

# **City of Belgrade, Montana**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2016**



**AMATICS**  
CPA GROUP

**CITY OF BELGRADE, MONTANA**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2016**

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**PART I**

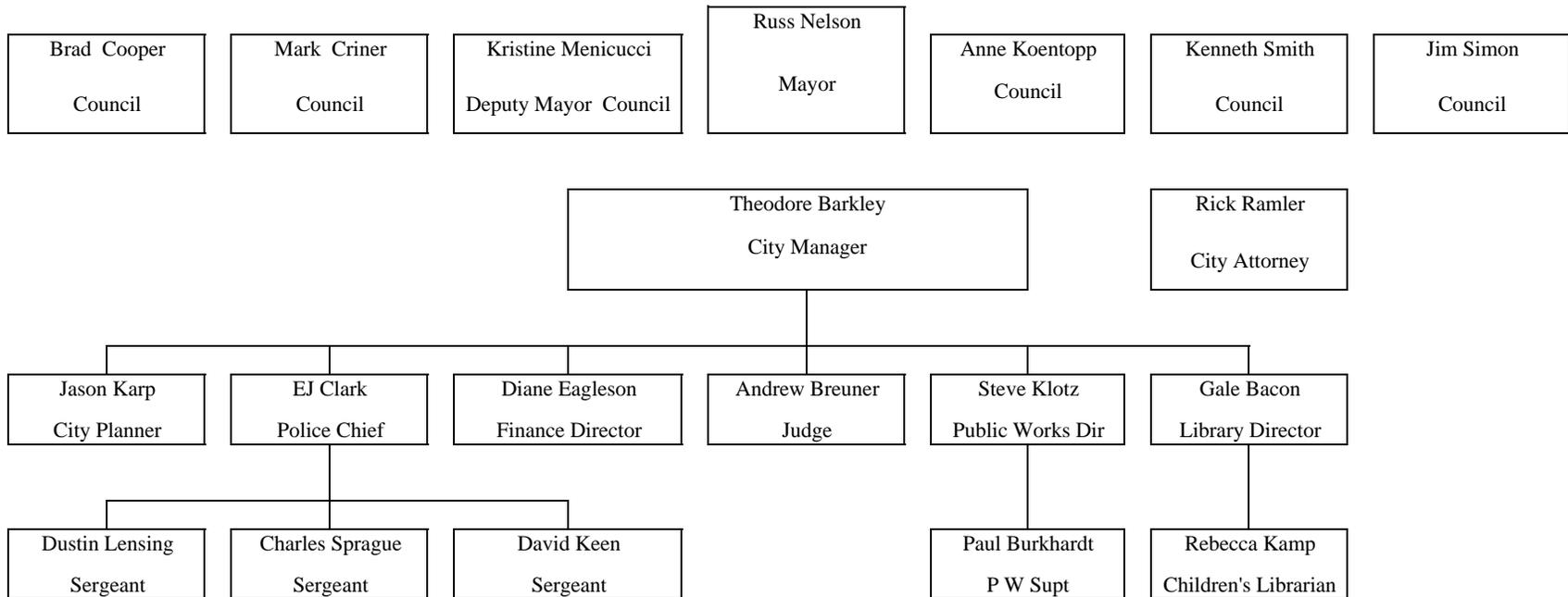
**INTRODUCTORY SECTION**

**CITY OF BELGRADE, MONTANA**

**ORGANIZATIONAL CHART**

**June 30, 2016**

**Citizens of Belgrade**



**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, 2016, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, 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 February 6, 2017, 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

February 6, 2017

## **A. Management's Discussion and Analysis**

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

The following 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, 2016. 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, planning, library, and general administration. Property taxes, state shared revenues, 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 (e.g. Lighting District funds or Street Maintenance District funds) or to show that it is meeting its legal responsibilities for using certain taxes, grants, and other money (e.g. voted levies). The City uses two types of funds, governmental and proprietary or business-type, each of which uses 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 in to and out of those funds and the balances left at year-end. These funds are reported using an accounting method called modified accrual accounting, which is a system commonly used by government entities that uses accrual accounting (matching revenues with liabilities regardless of when the cash is received) and cash basis accounting (record cash when received and expenses when paid) which recognizes revenue when it can be reasonably estimated (should be received within 60 days) and expenditures when they are incurred. 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 also report their activities 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 \$9,096,999. *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 \$2,053,238 at the end of this year. The net position of our business-type activities totaled \$12,902,154 and unrestricted net position totaled \$1,493,326. 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 2015 and 2016 is shown below. In FY 2016, general revenues were higher than the general revenues received in FY 2015. General revenues were \$3,356,894 in FY 2016 which was an increase of 15.75% over FY 2015 general revenues of \$2,900,053.

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

**THE CITY AS A WHOLE (Continued)**

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Change</u>	<u>% Change</u>
Total General Revenues	\$ 2,900,053	\$ 3,356,894	\$ 456,841	15.75%
Program Revenues				
Charges for Services	3,587,274	4,531,703	944,429	26.33%
Operating Grants & Contributions	491,608	597,090	105,482	21.46%
Capital Grants & Contributions	44,454	13,549	(30,905)	-69.52%
Total Program Revenues	4,123,336	5,142,342	1,019,006	24.71%
Total General & Program Revenues	7,023,389	8,499,236	1,475,847	21.01%
Cost of all Programs	7,121,398	7,500,925	379,527	5.33%
Change in Net Position	<u>\$ (98,009)</u>	<u>\$ 998,311</u>	<u>\$ 1,096,320</u>	<u>-1118.59%</u>

Charges for services grew by \$944,429 from \$3,587,274 in FY 2015 to \$4,531,703 in FY 2016. This 26.33% 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 from \$491,608 in FY2015 to \$597,090 in FY 2016. Capital grants decreased from \$44,454 to \$13,549. Many similar grants were not received in FY 2016.

The cost of programs exceeded the general and program revenues received by \$98,009 in FY2015 but revenues exceeded the cost in FY2016 by \$998,311. 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 \$944,429 in FY 2016.

The City issued 134 building permits in FY 2016 compared to 75 in FY 2015. In FY 2016, this generated building permit fees of \$210,039 and impact fees of \$1,103,862. Impact fees of \$639,982 were collected for governmental impacts, \$280,912 for water service impacts and \$182,968 for sewer service impacts.

Operating Grants and Contributions increased in FY 2016 from \$491,608 to \$597,090. The Belgrade Police Department received Highway Safety Program grant funds to provide DUI and seat belt safety patrols in the amount of \$16,050. The City received a \$300 Arbor Day grant to celebrate Arbor Day and plant trees in local parks in both FY 2015 and FY 2016. The Belgrade Library received contributions of \$6,114 in FY 2016 for normally received state grants. The Community Transportation Enhancement Program (CTEP) received \$2,843.

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

**THE CITY AS A WHOLE (Continued)**

**Streets and Roads**

In Fiscal Year 2016, the City received \$126,634 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 parcels and lots in the City were assessed \$35 per year for street maintenance and this assessment generated \$214,279 in revenue. The City Council reviewed the Street Maintenance assessment in FY 2014 and determined that the 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 \$47 per year; in FY 2016 the fee was \$59 per lot and in FY 2017 the fee will be \$71 per lot.

