	\$ 49,251	\$ 153,080	\$ 211,057	\$ 13,182	\$ 76,766
Receivables						
Property taxes	2,638	-	18,617	3,175	873	5,083
Customers, net	-	-	-	-	-	70
Special assessments	-	-	-	-	-	-
Other governments	-	-	-	5,500	-	-
Due from other City funds	-	-	-	-	-	-
Seized property	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	11,328	67,113	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 45,363</u>	<u>\$ 49,251</u>	<u>\$ 183,025</u>	<u>\$ 286,845</u>	<u>\$ 14,055</u>	<u>\$ 81,919</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	2,638	-	18,617	3,176	872	5,084
Deferred inflows of special assessments	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>2,638</u>	<u>-</u>	<u>18,617</u>	<u>3,176</u>	<u>872</u>	<u>5,084</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	49,251	26,236	283,669	13,183	-
Committed	42,725	-	126,877	-	-	76,835
Assigned	-	-	11,295	-	-	-
Unassigned	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>42,725</u>	<u>49,251</u>	<u>164,408</u>	<u>283,669</u>	<u>13,183</u>	<u>76,835</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,363</u>	<u>\$ 49,251</u>	<u>\$ 183,025</u>	<u>\$ 286,845</u>	<u>\$ 14,055</u>	<u>\$ 81,919</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue Funds				
	Group Health	Drug Forfeiture	Building Code Enforcement	Lighting Districts	Victim's Advocate
ASSETS					
Cash and cash equivalents	\$ 267,985	\$ 9,582	\$ 83,737	\$ 142,452	\$ -
Receivables					
Property taxes	15,505	-	-	-	-
Customers, net	-	-	-	-	-
Special assessments	-	-	-	534	-
Other governments	-	-	-	-	-
Due from other City funds	-	360	-	-	-
Seized property	-	8,535	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	10,471	-	-
	<u>-</u>	<u>-</u>	<u>10,471</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 283,490</u>	<u>\$ 18,477</u>	<u>\$ 94,208</u>	<u>\$ 142,986</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-
Due to other City funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Deferred inflows of tax revenues	15,506	-	-	-	-
Deferred inflows of special assessments	-	-	-	534	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>534</u>	<u>-</u>
Total deferred inflows of resources	<u>15,506</u>	<u>-</u>	<u>-</u>	<u>534</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	267,984	18,477	83,737	142,452	-
Committed	-	-	-	-	-
Assigned	-	-	10,471	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>267,984</u>	<u>18,477</u>	<u>94,208</u>	<u>142,452</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 283,490</u>	<u>\$ 18,477</u>	<u>\$ 94,208</u>	<u>\$ 142,986</u>	<u>\$ -</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

Special Revenue Funds						
	Police Training	Gas Tax	Crime Control - DARE	Impact Fees	CTEP	DUI Task Force
ASSETS						
Cash and cash equivalents	\$ 17,289	\$ 18,766	\$ -	\$ 659,042	\$ 144,979	\$ 4
Receivables						
Property taxes	-	-	-	-	-	-
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other governments	-	-	-	-	-	-
Due from other City funds	-	-	-	-	-	-
Seized property	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
	<u>17,289</u>	<u>18,766</u>	<u>-</u>	<u>659,042</u>	<u>144,979</u>	<u>4</u>
Total assets	<u>\$ 17,289</u>	<u>\$ 18,766</u>	<u>\$ -</u>	<u>\$ 659,042</u>	<u>\$ 144,979</u>	<u>\$ 4</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	-	-	-	-	-	-
Deferred inflows of special assessments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	17,289	18,766	-	659,042	144,979	-
Committed	-	-	-	-	-	4
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>17,289</u>	<u>18,766</u>	<u>-</u>	<u>659,042</u>	<u>144,979</u>	<u>4</u>
Total fund balances	<u>17,289</u>	<u>18,766</u>	<u>-</u>	<u>659,042</u>	<u>144,979</u>	<u>4</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,289</u>	<u>\$ 18,766</u>	<u>\$ -</u>	<u>\$ 659,042</u>	<u>\$ 144,979</u>	<u>\$ 4</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue Funds			
	Public Safety Mill	VFD Relief Association	Street Maintenance	Total
ASSETS				
Cash and cash equivalents	\$ 51,355	\$ 631,042	\$ 589,331	\$ 3,161,625
Receivables				
Property taxes	4,537	11,015	-	61,443
Customers, net	-	-	-	70
Special assessments	-	-	3,615	4,149
Other governments	32,752	-	-	38,252
Due from other City funds	-	-	-	360
Seized property	-	-	-	8,535
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	88,912
	<u>\$ 88,644</u>	<u>\$ 642,057</u>	<u>\$ 592,946</u>	<u>\$ 3,363,346</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-
Due to other City funds	-	-	-	-
Due to other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Deferred inflows of tax revenues	4,537	11,015	-	61,445
Deferred inflows of special assessments	-	-	3,615	4,149
	<u>4,537</u>	<u>11,015</u>	<u>3,615</u>	<u>65,594</u>
Total deferred inflows of resources	<u>4,537</u>	<u>11,015</u>	<u>3,615</u>	<u>65,594</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	84,107	631,042	589,331	3,029,545
Committed	-	-	-	246,441
Assigned	-	-	-	21,766
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>84,107</u>	<u>631,042</u>	<u>589,331</u>	<u>3,297,752</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,644</u>	<u>\$ 642,057</u>	<u>\$ 592,946</u>	<u>\$ 3,363,346</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