The City generally accumulates funds for several years in the street maintenance fund and then completes a major project using the Street Maintenance funds. In Fiscal year 2015, the City undertook the first phase of a micro paving project, completing approximately 9 miles of streets as planned. The next phase of this project is budgeted for FY2017.

A new interchange connecting Belgrade to Interstate 90 funded by federal, state, county and airport funds was completed in Fiscal Year 2016 and a grand opening was held in September 2015. The new interchange, which the City won an award for, has improved traffic flow between Belgrade, Bozeman, Four Corners and the Bozeman 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 incorporated 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 2016, governmental general and program revenues were \$5,747,739 an increase of 20.77% from FY 2015. The majority of this increase in revenues can be attributed to the new Municipal Services levy that occurred in FY 2015.

The cost to programs increased by \$256,435 or 5.39%, the largest portion of which can be attributed to increased employer contributions to employee benefits. Departments maintained similar budgets from the prior year and costs were carefully monitored.

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

**THE CITY AS A WHOLE (Continued)**

**Governmental Activities (Continued)**

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Change</u>	<u>% Change</u>
Total General Revenues	\$ 3,117,888	\$ 3,553,742	\$ 435,854	13.98%
Program Revenues				
Charges for Services	1,117,665	1,596,907	479,242	42.88%
Operating Grants & Contributions	491,608	597,090	105,482	21.46%
Capital Grants & Contributions	31,937	-	(31,937)	-100.00%
Total Program Revenues	1,641,210	2,193,997	552,787	33.68%
Total General & Program Revenues	4,759,098	5,747,739	988,641	20.77%
Cost of all Programs	4,754,842	5,011,277	256,435	5.39%
Change in Net Position	<u>\$ 4,256</u>	<u>\$ 736,462</u>	<u>\$ 732,206</u>	<u>17204.33%</u>

Intergovernmental Revenues - The Belgrade Police Department received several grants in FY 2016 from the Montana Department of Transportation totaling \$16,050 to support the highway safety programs. The library received \$137,056 from Gallatin County and the State Aid per Capita Grant of \$4,634. Montana State Entitlement Share revenue to the City was \$761,663.

Unrestricted Interest on Investments - Interest rates on the City's repurchase agreement was 0.3% during FY 2016.

Debt Service - expenditures for principal and interest were \$381,460 from governmental funds, of which \$236,563 was principal and \$144,897 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. In FY 2014 the City was also able to refinance its water and sewer loans and reduce the interest rates on these loans. The interest rates on the sewer loans were reduced from 3.75% and 4% to 2% and the interest rates on the water loans were reduced from 3.75% to 2% and 3%. Included in the debt service expenditure figures above are the debt service numbers for SID 78 which includes \$119,995 in interest, \$175,000 in principal and \$350 in agent fees for a total of \$295,345 for FY 2016.

The cost of all *governmental activities* for Fiscal Year 2016 was \$5,011,277. However, as shown in the Statement of Activities on page II-14, the amount that our taxpayers ultimately funded for these activities through City taxes was \$2,817,280 because some of the cost was paid by those who directly benefited from the programs (Charges for Services \$1,596,907) or by other governments and organizations that subsidized certain programs with grants and contributions (Operating Grants \$597,090).

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

**THE CITY AS A WHOLE (Continued)**

**Governmental Activities (Continued)**

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Change</u>	<u>% Change</u>
Total Cost of Governmental Services	\$ 4,754,842	\$ 5,011,277	\$ 256,435	5.39%
Charges for Services	1,117,665	1,596,907	479,242	42.88%
Operating Grants	491,608	597,090	105,482	21.46%
Capital Grants and Contributions	31,937	-	(31,937)	-100.00%
Taxpayers Ultimately Financed	<u>\$ 3,113,632</u>	<u>\$ 2,817,280</u>	<u>\$ (296,352)</u>	<u>-9.52%</u>

**Business-type Activities**

Operating revenues of the City's business-type activities for Fiscal Year 2016 were \$2,934,796 compared to \$2,469,609 in Fiscal Year 2015. Operating and interest expenses for FY 2015 were \$2,366,556 compared with \$2,489,648 in FY 2016. 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 typical 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 refinanced its water and sewer loans with the DNRC reducing the interest rates on the loans in FY2014.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Change</u>
Charges for Services			
Water	\$ 1,173,945	\$ 1,508,603	\$ 334,658
Sewer	1,295,664	1,426,193	130,529
Total Revenues	<u>2,469,609</u>	<u>2,934,796</u>	<u>465,187</u>
Expenses			
Water	1,283,964	1,318,486	34,522
Sewer	1,082,592	1,171,162	88,570
Total Expenses	<u>2,366,556</u>	<u>2,489,648</u>	<u>123,092</u>
Interest Income	6,299	9,080	2,781
Intergovernmental Revenues	12,517	13,549	1,032
Operating Transfers	(224,134)	(205,928)	18,206
	<u>(205,318)</u>	<u>(183,299)</u>	<u>22,019</u>
Change in Net Position	<u>\$ (102,265)</u>	<u>\$ 261,849</u>	<u>\$ 364,114</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 2016 continued to rebound. In FY 2015 revenues were \$96,545 compared to \$231,682 in FY 2016. The largest increase was seen in single family building permits. In FY 2015 there were 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 were \$49,120, in FY2016 those fees rose to \$56,126 consistent with the increase in construction seen in the area. In Fiscal Year 2016 the City saw another increase in the number of residential home and small project plans that passed through the City's planning department for review. The Meadowlark and Ryen Glenn subdivisions continue to build out in FY 2016 and are expected to continue to develop for several years.
- Water Fund - In FY 2014 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 2015.
- Impact Fee Fund – In Fiscal Year 2016 the City saw a large increase in its impact fee revenues. In FY 2016 the City collected \$639,983 in impact fees compared to \$235,036 in FY 2015, \$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 2016 came from the construction of single family homes in the 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 that are the result of 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 a representation of the City Council's plan to provide services to the residents, such as police and fire protection, street maintenance, and also to fund the City's library and parks all of which 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 planning 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 develops the preliminary budget for the coming fiscal year. Financial information from current and prior years is used to estimate future revenues and expenses, economic trends, etc. while reports from various groups and government agencies are also taken into consideration. The City, using conservative budget practices, develops realistic estimates of revenues and expenses for the upcoming budget.

The City's department heads work hard to stay within their department's budget and their 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 defined as approximately 16% of the current operating budget. The policy also precludes relying on reserves for on-going operations so the City budgets in such a way to ensure that adequate reserves are maintained. Maintaining adequate reserves has several internal and external benefits. Internally, reserves can provide for cash flow needs until property tax revenues are received thereby reducing or eliminating the need for cash flow borrowing. Reserves can also provide the funds to leverage state or federal grants. Externally, reserves tend to be viewed favorably by investors, rating agencies, and local banks which can benefit ratings and/or scores if the need for lines of credit should arise. Though reserves cannot be used for ongoing operations reserves can be used for one-time extraordinary costs. The City does not borrow money to support cash flow.

The City's mill value decreased by 16.22% for Fiscal Year 2016 as compared to the increases seen in Fiscal Year 2015 (1.84% ) and Fiscal Year 2014 (3.45%).

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Change</b>
Other Assets	\$ 12,803,908	\$ 14,506,680	\$ 1,702,772
Capital Assets	18,843,326	17,643,582	(1,199,744)
<b>Total City Wide Assets</b>	<b>31,647,234</b>	<b>32,150,262</b>	<b>503,028</b>
<b>Deferred Outflows of Resources</b>	<b>208,268</b>	<b>308,371</b>	<b>100,103</b>
Liabilities	688,120	716,223	28,103
Long Term Liabilities	9,791,863	9,551,316	(240,547)
<b>Total Liabilities</b>	<b>10,479,983</b>	<b>10,267,539</b>	<b>(212,444)</b>
<b>Deferred Inflows of Resources</b>	<b>374,677</b>	<b>191,941</b>	<b>(182,736)</b>
Net Investment in Capital Assets	10,794,692	10,222,511	(572,181)
Restricted for general government	648,573	945,991	297,418
Restricted for public safety	892,331	976,656	84,325
Restricted for public works	1,554,570	1,882,056	327,486
Restricted for culture and recreation	49,251	176,117	126,866
Restricted for library capital purchases	26,236	6,540	(19,696)
Restricted for replacement and depreciation	400,245	407,078	6,833
Restricted for debt service	4,132,609	3,835,638	(296,971)
Unrestricted	2,502,335	3,546,566	1,044,231
<b>Total Net Position</b>	<b>\$ 21,000,842</b>	<b>\$ 21,999,153</b>	<b>\$ 998,311</b>

**CAPITAL ASSETS**

At the end of Fiscal Year 2016, the City had \$3,125,222 invested in capital assets in the governmental funds and \$14,518,360 in the water and sewer funds for a total of \$17,643,582. This was a decrease of \$1,199,744 from FY 2015.

In FY 2015, the council of the City of Belgrade considered and passed a change to its capitalization threshold policy for placement of capital assets on the depreciation schedule from \$1,000 in value and 1 year of expected life to \$10,000 in value and 2 years of expected life to comply with current recommendations from GASB and State of Montana agencies.

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

**CAPITAL ASSETS (Continued)**

In FY 2016, governmental funds added \$608,045 in assets and booked \$794,441 in depreciation. The City completed 4400 lineal feet of sidewalk in FY 2016. Some of the major capital assets acquired by the governmental funds in FY 2016 include:

Toro Series 7000	\$	13,300
Sidewalks II	\$	13,759
2016 Interceptor SUV-Police	\$	42,779
2016 Interceptor SUV-Bldg	\$	27,800
Water Meters	\$	50,708

In the Water and Sewer Funds, the capital assets net of depreciation decreased by \$1,013,347. Capital assets of \$170,137 were added while \$1,183,484 in depreciation was booked.

**DEBT**

No additional long-term debt was incurred in FY 2016.

At year-end, the City had \$3,359,071 in governmental bonds and notes outstanding, which includes \$205,000 general obligation debt incurred for library expansion, \$2,855,000 in special assessments for water and sewer infrastructure projects, a note payable for the fire truck of \$239,900 and a note payable for the library roof loan of \$59,172.

In FY 2014 the City was able to refinance \$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 will reduce interest payments on water loans by \$203,027 over the next 15 years and reduce interest payments on sewer loans by \$204,329 over the next 10 years.

At the end of FY 2016, the City owed \$2,422,000 in bonds for its water system and \$1,640,000 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 2015-2016 budget such as tax rates 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, capital and operational needs of the City, prior year outcomes, inflation rates, the local economy, and the citizen's willingness and ability to pay.

During the 2014-2015 budgeting process the City made the decision to increase street maintenance fees from \$35.00 per lot or parcel to \$47.00. The fee, which is used to maintain the city streets, had not been adjusted since it was established in 1996. The fee was \$47.00 for fiscal year 2015 and \$59.00 for FY 2016 and will be increased to \$71.00 for FY 2017. The increased fee 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. The mill levy produced \$341,810 in additional revenue in FY 2016 making services more sustainable and strengthening these 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 16% 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 attached financial statements.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **B. Basic Financial Statements**

## **Government-Wide Financial Statements**

**CITY OF BELGRADE, MONTANA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 6,326,967	\$ 776,465	\$ 7,103,432
Restricted cash and investments	1,517,423	2,071,577	3,589,000
Receivables, net	3,124,673	260,435	3,385,108
Notes receivable	420,766	-	420,766
Fiduciary fund receivable	8,374	-	8,374
Capital assets			
Nondepreciable land and construction in progress	381,622	600	382,222
Other capital assets, net of depreciation	2,743,600	14,517,760	17,261,360
Total capital assets	<u>3,125,222</u>	<u>14,518,360</u>	<u>17,643,582</u>
Total assets	<u>14,523,425</u>	<u>17,626,837</u>	<u>32,150,262</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>223,282</u>	<u>85,089</u>	<u>308,371</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	7,465	-	7,465
Compensated absences payable	50,000	15,046	65,046
Current portion long-term debt	242,712	401,000	643,712
Long-term liabilities			
Compensated absences	236,795	56,606	293,401
Other post-employment health benefits	268,933	87,648	356,581
Due in more than one year	3,116,359	3,661,000	6,777,359
Net pension liability	<u>1,583,426</u>	<u>540,549</u>	<u>2,123,975</u>
Total liabilities	<u>5,505,690</u>	<u>4,761,849</u>	<u>10,267,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>144,018</u>	<u>47,923</u>	<u>191,941</u>
<b>NET POSITION</b>			
Net investment in capital assets	(233,849)	10,456,360	10,222,511
Restricted for general government	945,991	-	945,991
Restricted for public safety	976,656	-	976,656
Restricted for public works	1,882,056	-	1,882,056
Restricted for culture and recreation	176,117	-	176,117
Restricted for library capital purchases	6,540	-	6,540
Restricted for replacement and depreciation	-	407,078	407,078
Restricted for debt service	3,290,250	545,388	3,835,638
Unrestricted	<u>2,053,238</u>	<u>1,493,328</u>	<u>3,546,566</u>
Total net position	<u>\$ 9,096,999</u>	<u>\$ 12,902,154</u>	<u>\$ 21,999,153</u>