Debt Service Funds

	G.O. Bonds Library Expansion	S.I.D. Revolving	S.I.D. 72	S.I.D. 75	S.I.D. 76	Total
ASSETS						
Cash and cash equivalents	\$ 37,220	\$ 289,546	\$ 8,525	\$ 30,823	\$ 1,304	\$ 367,418
Receivables						
Property taxes	4,811	-	-	-	-	4,811
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	2,246	(204)	2,042
Other governments	-	-	-	-	-	-
Due from other City funds	-	-	-	-	-	-
Seized property						
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 42,031</u>	<u>\$ 289,546</u>	<u>\$ 8,525</u>	<u>\$ 33,069</u>	<u>\$ 1,100</u>	<u>\$ 374,271</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	4,811	-	-	-	-	4,811
Deferred inflows of special assessments	-	-	-	2,246	425	2,671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>4,811</u>	<u>-</u>	<u>-</u>	<u>2,246</u>	<u>425</u>	<u>7,482</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	37,220	289,546	8,525	30,823	675	366,789
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>37,220</u>	<u>289,546</u>	<u>8,525</u>	<u>30,823</u>	<u>675</u>	<u>366,789</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,031</u>	<u>\$ 289,546</u>	<u>\$ 8,525</u>	<u>\$ 33,069</u>	<u>\$ 1,100</u>	<u>\$ 374,271</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>Capital Project Funds</u>				Total Nonmajor Governmental Funds
	<u>General Improvements</u>	<u>Library Improvements</u>	<u>Fire Department Improvements</u>	<u>Total</u>	
ASSETS					
Cash and cash equivalents	\$ 110,482	\$ 4,061	\$ 20,861	\$ 135,404	\$ 3,664,447
Receivables					
Property taxes	-	-	-	-	66,254
Customers, net	-	-	-	-	70
Special assessments	-	-	-	-	6,191
Other governments	-	-	-	-	38,252
Due from other City funds	-	-	-	-	360
Seized property	-	-	-	-	8,535
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	5,000	-	5,000	93,912
	<u>110,482</u>	<u>9,061</u>	<u>20,861</u>	<u>140,404</u>	<u>3,878,021</u>
Total assets	<u>\$ 110,482</u>	<u>\$ 9,061</u>	<u>\$ 20,861</u>	<u>\$ 140,404</u>	<u>\$ 3,878,021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-
Due to other City funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Deferred inflows of tax revenues	-	-	-	-	66,256
Deferred inflows of special assessments	-	-	-	-	6,820
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,076</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,076</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	3,396,334
Committed	-	-	-	-	246,441
Assigned	110,482	9,061	20,861	140,404	162,170
Unassigned	-	-	-	-	-
	<u>110,482</u>	<u>9,061</u>	<u>20,861</u>	<u>140,404</u>	<u>3,804,945</u>
Total fund balances	<u>110,482</u>	<u>9,061</u>	<u>20,861</u>	<u>140,404</u>	<u>3,804,945</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 110,482</u>	<u>\$ 9,061</u>	<u>\$ 20,861</u>	<u>\$ 140,404</u>	<u>\$ 3,878,021</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
Year Ended June 30, 2015

	Comprehensive Liability Insurance	Parks - Cash in Lieu	City Library	City / County Planning	Permissive Medical Levy	PERS
REVENUES						
Taxes	\$ 39,774	\$ -	\$ 183,156	\$ 142,622	\$ 11,849	\$ 59,309
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	50	-	-
Intergovernmental	-	-	142,926	16,197	-	216,254
Charges for services	-	-	5,347	49,120	-	-
Fines and forfeitures	-	-	5,774	-	-	-
Interest on investments	2	145	404	552	-	39
Loan repayment	-	-	-	-	-	-
Other	-	1,584	65,408	-	-	-
Total revenues	<u>39,776</u>	<u>1,729</u>	<u>403,015</u>	<u>208,541</u>	<u>11,849</u>	<u>275,602</u>
EXPENDITURES						
Current						
General government	77,074	-	-	49,823	-	42,942
Public safety	-	-	-	-	-	293,032
Public works	-	-	-	-	-	9,542
Public welfare	-	-	-	-	-	13,518
Culture and recreation	-	1,742	317,579	-	-	35,784
Housing and community development	-	-	-	-	-	2,783
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	4,496	-	-	-
Interest and fiscal fees	-	-	671	-	-	-
Total expenditures	<u>77,074</u>	<u>1,742</u>	<u>322,746</u>	<u>49,823</u>	<u>-</u>	<u>397,601</u>
Revenues over (under) expenditures	<u>(37,298)</u>	<u>(13)</u>	<u>80,269</u>	<u>158,718</u>	<u>11,849</u>	<u>(121,999)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	72,641	-	-	-	-	139,843
Transfers out	-	-	(56,000)	(56,950)	(11,700)	-
Total other financing sources and uses	<u>72,641</u>	<u>-</u>	<u>(56,000)</u>	<u>(56,950)</u>	<u>(11,700)</u>	<u>139,843</u>
Net change in fund balance	35,343	(13)	24,269	101,768	149	17,844
FUND BALANCES,						
beginning of year	<u>7,382</u>	<u>49,264</u>	<u>140,139</u>	<u>181,901</u>	<u>13,034</u>	<u>58,991</u>
FUND BALANCES,						
end of year	<u>\$ 42,725</u>	<u>\$ 49,251</u>	<u>\$ 164,408</u>	<u>\$ 283,669</u>	<u>\$ 13,183</u>	<u>\$ 76,835</u>