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

**CITY OF BELGRADE, MONTANA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2016**

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	\$ 806,114	\$ 127,108	\$ 9,137	\$ -	\$ (669,869)	\$ -	\$ (669,869)
Public safety	2,543,706	159,422	262,806	-	(2,121,478)	-	(2,121,478)
Public works	672,826	1,254,271	129,477	-	710,922	-	710,922
Public welfare	64,905	-	-	-	(64,905)	-	(64,905)
Culture and recreation	618,149	56,106	143,170	-	(418,873)	-	(418,873)
Housing and community development	136,445	-	52,500	-	(83,945)	-	(83,945)
Other	24,235	-	-	-	(24,235)	-	(24,235)
Interest and fiscal fees	144,897	-	-	-	(144,897)	-	(144,897)
Total governmental activities	<u>5,011,277</u>	<u>1,596,907</u>	<u>597,090</u>	<u>-</u>	<u>(2,817,280)</u>	<u>-</u>	<u>(2,817,280)</u>
Business-type activities:							
Water	1,318,486	1,508,603	-	6,774	-	196,891	196,891
Sewer	1,171,162	1,426,193	-	6,775	-	261,806	261,806
Total business-type activities	<u>2,489,648</u>	<u>2,934,796</u>	<u>-</u>	<u>13,549</u>	<u>-</u>	<u>458,697</u>	<u>458,697</u>
Total primary government	<u>\$ 7,500,925</u>	<u>\$ 4,531,703</u>	<u>\$ 597,090</u>	<u>\$ 13,549</u>	<u>(2,817,280)</u>	<u>458,697</u>	<u>(2,358,583)</u>
General revenues:							
Property taxes, levied for general purposes					2,410,640	-	2,410,640
Grants and contributions not restricted to specific programs					771,677	-	771,677
Unrestricted investment earnings					19,462	9,080	28,542
Miscellaneous					146,035	-	146,035
Transfers					205,928	(205,928)	-
Total general revenues					<u>3,553,742</u>	<u>(196,848)</u>	<u>3,356,894</u>
Change in net position					736,462	261,849	998,311
Net position-beginning					<u>8,360,537</u>	<u>12,640,305</u>	<u>21,000,842</u>
Net position-ending					<u>\$ 9,096,999</u>	<u>\$ 12,902,154</u>	<u>\$ 21,999,153</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, 2016**

	<u>General</u>	<u>Impact Fees</u>	<u>Street Maintenance</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 607,000	\$ 4,592	\$ 119,159	\$ 648,982	\$ 4,947,234	\$ 6,326,967
Receivables:						
Property taxes	2,037	-	-	-	53,442	55,479
Customers, net	27,226	-	-	-	-	27,226
Special assessments	-	-	4,067	2,912,597	3,153	2,919,817
Other governments	65,417	-	-	-	56,734	122,151
Due from other City funds	8,374	-	-	-	-	8,374
Notes receivable	-	-	-	-	420,766	420,766
Restricted cash and cash equivalents	109,409	1,297,850	-	-	110,164	1,517,423
<b>Total assets</b>	<u>\$ 819,463</u>	<u>\$ 1,302,442</u>	<u>\$ 123,226</u>	<u>\$ 3,561,579</u>	<u>\$ 5,591,493</u>	<u>\$ 11,398,203</u>

(continued)

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

**CITY OF BELGRADE, MONTANA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>General</u>	<u>Impact Fees</u>	<u>Street Maintenance</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 6,840	\$ -	\$ -	\$ -	\$ 625	\$ 7,465
Advances	-	-	-	-	420,766	420,766
<b>Total liabilities</b>	<u>6,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,391</u>	<u>428,231</u>
<b>Deferred inflows of resources:</b>						
Deferred inflows - tax revenues	2,037	-	-	-	53,670	55,707
Deferred inflows - special assessments	-	-	4,067	2,912,597	3,153	2,919,817
Deferred inflows - court fines	28,251	-	-	-	-	28,251
<b>Total deferred inflows of resources</b>	<u>30,288</u>	<u>-</u>	<u>4,067</u>	<u>2,912,597</u>	<u>56,823</u>	<u>3,003,775</u>
<b>Fund balances:</b>						
Restricted	-	1,302,442	119,159	-	2,938,459	4,360,060
Committed	-	-	-	-	2,022,577	2,022,577
Assigned	85,515	-	-	648,982	152,243	886,740
Unassigned	696,820	-	-	-	-	696,820
<b>Total fund balances</b>	<u>782,335</u>	<u>1,302,442</u>	<u>119,159</u>	<u>648,982</u>	<u>5,113,279</u>	<u>7,966,197</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 819,463</u>	<u>\$ 1,302,442</u>	<u>\$ 123,226</u>	<u>\$ 3,561,579</u>	<u>\$ 5,591,493</u>	<u>\$ 11,398,203</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, 2016**

Fund balances - total governmental funds		\$ 7,966,197
<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	\$ 13,076,860	
Less: accumulated depreciation	<u>(9,951,638)</u>	3,125,222
<p>Advances and deferred inflows in the governmental funds are reported on the full accrual basis in the entity-wide statements.</p>		
		3,424,541
<p>Deferred outflows related to pensions are not receivable in the current period and therefore are not reported in the governmental funds.</p>		
		223,282
<p>Deferred inflows related to pensions are not payable in the current period and therefore are not reported in the governmental funds.</p>		
		(144,018)
<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	(3,359,071)	
Net pension liability	(1,583,426)	
Other post-employment health benefits	(268,933)	
Compensated absences	<u>(286,795)</u>	<u>(5,498,225)</u>
Net position of governmental activities		<u><u>\$ 9,096,999</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, 2016**

	<u>General</u>	<u>Impact Fees</u>	<u>Street Maintenance</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 652,925	\$ -	\$ -	\$ -	\$ 1,776,913	\$ 2,429,838
Special assessments	-	-	214,680	327,449	126,150	668,279
Licenses and permits	119,248	-	-	-	231,932	351,180
Intergovernmental	762,485	-	-	-	606,282	1,368,767
Charges for services	6,055	639,983	-	-	70,136	716,174
Fines and forfeitures	139,529	-	-	-	17,289	156,818
Interest on investments	1,223	3,417	956	2,422	11,444	19,462
Loan repayment	-	-	-	-	121,083	121,083
Other	9,529	-	-	(26,361)	162,867	146,035
Total revenues	<u>1,690,994</u>	<u>643,400</u>	<u>215,636</u>	<u>303,510</u>	<u>3,124,096</u>	<u>5,977,636</u>
<b>EXPENDITURES</b>						
Current						
General government	452,136	-	-	-	260,165	712,301
Public safety	847,140	-	-	-	1,543,180	2,390,320
Public works	5,515	-	120,525	-	25,139	151,179
Public welfare	45,043	-	-	-	12,335	57,378
Culture and recreation	80,093	-	-	-	434,863	514,956
Housing and community developmen	-	-	-	-	153,406	153,406
Other	24,235	-	-	-	-	24,235
Capital outlay	13,300	-	509,135	-	85,610	608,045
Debt service						
Principal payments	-	-	-	175,000	61,563	236,563
Interest and fiscal fees	-	-	-	120,345	24,552	144,897
Total expenditures	<u>1,467,462</u>	<u>-</u>	<u>629,660</u>	<u>295,345</u>	<u>2,600,813</u>	<u>4,993,280</u>
Excess (deficiency) of revenues over expenditures	<u>223,532</u>	<u>643,400</u>	<u>(414,024)</u>	<u>8,165</u>	<u>523,283</u>	<u>984,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	40,000	-	-	-	439,173	479,173
Transfers out	(30,085)	-	(56,148)	-	(187,012)	(273,245)
Total other financing sources (uses)	<u>9,915</u>	<u>-</u>	<u>(56,148)</u>	<u>-</u>	<u>252,161</u>	<u>205,928</u>
Net change in fund balances	233,447	643,400	(470,172)	8,165	775,444	1,190,284
<b>FUND BALANCE - beginning of year</b>						
	<u>548,888</u>	<u>659,042</u>	<u>589,331</u>	<u>640,817</u>	<u>4,337,835</u>	<u>6,775,913</u>
<b>FUND BALANCE - end of year</b>						
	<u>\$ 782,335</u>	<u>\$ 1,302,442</u>	<u>\$ 119,159</u>	<u>\$ 648,982</u>	<u>\$ 5,113,279</u>	<u>\$ 7,966,197</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, 2016**

Net change in fund balances - total governmental funds		\$ 1,190,284
<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	\$ 608,045	
Less: current year depreciation	<u>(794,441)</u>	(186,396)
<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		236,563
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(110,937)
<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>		
		(435,825)
<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.	(24,673)	
CDBG loans	20,189	
Change in pension expense related to net pension liability	<u>47,257</u>	<u>42,773</u>
Change in net position of governmental activities		<u>\$ 736,462</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, 2016**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 396,649	\$ 379,816	\$ 776,465
Receivables			
Customers, net	136,255	124,180	260,435
Total current assets	532,904	503,996	1,036,900
Other assets			
Restricted cash and equivalents	1,189,112	882,465	2,071,577
Property, plant and equipment			
Nondepreciable:			
Land	600	-	600
Depreciable:			
Buildings and structures	108,094	16,637	124,731
Improvements	630,191	12,562,824	13,193,015
Machinery and equipment	265,503	224,409	489,912
Water and tower lines	12,774,589	-	12,774,589
Accumulated depreciation and amortization	(6,301,159)	(5,763,328)	(12,064,487)
Net property, plant and equipment	7,477,818	7,040,542	14,518,360
Total assets	9,199,834	8,427,003	17,626,837
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	42,540	42,549	85,089

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

**CITY OF BELGRADE, MONTANA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities			
Accrued employee benefits payable	\$ 7,523	\$ 7,523	\$ 15,046
Bonds, notes, and loans payable	146,000	255,000	401,000
Total current liabilities	<u>153,523</u>	<u>262,523</u>	<u>416,046</u>
Noncurrent liabilities			
Revenue bonds due after one year	2,276,000	1,385,000	3,661,000
Other post-employment health benefits	43,892	43,756	87,648
Net pension liability	270,232	270,317	540,549
Accrued employee benefits payable due after one year	28,303	28,303	56,606
Total noncurrent liabilities	<u>2,618,427</u>	<u>1,727,376</u>	<u>4,345,803</u>
Total liabilities	<u>2,771,950</u>	<u>1,989,899</u>	<u>4,761,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>23,951</u>	<u>23,972</u>	<u>47,923</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,055,818	5,400,542	10,456,360
Restricted for debt service	226,400	318,988	545,388
Restricted for replacement and depreciation	346,878	60,200	407,078
Unrestricted	<u>817,377</u>	<u>675,951</u>	<u>1,493,328</u>
Total net position	<u>\$ 6,446,473</u>	<u>\$ 6,455,681</u>	<u>\$ 12,902,154</u>

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, 2016**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,508,603	\$ 1,426,193	\$ 2,934,796
<b>OPERATING EXPENSES</b>			
Salaries and benefits	348,029	347,937	695,966
Supplies	42,405	27,201	69,606
Purchased services	181,721	230,766	412,487
Other expenses	17,133	4,739	21,872
Depreciation and amortization	659,485	523,999	1,183,484
Total operating expenses	1,248,773	1,134,642	2,383,415
Operating income	259,830	291,551	551,381
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	5,172	3,908	9,080
Interest expense	(69,713)	(36,520)	(106,233)
Intergovernmental revenues	6,774	6,775	13,549
Total nonoperating revenues (expenses)	(57,767)	(25,837)	(83,604)
Income before contributions and transfers	202,063	265,714	467,777
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers out	(102,964)	(102,964)	(205,928)
<b>Change in net position</b>	99,099	162,750	261,849
<b>NET POSITION,</b> beginning of year	6,347,374	6,292,931	12,640,305
<b>NET POSITION,</b> end of year	\$ 6,446,473	\$ 6,455,681	\$ 12,902,154

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, 2016**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operations</b>			
Receipts from customers	\$ 1,484,203	\$ 1,420,533	\$ 2,904,736
Payments to suppliers	(241,093)	(262,706)	(503,799)
Payments to employees	(326,422)	(326,335)	(652,757)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>916,688</u>	<u>831,492</u>	<u>1,748,180</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers out	(102,964)	(102,964)	(205,928)
Receipts from grants	6,774	6,775	13,549
<b>Net Cash Flows Provided (Used) by Noncapital Financing Activities</b>	<u>(96,190)</u>	<u>(96,189)</u>	<u>(192,379)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Additions to property, plant and equipment	(170,137)	-	(170,137)
Principal paid on bonds, interfund loans, loans and leases	(143,000)	(248,000)	(391,000)
Interest paid on bonds, interfund loans, loans and leases	(69,713)	(36,520)	(106,233)
<b>Net Cash Flows Provided (Used) by Capital and Related Financing Activities</b>	<u>(382,850)</u>	<u>(284,520)</u>	<u>(667,370)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	5,172	3,908	9,080
<b>Net Cash Flows Provided (Used) by Investing Activities</b>	<u>5,172</u>	<u>3,908</u>	<u>9,080</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	442,820	454,691	897,511
Cash and Cash Equivalents at Beginning of Year	<u>1,142,941</u>	<u>807,590</u>	<u>1,950,531</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,585,761</u>	<u>\$ 1,262,281</u>	<u>\$ 2,848,042</u>
<b>Classified As:</b>			
Current Assets	\$ 396,649	\$ 379,816	\$ 776,465
Restricted Assets	1,189,112	882,465	2,071,577
<b>Totals</b>	<u>\$ 1,585,761</u>	<u>\$ 1,262,281</u>	<u>\$ 2,848,042</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, 2016**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating income</b>	\$ 259,830	291,551	\$ 551,381
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>			
Depreciation and amortization	659,485	523,999	1,183,484
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in:			
Accounts receivable	(24,400)	(5,660)	(30,060)
Deferred outflows of resources	(20,172)	(20,173)	(40,345)
Increase (Decrease) in:			
Accounts payable	166	-	166
Other post-employment benefits	18,366	18,361	36,727
Net pension liability	48,939	48,940	97,879
Deferred inflows of resources	(33,235)	(33,235)	(66,470)
Accrued employee benefits	7,709	7,709	15,418
Total adjustments	656,858	539,941	1,196,799
Net cash provided by operating activities	\$ 916,688	831,492	\$ 1,748,180