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2015

	<u>Group Health</u>	<u>Drug Forfeiture</u>	<u>Building Code Enforcement</u>	<u>Lighting Districts</u>	<u>Victim's Advocate</u>
REVENUES					
Taxes	\$ 204,169	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	80,484	-
Licenses and permits	-	-	96,544	-	-
Intergovernmental	4,000	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	4,128	-	-	8,650
Interest on investments	305	31	259	418	-
Loan repayment	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>208,474</u>	<u>4,159</u>	<u>96,803</u>	<u>80,902</u>	<u>8,650</u>
EXPENDITURES					
Current					
General government	48,546	-	-	-	8,650
Public safety	199,895	4,790	67,351	-	-
Public works	10,788	-	-	-	-
Public welfare	15,230	-	-	-	-
Culture and recreation	39,979	-	-	-	-
Housing and community development	2,856	-	-	75,694	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>317,294</u>	<u>4,790</u>	<u>67,351</u>	<u>75,694</u>	<u>8,650</u>
Revenues over (under) expenditures	<u>(108,820)</u>	<u>(631)</u>	<u>29,452</u>	<u>5,208</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	192,173	-	-	-	-
Transfers out	-	(1,000)	(15,572)	-	-
Total other financing sources and uses	<u>192,173</u>	<u>(1,000)</u>	<u>(15,572)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	83,353	(1,631)	13,880	5,208	-
FUND BALANCES,					
beginning of year	<u>184,631</u>	<u>20,108</u>	<u>80,328</u>	<u>137,244</u>	<u>-</u>
FUND BALANCES,					
end of year	<u>\$ 267,984</u>	<u>\$ 18,477</u>	<u>\$ 94,208</u>	<u>\$ 142,452</u>	<u>\$ -</u>

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2015

	<u>Police Training</u>	<u>Gas Tax</u>	<u>Crime Control - DARE</u>	<u>Impact Fees</u>	<u>CTEP</u>	<u>DUI Task Force</u>
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	125,606	-	-	31,937	-
Charges for services	-	-	-	235,037	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	58	61	-	1,881	37	4
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>58</u>	<u>125,667</u>	<u>-</u>	<u>236,918</u>	<u>31,974</u>	<u>4</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	14,447	-	-	-	-	-
Public works	-	112,942	-	-	751	-
Public welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	6,212	-	-	-	21,463	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>20,659</u>	<u>112,942</u>	<u>-</u>	<u>-</u>	<u>22,214</u>	<u>-</u>
Revenues over (under) expenditures	<u>(20,601)</u>	<u>12,725</u>	<u>-</u>	<u>236,918</u>	<u>9,760</u>	<u>4</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,000	-	-	-	122,000	-
Transfers out	-	(9,900)	(6,572)	(100,000)	-	(1,261)
Total other financing sources and uses	<u>10,000</u>	<u>(9,900)</u>	<u>(6,572)</u>	<u>(100,000)</u>	<u>122,000</u>	<u>(1,261)</u>
Net change in fund balance	<u>(10,601)</u>	<u>2,825</u>	<u>(6,572)</u>	<u>136,918</u>	<u>131,760</u>	<u>(1,257)</u>
FUND BALANCES, beginning of year	<u>27,890</u>	<u>15,941</u>	<u>6,572</u>	<u>522,124</u>	<u>13,219</u>	<u>1,261</u>
FUND BALANCES, end of year	<u>\$ 17,289</u>	<u>\$ 18,766</u>	<u>\$ -</u>	<u>\$ 659,042</u>	<u>\$ 144,979</u>	<u>\$ 4</u>

(continued)

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)
Year Ended June 30, 2015

	Public Safety Mill	VFD Relief Association	Street Maintenance	Special Revenue Totals
REVENUES				
Taxes	\$ 402,562	\$ 115,559	\$ -	\$ 1,159,000
Special assessments	-	-	171,736	252,220
Licenses and permits	-	-	50	96,644
Intergovernmental	-	17,204	-	554,124
Charges for services	-	-	-	289,504
Fines and forfeitures	-	-	-	18,552
Interest on investments	147	1,650	1,758	7,751
Loan repayment	-	-	-	-
Other	-	-	-	66,992
	<u>402,709</u>	<u>134,413</u>	<u>173,544</u>	<u>2,444,787</u>
Total revenues				
EXPENDITURES				
Current				
General government	-	-	-	227,035
Public safety	294,959	30,000	-	904,474
Public works	-	-	50,937	184,960
Public welfare	-	-	-	28,748
Culture and recreation	-	-	-	395,084
Housing and community development	-	-	-	81,333
Other	-	-	-	-
Capital outlay	44,554	-	65,682	137,911
Debt service				
Principal	-	-	-	4,496
Interest and fiscal fees	-	-	-	671
	<u>339,513</u>	<u>30,000</u>	<u>116,619</u>	<u>1,964,712</u>
Total expenditures				
Revenues over (under) expenditures	<u>63,196</u>	<u>104,413</u>	<u>56,925</u>	<u>480,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	536,657
Transfers out	(75,962)	-	(15,264)	(350,181)
	<u>(75,962)</u>	<u>-</u>	<u>(15,264)</u>	<u>186,476</u>
Total other financing sources and uses				
Net change in fund balance	(12,766)	104,413	41,661	666,551
FUND BALANCES,				
beginning of year	<u>96,873</u>	<u>526,629</u>	<u>547,670</u>	<u>2,631,201</u>
FUND BALANCES,				
end of year	<u>\$ 84,107</u>	<u>\$ 631,042</u>	<u>\$ 589,331</u>	<u>\$ 3,297,752</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
Year Ended June 30, 2015