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, 2016**

	<u>Fire Department Relief</u>	<u>City Court Restitution</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,339	\$ 27,788	\$ 31,127
Investments	<u>152,206</u>	<u>-</u>	<u>152,206</u>
Total assets	<u><u>\$ 155,545</u></u>	<u><u>\$ 27,788</u></u>	<u><u>\$ 183,333</u></u>
<b>LIABILITIES</b>			
Due to other City funds	\$ -	\$ 8,374	\$ 8,374
Due to others	<u>155,545</u>	<u>19,414</u>	<u>174,959</u>
Total liabilities	<u><u>\$ 155,545</u></u>	<u><u>\$ 27,788</u></u>	<u><u>\$ 183,333</u></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, 2016**

**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, 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.

For the year ended June 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurements and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the year ended June 30, 2016, The City implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

For the year ended June 30, 2016, the City implemented GASB Statements that had no impact on the City’s financial statements: GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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, 2016, 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, 2016**

**2. 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, 2016**

**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. Impact Fees Special Revenue Fund: Special revenue non-levied fund with revenue generated through fees charged to developers, which is used to help pay for infrastructure improvements necessary by the new development. Impact fees included in this fund are for parks, fire, roads, and administration.
3. Street Maintenance Special Revenue Fund: Special revenue assessment maintenance fund that merged all of the City's street maintenance districts into one in fiscal year 2013. Revenue is generated by annual assessment and used for maintaining the streets and alleys.
4. 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, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**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 \$10,875,765 and the balance per the bank was \$11,142,041. 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.

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 6,326,967	\$ 1,517,423	\$ 7,844,390
Business-type activities	776,465	2,071,577	2,848,042
Fiduciary funds	<u>183,333</u>	-	<u>183,333</u>
	<u>\$ 7,286,765</u>	<u>\$ 3,589,000</u>	<u>\$ 10,875,765</u>

*Custodial Credit Risk—Deposits.* 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 does not have deposit policy for custodial credit risk. Account balances are insured 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 pledged securities held by the financial institutions or by their trust departments or agents, but not in the City's name (class 3 collateral).

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.

Montana statutes require that the City obtain securities for the uninsured portion of the deposits as follows: 1) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The state statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for City deposits at year end exceeds the amount required by state statutes.

*Credit Risk.* As noted above, statutes authorize the City to invest in direct obligations of the United States Government and securities issued by agencies of the United States, repurchase agreements, and the State Short-Term Investment Pool (STIP). The City has no investment policy that would further limit its investment choices. The City's investments primarily consist almost entirely of certificates of deposit with effective interest rates of 0.2% to 1.7%. The investments are recorded at fair value. Time deposits and money market accounts held by investment brokers were insured through the FDIC or SPIC.

*Fair Value Measurement and Application.* The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**2. CASH AND INVESTMENTS (Continued)**

STIP is classified as a 2a7-like pool and is reported at net asset value of \$1 per share with the investments within the pool being valued at fair value. The majority of the investments within the pool are classified as fair value measurement level 2 investments. The investment in the state short-term investment pool (STIP) includes asset-backed and variable rate interest securities. Asset-backed securities represent debt securities collateralized by a pool of non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar non asset-backed securities. Variable rate interest securities pay a variable rate of interest until maturity. While variable-rate interest securities have credit risk identical to similar fixed-rate securities, their market risk (income) is non sensitive to interest rate changes. However, their market risk (value/price) may be less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. There are no legal risks that the City is aware of regarding any STIP investments. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

U.S. Government bonds are valued using quoted market prices and certificates of deposit are valued using quoted prices in markets that are not active. These investments are recorded using recurring fair value measurements.

The following table provides information about the credit risks, interest rate risks, and fair value hierarchy associated with the City’s deposits and investments.

	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value</u>
Mutual funds	< 1 year	S&P AA+	Level 2	\$ 73,735
Demand deposits	N/A	FDIC	N/A	10,801,845
Petty cash	N/A	N/A	N/A	185
				<u>\$ 10,875,765</u>

**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, 2016, were within legal limits. The tax levies were based upon a taxable valuation of \$9,619,085.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 year end. 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.

**5. NOTES RECEIVABLE**

The following is a summary of notes and contracts receivable as of June 30, 2016:

**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)	\$ 2,868
5% note receivable from Sphinx Mountain, dated March 1, 2005, due in monthly installments of \$965 to March 1, 2020. (a)	13,445
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)	10,351
5% note receivable from Elite Trucking dated January 5, 2006, due in monthly installments of \$1,320 to February 1, 2026. (a)	120,297
4% note receivable from Stealth Products, Inc. dated November 22, 2013, due in monthly installments of \$3,446 to December 1, 2020. (a)	166,712
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)	107,093
	\$ 420,766

(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, 2016.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016, depreciation expense on capital assets was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 72,867
Public Safety	116,715
Public Works	524,578
Culture and Recreation	80,281
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 794,441</u></u>
 <b>Business-type Activities:</b>	
Water	\$ 659,485
Sewer	523,999
<b>Total depreciation expense - business-type activities</b>	<u><u>\$ 1,183,484</u></u>

All capital assets of the City are depreciable with the exception of land and construction in progress. Capital assets of the City consisted of the following:

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2016</b>
<b>Governmental Activities:</b>				
Non-depreciable				
Land	\$ 329,446	\$ -	\$ -	\$ 329,446
Construction in progress	37,145	15,031	-	52,176
Depreciable				
Buildings and structures	2,875,278	-	-	2,875,278
Improvements	595,882	509,135	-	1,105,017
Machinery and equipment	2,196,230	83,879	-	2,280,109
Infrastructure	<u>6,434,834</u>	<u>-</u>	<u>-</u>	<u>6,434,834</u>
Total	12,468,815	608,045	-	13,076,860
Accumulated depreciation	<u>(9,157,197)</u>	<u>(794,441)</u>	<u>-</u>	<u>(9,951,638)</u>
Total governmental activities	<u><u>\$ 3,311,618</u></u>	<u><u>\$ (186,396)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,125,222</u></u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**6. CAPITAL ASSETS (Continued)**

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
<b>Business-type Activities:</b>				
Non-depreciable				
Land	\$ 600	\$ -	\$ -	\$ 600
Depreciable				
Buildings and structures	124,731	-	-	124,731
Improvements	13,073,586	119,429	-	13,193,015
Machinery and equipment	489,912	-	-	489,912
Water tower and lines	<u>12,723,881</u>	<u>50,708</u>	<u>-</u>	<u>12,774,589</u>
Total	26,412,710	170,137	-	26,582,847
Accumulated depreciation	<u>(10,881,003)</u>	<u>(1,183,484)</u>	<u>-</u>	<u>(12,064,487)</u>
Total business-type activities	<u>\$ 15,531,707</u>	<u>\$ (1,013,347)</u>	<u>\$ -</u>	<u>\$ 14,518,360</u>
Total capital assets	<u>\$ 18,843,325</u>	<u>\$ (1,199,743)</u>	<u>\$ -</u>	<u>\$ 17,643,582</u>
<b>Accumulated Depreciation:</b>				
Governmental Activities:				
Buildings and structures	\$ (2,043,125)	\$ (135,218)	\$ -	\$ (2,178,343)
Improvements	(493,009)	(96,813)	-	(589,822)
Machinery and equipment	(1,647,905)	(116,836)	-	(1,764,741)
Infrastructure	<u>(4,973,158)</u>	<u>(445,574)</u>	<u>-</u>	<u>(5,418,732)</u>
Total governmental activities	<u>\$ (9,157,197)</u>	<u>\$ (794,441)</u>	<u>\$ -</u>	<u>\$ (9,951,638)</u>
Business-type Activities:				
Buildings	\$ (112,258)	\$ (6,237)	\$ -	\$ (118,495)
Improvements	(607,616)	(29,358)	-	(636,974)
Machinery and equipment	(440,697)	(26,414)	-	(467,111)
Water tower and lines	<u>(9,720,432)</u>	<u>(1,121,475)</u>	<u>-</u>	<u>(10,841,907)</u>
Total business-type activities	<u>\$ (10,881,003)</u>	<u>\$ (1,183,484)</u>	<u>\$ -</u>	<u>\$ (12,064,487)</u>
Total accumulated depreciation	<u>\$ (20,038,200)</u>	<u>\$ (1,977,925)</u>	<u>\$ -</u>	<u>\$ (22,016,125)</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 \$236,795 for governmental activities and \$56,606 for business-type activities at June 30, 2016, 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, 2016, were \$286,795 for governmental activities and \$71,652 for business-type activities.

	<u>Balance</u> <u>June 30, 2015</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance</u> <u>June 30, 2016</u>
Compensated absences				
Governmental Activities	\$ 262,122	\$ 74,408	\$ (49,735)	\$ 286,795
Business-type Activities	<u>56,234</u>	<u>30,464</u>	<u>(15,046)</u>	<u>71,652</u>
Total compensated absences	<u>\$ 318,356</u>	<u>\$ 104,872</u>	<u>\$ (64,781)</u>	<u>\$ 358,447</u>
	<u>Due within one</u> <u>year</u>	<u>Due after one</u> <u>year</u>	<u>Total</u>	
Compensated absences				
Governmental Activities	\$ 50,000	\$ 236,795	\$ 286,795	
Business-type Activities	<u>15,046</u>	<u>56,606</u>	<u>71,652</u>	
Total compensated absences	<u>\$ 65,046</u>	<u>\$ 293,401</u>	<u>\$ 358,447</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, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2016</u>
General obligation bonds	\$ 235,000	\$ -	\$ (30,000)	\$ 205,000
Special assessment debt	3,030,000	-	(175,000)	2,855,000
Notes payable	<u>330,634</u>	<u>-</u>	<u>(31,563)</u>	<u>299,071</u>
Totals	<u>\$ 3,595,634</u>	<u>\$ -</u>	<u>\$ (236,563)</u>	<u>\$ 3,359,071</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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:

	<b>Current Portion (Due within one year)</b>	<b>Long-term Portion (Due after one year)</b>	<b>Total Long Term Debt</b>
General obligation bonds	\$ 30,000	\$ 175,000	\$ 205,000
Special assessment debt	180,000	2,675,000	2,855,000
Notes payable	32,712	266,359	299,071
	\$ 242,712	\$ 3,116,359	\$ 3,359,071

**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:

	<b>Interest Rate</b>	<b>Amount</b>	<b>Due within one year</b>
Library Project Bonds serial maturities through 2023	2.75-5.0%	\$ 205,000	\$ 30,000

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30,			
2017	\$ 30,000	\$ 10,066	\$ 40,066
2018	30,000	8,655	38,655
2019	35,000	7,215	42,215
2020	35,000	5,500	40,500
2021	35,000	3,750	38,750
2022-2025	40,000	2,000	42,000
	\$ 205,000	\$ 37,186	\$ 242,186

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**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.

	<b>Balance</b>	<b>Issuances</b>	<b>Repayments</b>	<b>Balance</b>
	<b>June 30, 2015</b>			<b>June 30, 2016</b>
SID #78	\$ 3,030,000	\$ -	\$ (175,000)	\$ 2,855,000

	<b>Issue Date</b>	<b>Term</b>	<b>Issue Amount</b>	<b>Interest Rate</b>	<b>Annual Payment</b>	<b>Amount Outstanding</b>
SID #78	04/08	20 yrs	\$ 4,000,000	2.2 - 4.25%	Variable	\$ 2,855,000

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

<b>Year ending June 30,</b>	<b>Principal</b>
2017	\$ 180,000
2018	190,000
2019	200,000
2020	210,000
2021	220,000
2022-2026	1,260,000
2027-2028	595,000
	\$ 2,855,000

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, 2016**

**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 February 15, 2028.

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.

	<b>Due within one year</b>	<b>Due after one year</b>	<b>Total</b>
Intercap note payable - library roof replacement	\$ 4,608	\$ 54,563	\$ 59,171
First Interstate Bank note payable - fire truck	28,104	211,796	239,900
	<u>\$ 32,712</u>	<u>\$ 266,359</u>	<u>\$ 299,071</u>

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

<b>Year ending June 30,</b>	<b>Principal</b>
2017	\$ 32,409
2018	33,569
2019	34,773
2020	36,010
2021	37,323
2022-2026	111,376
2027-2029	13,611
	<u>\$ 299,071</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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. Water revenue bonds outstanding at June 30, 2016 are as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Term</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Annual Payment</u>	<u>Amount Outstanding</u>
Water System ARRA B	July 2009	20 yrs	\$ 131,179	0.75%	variable	\$ 222,000
WRF-11236	January 2011	20 yrs	161,300	2.25%	variable	115,000
WRF-11221	July 2010	20 yrs	2,718,000	3.75%	variable	2,085,000
						<u>\$ 2,422,000</u>

	<u>Balance June 30, 2015</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance June 30, 2016</u>
Water System ARRA B	\$ 238,000	\$ -	\$ (16,000)	\$ 222,000
WRF-11236	123,000	-	(8,000)	115,000
WRF-11221	2,204,000	-	(119,000)	2,085,000
	<u>\$ 2,565,000</u>	<u>\$ -</u>	<u>\$ (143,000)</u>	<u>\$ 2,422,000</u>

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	161,000	49,238	210,238
2022-2026	890,000	173,357	1,063,357
2027-2030	766,000	48,769	814,769
	<u>\$ 2,422,000</u>	<u>\$ 510,345</u>	<u>\$ 2,932,345</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016 are as follows:

<b>Purpose</b>	<b>Issue Date</b>	<b>Term</b>	<b>Issue Amount</b>	<b>Interest Rate</b>	<b>Annual Payment</b>	<b>Amount Outstanding</b>
Sewer System 2001	April 2001	20 yrs	\$ 1,058,000	2.00%	variable	\$ 306,000
Wasterwater Treatment 2003	April 2003	20 yrs	1,940,000	2.00%	variable	787,000
Wastewater 2003B	August 2003	20 yrs	1,512,000	2.00%	variable	547,000
						\$ 1,640,000