	<u>G.O. Bonds</u> <u>Library Expansion</u>	<u>S.I.D.</u> <u>Revolving</u>	<u>S.I.D. 72</u>	<u>S.I.D. 75</u>	<u>S.I.D. 76</u>	<u>Debt Service</u> <u>Totals</u>
REVENUES						
Taxes	\$ 52,612	\$ -	\$ -	\$ -	\$ -	\$ 52,612
Special assessments	-	-	-	-	30	30
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	118	1,605	-	-	21	1,744
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>52,730</u>	<u>1,605</u>	<u>-</u>	<u>-</u>	<u>51</u>	<u>54,386</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Public welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	30,000	-	-	-	-	30,000
Interest and fiscal fees	<u>13,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,145</u>
Total expenditures	<u>43,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,145</u>
Revenues over (under) expenditures	<u>9,585</u>	<u>1,605</u>	<u>-</u>	<u>-</u>	<u>51</u>	<u>11,241</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	8,525	30,823	-	39,348
Transfers out	<u>-</u>	<u>(254,348)</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(260,348)</u>
Total other financing sources and uses	<u>-</u>	<u>(254,348)</u>	<u>8,525</u>	<u>30,823</u>	<u>(6,000)</u>	<u>(221,000)</u>
Net change in fund balance	9,585	(252,743)	8,525	30,823	(5,949)	(209,759)
FUND BALANCES, beginning of year	<u>27,635</u>	<u>542,289</u>	<u>-</u>	<u>-</u>	<u>6,624</u>	<u>576,548</u>
FUND BALANCES, end of year	<u>\$ 37,220</u>	<u>\$ 289,546</u>	<u>\$ 8,525</u>	<u>\$ 30,823</u>	<u>\$ 675</u>	<u>\$ 366,789</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
Year Ended June 30, 2015

	General Improvements	Library Improvements	Fire Dept Improvements	Capital Projects Totals	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,211,612
Special assessments	-	-	-	-	252,250
Licenses and permits	-	-	-	-	96,644
Intergovernmental	-	-	-	-	554,124
Charges for services	-	-	-	-	289,504
Fines and forfeitures	-	-	-	-	18,552
Interest on investments	188	10	62	260	9,755
Loan repayment	-	-	-	-	-
Other	-	-	-	-	66,992
	<u>188</u>	<u>10</u>	<u>62</u>	<u>260</u>	<u>2,499,433</u>
Total revenues					
EXPENDITURES					
Current					
General government	-	-	-	-	227,035
Public safety	-	-	-	-	904,474
Public works	-	-	-	-	184,960
Public welfare	-	-	-	-	28,748
Culture and recreation	-	-	-	-	395,084
Housing and community development	-	-	-	-	81,333
Other	-	-	-	-	-
Capital outlay	-	-	-	-	137,911
Debt service					
Principal	-	-	-	-	34,496
Interest and fiscal fees	-	-	-	-	13,816
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,007,857</u>
Total expenditures					
Revenues over (under) expenditures	<u>188</u>	<u>10</u>	<u>62</u>	<u>260</u>	<u>491,576</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	46,825	-	-	46,825	622,830
Transfers out	-	-	-	-	(610,529)
	<u>46,825</u>	<u>-</u>	<u>-</u>	<u>46,825</u>	<u>12,301</u>
Total other financing sources and uses					
Net change in fund balance	47,013	10	62	47,085	503,877
FUND BALANCES, beginning of year	<u>63,469</u>	<u>9,051</u>	<u>20,799</u>	<u>93,319</u>	<u>3,301,068</u>
FUND BALANCES, end of year	<u>\$ 110,482</u>	<u>\$ 9,061</u>	<u>\$ 20,861</u>	<u>\$ 140,404</u>	<u>\$ 3,804,945</u>

See the Independent Auditors' Report.

Budgetary Comparison Schedules – Other Major Funds

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE - OTHER MAJOR FUNDS
S.I.D. 78 Sanitary Sewer and Water System
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 540,272	\$ 540,272	\$ 540,272	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	324,500	324,500	389,606	65,106
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	1,894	1,894
Bond proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>864,772</u>	<u>864,772</u>	<u>931,772</u>	<u>67,000</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	290,955	290,955	290,955	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>290,955</u>	<u>290,955</u>	<u>290,955</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 573,817</u>	<u>\$ 573,817</u>	<u>\$ 640,817</u>	<u>\$ 67,000</u>

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
BUDGETARY COMPARISON SCHEDULE
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2015

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 931,772
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(540,272)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	-
The proceeds from the issuance of long-term debt are budgetary resources but are not <i>revenues</i> for financial reporting purposes.	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 391,500

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 290,955
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 290,955

See the Independent Auditors' Report.

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

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS
Year Ended June 30, 2015

	<u>Comprehensive Liability Insurance</u>			<u>Parks - Cash in Lieu</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ 40,886	39,774	(1,112)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	2	2	100	145	45
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	1,584	1,584
	<u>40,886</u>	<u>39,776</u>	<u>(1,110)</u>	<u>100</u>	<u>1,729</u>	<u>1,629</u>
Total revenues						
EXPENDITURES - BUDGET	<u>78,000</u>	<u>77,074</u>	<u>926</u>	<u>1,950</u>	<u>1,742</u>	<u>208</u>
UNIT						
Revenues over (under) expenditures	<u>(37,114)</u>	<u>(37,298)</u>	<u>(184)</u>	<u>(1,850)</u>	<u>(13)</u>	<u>1,837</u>
OTHER FINANCING SOURCES						
Transfers in	72,641	72,641	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
	<u>72,641</u>	<u>72,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources						
Revenues and other sources over (under) expenditures	<u><u>35,527</u></u>	<u>35,343</u>	<u><u>(184)</u></u>	<u><u>(1,850)</u></u>	<u>(13)</u>	<u><u>1,837</u></u>
FUND BALANCE						
beginning of year		<u>7,382</u>			<u>49,264</u>	
FUND BALANCE						
end of year		<u>\$ 42,725</u>			<u>\$ 49,251</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>City Library</u>			<u>City/County Planning</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ 190,123	183,156	(6,967)	\$ 113,388	142,622	29,234
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	1,000	50	(950)
Intergovernmental	142,926	142,926	-	-	16,197	16,197
Charges for services	3,350	5,347	1,997	18,000	49,120	31,120
Fines and forfeitures	4,950	5,774	824	-	-	-
Interest on investments	100	404	304	100	552	452
Loan repayment	-	-	-	-	-	-
Other	21,600	65,408	43,808	-	-	-
Total revenues	<u>363,049</u>	<u>403,015</u>	<u>39,966</u>	<u>132,488</u>	<u>208,541</u>	<u>76,053</u>
EXPENDITURES - BUDGET UNIT	<u>333,423</u>	<u>322,746</u>	<u>10,677</u>	<u>55,514</u>	<u>49,823</u>	<u>5,691</u>
Revenues over (under) expenditures	<u>29,626</u>	<u>80,269</u>	<u>50,643</u>	<u>76,974</u>	<u>158,718</u>	<u>81,744</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(56,000)	(56,000)	-	(56,950)	(56,950)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>	<u>(56,950)</u>	<u>(56,950)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>(26,374)</u></u>	<u>24,269</u>	<u><u>50,643</u></u>	<u><u>20,024</u></u>	<u>101,768</u>	<u><u>81,744</u></u>
FUND BALANCE						
beginning of year		<u>140,139</u>			<u>181,901</u>	
FUND BALANCE						
end of year		<u><u>\$ 164,408</u></u>			<u><u>\$ 283,669</u></u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	Permissive Medical Levy			PERS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 11,711	11,849	138	\$ 61,749	59,309	(2,440)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	262,000	216,254	(45,746)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	39	39
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	11,711	11,849	138	323,749	275,602	(48,147)
EXPENDITURES - BUDGET						
UNIT	-	-	-	458,000	397,601	60,399
Revenues over (under) expenditures	11,711	11,849	138	(134,251)	(121,999)	12,252
OTHER FINANCING SOURCES						
Transfers in	-	-	-	139,874	139,843	(31)
Transfers out	(11,700)	(11,700)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	(11,700)	(11,700)	-	139,874	139,843	-
Revenues and other sources over (under) expenditures	11	149	138	5,623	17,844	12,221
FUND BALANCE						
beginning of year		13,034			58,991	
FUND BALANCE						
end of year		\$ 13,183			\$ 76,835	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	Group Health			Drug Forfeiture		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 211,169	204,169	(7,000)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,000	4,000	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	5,000	4,128	(872)
Interest on investments	-	305	305	50	31	(19)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	215,169	208,474	(6,695)	5,050	4,159	(891)
EXPENDITURES - BUDGET UNIT	342,000	317,294	24,706	6,683	4,790	1,893
Revenues over (under) expenditures	(126,831)	(108,820)	18,011	(1,633)	(631)	1,002
OTHER FINANCING SOURCES						
Transfers in	191,142	192,173	1,031	-	-	-
Transfers out	-	-	-	(1,000)	(1,000)	-
Sale of capital assets	-	-	-	13,000	-	(13,000)
Total other financing sources	191,142	192,173	1,031	12,000	(1,000)	(13,000)
Revenues and other sources over (under) expenditures	64,311	83,353	19,042	10,367	(1,631)	(11,998)
FUND BALANCE beginning of year		184,631			20,108	
FUND BALANCE end of year		\$ 267,984			\$ 18,477	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	Building Code Enforcement			Lighting Districts		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	79,900	80,484	584
Licenses and permits	81,200	96,544	15,344	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	259	259	-	418	418
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>81,200</u>	<u>96,803</u>	<u>15,603</u>	<u>79,900</u>	<u>80,902</u>	<u>1,002</u>
Total revenues						
EXPENDITURES - BUDGET UNIT	<u>71,398</u>	<u>67,351</u>	<u>4,047</u>	<u>79,850</u>	<u>75,694</u>	<u>4,156</u>
Revenues over (under) expenditures	<u>9,802</u>	<u>29,452</u>	<u>19,650</u>	<u>50</u>	<u>5,208</u>	<u>5,158</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(15,572)	(15,572)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
	<u>(15,572)</u>	<u>(15,572)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources						
Revenues and other sources over (under) expenditures	<u>(5,770)</u>	13,880	<u>19,650</u>	<u>50</u>	5,208	<u>5,158</u>
FUND BALANCE						
beginning of year		<u>80,328</u>			<u>137,244</u>	
FUND BALANCE						
end of year		<u>\$ 94,208</u>			<u>\$ 142,452</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Victim's Advocate</u>			<u>Police Training</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	12,000	8,650	(3,350)	-	-	-
Interest on investments	-	-	-	-	58	58
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>12,000</u>	<u>8,650</u>	<u>(3,350)</u>	<u>-</u>	<u>58</u>	<u>58</u>
EXPENDITURES - BUDGET UNIT	<u>9,000</u>	<u>8,650</u>	<u>350</u>	<u>18,400</u>	<u>20,659</u>	<u>(2,259)</u>
Revenues over (under) expenditures	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>(18,400)</u>	<u>(20,601)</u>	<u>(2,201)</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	11,000	10,000	(1,000)
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>10,000</u>	<u>(1,000)</u>
Revenues and other sources over (under) expenditures	<u><u>3,000</u></u>	<u>-</u>	<u><u>(3,000)</u></u>	<u><u>(7,400)</u></u>	<u>(10,601)</u>	<u><u>(3,201)</u></u>
FUND BALANCE beginning of year		<u>-</u>			<u>27,890</u>	
FUND BALANCE end of year		<u><u>\$ -</u></u>			<u><u>\$ 17,289</u></u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Gas Tax</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes	\$ -	-	-
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	125,844	125,606	(238)
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest on investments	-	61	61
Loan repayment	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>125,844</u>	<u>125,667</u>	<u>(177)</u>
EXPENDITURES - BUDGET UNIT	<u>122,321</u>	<u>112,942</u>	<u>9,379</u>
Revenues over (under) expenditures	<u>3,523</u>	<u>12,725</u>	<u>9,202</u>
OTHER FINANCING SOURCES			
Transfers in	-	-	-
Transfers out	(9,900)	(9,900)	-
Sale of capital assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(9,900)</u>	<u>(9,900)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(6,377)</u>	2,825	<u>9,202</u>
FUND BALANCE beginning of year		<u>15,941</u>	
FUND BALANCE end of year		<u>\$ 18,766</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	Crime Control - DARE			Impact Fees		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	120,000	235,037	115,037
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	1,881	1,881
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	-	-	120,000	236,918	116,918
EXPENDITURES - BUDGET UNIT	-	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	120,000	236,918	116,918
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	(6,572)	(6,572)	(100,000)	(100,000)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	-	(6,572)	(6,572)	(100,000)	(100,000)	-
Revenues and other sources over (under) expenditures	-	(6,572)	(6,572)	20,000	136,918	116,918
FUND BALANCE						
beginning of year		6,572			522,124	
FUND BALANCE						
end of year		\$ -			\$ 659,042	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>CTEP</u>			<u>DUI Task Force</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	222,380	31,937	(190,443)	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	37	37	-	4	4
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>222,380</u>	<u>31,974</u>	<u>(190,406)</u>	<u>-</u>	<u>4</u>	<u>4</u>
EXPENDITURES - BUDGET						
UNIT	<u>21,463</u>	<u>22,214</u>	<u>(751)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>200,917</u>	<u>9,760</u>	<u>(191,157)</u>	<u>-</u>	<u>4</u>	<u>4</u>
OTHER FINANCING SOURCES						
Transfers in	122,000	122,000	-	-	-	-
Transfers out	-	-	-	(1,261)	(1,261)	-
Sale of capital assets	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>122,000</u>	<u>122,000</u>	<u>-</u>	<u>(1,261)</u>	<u>(1,261)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>322,917</u></u>	<u>131,760</u>	<u><u>(191,157)</u></u>	<u><u>(1,261)</u></u>	<u>(1,257)</u>	<u><u>4</u></u>
FUND BALANCE						
beginning of year		<u>13,219</u>			<u>1,261</u>	
FUND BALANCE						
end of year		<u><u>\$ 144,979</u></u>			<u><u>\$ 4</u></u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Public Safety Mill</u>			<u>VFD Relief Association</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ 401,975	402,562	587	\$ 115,450	115,559	109
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	16,100	17,204	1,104
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	200	147	(53)	1,000	1,650	650
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>402,175</u>	<u>402,709</u>	<u>534</u>	<u>132,550</u>	<u>134,413</u>	<u>1,863</u>
EXPENDITURES - BUDGET						
UNIT	<u>365,017</u>	<u>339,513</u>	<u>25,504</u>	<u>36,000</u>	<u>30,000</u>	<u>6,000</u>
Revenues over (under) expenditures	<u>37,158</u>	<u>63,196</u>	<u>26,038</u>	<u>96,550</u>	<u>104,413</u>	<u>7,863</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(75,962)	(75,962)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(75,962)</u>	<u>(75,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>(38,804)</u></u>	<u>(12,766)</u>	<u><u>26,038</u></u>	<u><u>96,550</u></u>	<u>104,413</u>	<u><u>7,863</u></u>
FUND BALANCE						
beginning of year		<u>96,873</u>			<u>526,629</u>	
FUND BALANCE						
end of year		<u><u>\$ 84,107</u></u>			<u><u>\$ 631,042</u></u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Street Maintenance</u>			<u>Total Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ 1,146,451	1,159,000	12,549
Special assessments	168,300	171,736	3,436	248,200	252,220	4,020
Licenses and permits	-	50	50	82,200	96,644	14,444
Intergovernmental	-	-	-	773,250	554,124	(219,126)
Charges for services	-	-	-	141,350	289,504	148,154
Fines and forfeitures	-	-	-	21,950	18,552	(3,398)
Interest on investments	500	1,758	1,258	2,050	7,751	5,701
Loan repayment	-	-	-	-	-	-
Other	-	-	-	21,600	66,992	45,392
	<u>168,800</u>	<u>173,544</u>	<u>4,744</u>	<u>2,437,051</u>	<u>2,444,787</u>	<u>7,736</u>
Total revenues						
	<u>168,800</u>	<u>173,544</u>	<u>4,744</u>	<u>2,437,051</u>	<u>2,444,787</u>	<u>7,736</u>
EXPENDITURES - BUDGET UNIT	<u>174,090</u>	<u>116,619</u>	<u>57,471</u>	<u>2,173,109</u>	<u>1,964,712</u>	<u>208,397</u>
Revenues over (under) expenditures	<u>(5,290)</u>	<u>56,925</u>	<u>62,215</u>	<u>263,942</u>	<u>480,075</u>	<u>216,133</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	536,657	536,657	-
Transfers out	(15,264)	(15,264)	-	(343,609)	(350,181)	(6,572)
Sale of capital assets	-	-	-	13,000	-	(13,000)
	<u>(15,264)</u>	<u>(15,264)</u>	<u>-</u>	<u>206,048</u>	<u>186,476</u>	<u>(19,572)</u>
Total other financing sources						
	<u>(15,264)</u>	<u>(15,264)</u>	<u>-</u>	<u>206,048</u>	<u>186,476</u>	<u>(19,572)</u>
Revenues and other sources over (under) expenditures	<u>(20,554)</u>	41,661	<u>62,215</u>	<u>469,990</u>	666,551	<u>196,561</u>
FUND BALANCE						
beginning of year		<u>547,670</u>			<u>2,631,201</u>	
FUND BALANCE						
end of year		<u>\$ 589,331</u>			<u>\$ 3,297,752</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS
Year Ended June 30, 2015

	<u>G.O. Bond - S.I.D. Library Expansion</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 54,474	52,612	(1,862)
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	50	118	68
Other	-	-	-
	<u>54,524</u>	<u>52,730</u>	<u>(1,794)</u>
Total revenue			
EXPENDITURES			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	<u>14,245</u>	<u>13,145</u>	<u>1,100</u>
	<u>44,245</u>	<u>43,145</u>	<u>1,100</u>
Total expenditures			
Revenues over (under) expenditures	<u>10,279</u>	<u>9,585</u>	<u>(694)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>10,279</u>	9,585	<u>(694)</u>
FUND BALANCE beginning of year		<u>27,635</u>	
FUND BALANCE end of year		<u>\$ 37,220</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2015

	S.I.D. Revolving			S.I.D. 72		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	1,605	1,605	-	-	-
Other	-	-	-	-	-	-
Total revenue	-	1,605	1,605	-	-	-
EXPENDITURES						
Current - General government	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Revenues over (under) expenditures	-	1,605	1,605	-	-	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	8,525	8,525	-
Operating transfers out	(254,348)	(254,348)	-	-	-	-
Total other financing sources (uses)	(254,348)	(254,348)	-	8,525	8,525	-
Revenues and other sources over (under) expenditures and other uses	(254,348)	(252,743)	1,605	8,525	8,525	-
FUND BALANCE						
beginning of year		542,289			-	
FUND BALANCE						
end of year		\$ 289,546			\$ 8,525	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>S.I.D. 75</u>			<u>S.I.D. 76</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	450	30	(420)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	-	-	-	21	21
Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>51</u>	<u>(399)</u>
EXPENDITURES						
Current - General government	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>51</u>	<u>(399)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	30,823	30,823	-	-	-	-
Operating transfers out	-	-	-	(6,000)	(6,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>30,823</u>	<u>30,823</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>30,823</u>	30,823	<u>-</u>	<u>(5,550)</u>	(5,949)	<u>(399)</u>
FUND BALANCE						
beginning of year		<u>-</u>			<u>6,624</u>	
FUND BALANCE						
end of year		<u>\$ 30,823</u>			<u>\$ 675</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Total Debt Service Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes	\$ 54,474	52,612	(1,862)
Special assessments	450	30	(420)
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	50	1,744	1,694
Other	-	-	-
	<u>54,974</u>	<u>54,386</u>	<u>(588)</u>
Total revenue			
EXPENDITURES			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	14,245	13,145	1,100
	<u>44,245</u>	<u>43,145</u>	<u>1,100</u>
Total expenditures			
Revenues over (under) expenditures	<u>10,729</u>	<u>11,241</u>	<u>512</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	39,348	39,348	-
Operating transfers out	(260,348)	(260,348)	-
	<u>(221,000)</u>	<u>(221,000)</u>	<u>-</u>
Total other financing sources (uses)			
Revenues and other sources over (under) expenditures and other uses	<u>(210,271)</u>	<u>(209,759)</u>	<u>512</u>
FUND BALANCE beginning of year		<u>576,548</u>	
FUND BALANCE end of year		<u>\$ 366,789</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECT FUNDS
Year Ended June 30, 2015

	<u>General Improvements</u>			<u>Library Improvements</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	188	188	-	10	10
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>188</u>	<u>188</u>	<u>-</u>	<u>10</u>	<u>10</u>
EXPENDITURES						
Current - General government	1,000	-	1,000	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,000)</u>	<u>188</u>	<u>1,188</u>	<u>-</u>	<u>10</u>	<u>10</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	46,825	46,825	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>46,825</u>	<u>46,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>45,825</u>	47,013	<u>1,188</u>	<u>-</u>	10	<u>10</u>
FUND BALANCE beginning of year		<u>63,469</u>			<u>9,051</u>	
FUND BALANCE end of year		<u>\$ 110,482</u>			<u>\$ 9,061</u>	

See the Independent Auditors' Report.

CITY OF BELGRADE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL
CAPITAL PROJECT FUNDS (CONTINUED)
Year Ended June 30, 2015

	<u>Fire Department Improvements</u>			<u>Total Capital Project Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	62	62	-	260	260
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>62</u>	<u>62</u>	<u>-</u>	<u>260</u>	<u>260</u>
EXPENDITURES						
Current - General government	-	-	-	1,000	-	1,000
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>62</u>	<u>62</u>	<u>(1,000)</u>	<u>260</u>	<u>1,260</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	46,825	46,825	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,825</u>	<u>46,825</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>62</u>	<u>62</u>	<u>45,825</u>	<u>47,085</u>	<u>1,260</u>
FUND BALANCE beginning of year		<u>20,799</u>			<u>93,319</u>	
FUND BALANCE end of year		<u>\$ 20,861</u>			<u>\$ 140,404</u>	

See the Independent Auditors' Report.

PART III

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belgrade, Montana (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated November 2, 2016.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses (2015-C1).

We noted certain matters that we reported to management of the City in a separate letter dated November 2, 2016.

City's Responses to Findings

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

Purpose of this Report

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

Amatics CPA Group
Bozeman, Montana
November 2, 2016

**CITY OF BELGRADE MONTANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

- 2015-C1** Criteria: In accordance with MCA 2-7-503(1), an annual financial report must be completed and submitted to the Montana Department of Administration within 6 months of the end of the reporting period.
- Condition: The City did not complete and submit its annual financial report within 6 months of the end of the reporting period.
- Effect: The City is out of compliance with MCA regulations.
- Cause: The City has experienced staffing turnover in the Finance Department and was unable to prepare the annual financial report within the 6 month time period.
- Recommendation: The Finance Department should develop a schedule and timeline to ensure timely completion and submittal of its annual financial report.
- Response: In the Fall of 2015 there had been a 100% turnover of staff in the Finance Department and the 2 staff members charged with the preparation of the documentation for this report had been with the City less than 6 months. Current staff have reviewed the processes involved in the timely preparation of this extensive report, realigned job duties in that light and have now implemented a plan to have the FY2016 report completed and filed by mid-December, well ahead of the December 31st deadline.
-
- 2015-C2** Criteria: In accordance with MCA 2-7-503(3)(a), the City must have an audit and this audit must be completed and submitted to the Montana Department of Administration for review within one year from the close of the fiscal year covered by the audit.
- Condition: The City did not complete and submit its audit within one year from the close of the fiscal year.
- Effect: The City is out of compliance with MCA regulations.
- Cause: The City has experienced staffing turnover in the finance department and was unable to prepare its annual financial report and complete the audit process in the time period.
- Recommendation: The Finance Department should develop a schedule and timeline to ensure timely completion and submittal of its audited financial statements.
- Response: Due to the nature of the documentation required, the audit could not begin until the AFR was filed. During this time the staff and auditor prepared a plan for the audit. As soon as the AFR was filed staff began supplying all requested documentation. We were prepared for the auditors onsite visit and are responding to all requests for additional information in a timely manner. By implementing our plan to get the AFR completed and filed on time (see Finding 2015-C1) we will also be able to meet the requirements of a timely audit.

**CITY OF BELGRADE MONTANA
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2015**

The results of our tests disclosed the following instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, which were required to be reported under *Government Auditing Standards* as of June 30, 2014.

2014-C1 Criteria: In accordance with MCA 7-6-207(2), the governing body shall accept and approve and make a complete minute entry of the acceptance and approval of pledged securities at least quarterly.

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

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

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

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

Status: During the year under audit, we noted the City was approving the pledged securities on a quarterly basis and recording a complete minute entry of the acceptance and approval.