	<b>Balance June 30, 2015</b>	<b>Issuances</b>	<b>Repayments</b>	<b>Balance June 30, 2016</b>
Sewer System 2001	\$ 370,000	\$ -	\$ (64,000)	\$ 306,000
Wasterwater Treatment 2003	899,000	-	(112,000)	787,000
Wastewater 2003	619,000	-	(72,000)	547,000
	\$ 1,888,000	\$ -	\$ (248,000)	\$ 1,640,000

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

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	239,000	10,510	249,510
2022-2023	355,000	7,961	362,961
	\$ 1,640,000	\$ 113,551	\$ 1,753,551

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, 2016**

**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, 2016, 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, 2016.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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)	\$	110,513
Interest on net OPEB obligation		728
Adjustment to annual required contribution (amortization)		36,423
Annual OPEB cost (expense)		147,664
Contributions made		-
Increase in net OPEB obligation		147,664
Net OPEB obligation - beginning of year		208,917
Net OPEB obligation - end of year	\$	356,581

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, 2016 and the two preceding fiscal years were as follows:

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB Cost</b>	<b>Annual OPEB Cost</b>	<b>Obligation</b>
		<b>Contributed</b>	
June 30, 2014	\$ 66,352	0.00%	\$ 85,843
June 30, 2015	\$ 122,974	0.00%	\$ 208,917
June 30, 2016	\$ 147,664	0.00%	\$ 356,581

*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: 5.1% for 2017, 6.0% for 2018, 6.1% for 2019 and 2020, 6.2% for 2021 and 2022, and 6.1% for 2023 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: 79 years.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016 year end OPEB obligation is reported in the City's funds as follows:

<b>Functions/Programs</b>	<b>FY 2016 Expense</b>	<b>Net OPEB Obligation at Year End</b>
Primary Government:		
Governmental activities:		
General government	\$ 16,102	\$ 38,287
Public safety	73,476	179,613
Public works	-	4,986
Public welfare	4,682	7,823
Culture and recreation	15,707	35,744
Housing and community development	970	2,480
Total governmental activities	110,937	268,933
Business-type activities:		
Water	18,366	43,892
Sewer	18,361	43,756
Total business-type activities	36,727	87,648
Total primary government	\$ 147,664	\$ 356,581

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016, is as follows:

	<b>Due From</b>	<b>Due To</b>
General Fund	\$ 8,374	\$ -
Special Revenue Funds		
Drug Forfeiture	-	-
Trust and Agency Funds		
Court Restitution	-	8,374
	\$ 8,374	\$ 8,374

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016**

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

Pension Amount Totals

GASB Statement 68, paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

Net Pension Liability

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

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, the State is required to report a proportionate share of a local government or school district’s collective NPL that is associated with the non-State 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 Tax Severance fund. All employers are required to report the portion of Coal Tax Severance income and earnings attributable to the employer.

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016 reporting will use the 2016 reporting values presented in these notes.

	<b>Net Pension Liability as of 6/30/2016</b>	<b>Net Pension Liability as of 6/30/2015</b>	<b>Percent of Collective NPL as of 6/30/2016</b>	<b>Percent of Collective NPL as of 6/30/2015</b>	<b>Change in Percent of Collective NPL</b>
Employer Proportionate Share	\$ 1,272,555	\$ 1,044,914	0.091035%	0.083861%	0.007174%
State of Montana Proportionate Share associated with Employer	15,631	12,760	0.001118%	0.001024%	0.000094%
<b>Total</b>	<b>\$ 1,288,186</b>	<b>\$ 1,057,674</b>	<b>0.092153%</b>	<b>0.084885%</b>	<b>0.007268%</b>

The Table above displays the employer proportionate share of the NPL and the employer’s proportion of NPL for June 30, 2015 and 2016. The employer’s proportion of the NPL was based on the employer’s contributions received by PERS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS’ participating employers. As of the employer’s reporting date the employer recorded a liability of \$1,272,555 and the employer’s proportionate share was 0.091035%.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**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 TPL.

*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 NPL 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

	<b>Pension Expense as of 6/30/2016</b>	<b>Pension Expense as of 6/30/2015</b>
Employer Proportionate Share of PERS	\$ 112,805	\$ 80,306
State of Montana Proportionate Share associated with Employer	971	961
Total	\$ 113,776	\$ 81,267

At June 30, 2016, the employer recognized its proportionate share of the PERS’ pension expense of \$113,776. The employer also recognized grant revenue of \$971 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer, and grant revenue of \$30,540 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of PERS’ deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual vs. Expected Experience	\$ -	\$ 7,699
Actual vs. Expected Investment Earnings	-	107,735
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	96,440	-
Employer contributions subsequent to the measurement date - FY 2016 Contributions	103,008	-
Total	\$ 199,448	\$ 115,434

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Recognition of Deferred Inflows and Outflows (Continued)

\$103,008 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, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

<b>Year ended June 30</b>	<b>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense</b>
2017	\$ (18,180)
2018	(18,180)
2019	(18,887)
2020	28,020
2021	-
Thereafter	-
	<u>\$ (27,227)</u>

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 provides retirement benefits to covered employees of the State, and local governments, and 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 participants of both the *defined benefit* and *defined contribution* 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).

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.

CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

Summary of Benefits

*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.

*Vesting*

5 years of membership service

*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.

*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)\**

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013: 1.5% for each year PERS is funded at or above 90%; 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and 0% whenever the amortization period for PERS is 40 years or more.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and contribution rates are shown in the table below.

1. Member contributions to the system of 7.9% are 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 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
  - c. The portion of employer contributions allocated to the PCR are included in the employers’ reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. 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 a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust Fund.

Fiscal Year	Member		State &	Local Governments		School Districts	
	Hired < 7/1/11	Hired > 7/1/11	University Employer	Employer	State	Employer	State
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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, 2014, 2015, and 2016 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, 2016 and the two previous years is presented in the following table.

<u>Year Ended</u> <u>June 30</u>	<u>Covered</u> <u>Payroll</u>	<u>Employee</u> <u>Contributions</u>	<u>Employer</u> <u>Contributions</u>	<u>State</u> <u>Contributions</u>
2016	\$ 1,336,695	\$ 105,599	\$ 110,545	\$ 1,337
2015	\$ 1,266,768	\$ 100,075	\$ 103,495	\$ 1,267
2014	\$ 1,127,503	\$ 89,073	\$ 90,990	\$ 1,128

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 MPERA’s web site at <http://mpera.mt.gov/annualreports.shtml>.

The latest actuarial valuation and experience study can be found at MPERA’s website at <http://mpera.mt.gov/actuarialvaluations.shtml>.

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return (net of admin expense): 7.75%
- Admin Expense as a % of Payroll: 0.27%
- General Wage Growth (includes inflation at 3.00%): 4.00%
- Merit Increases: 0% to 6%
- Postretirement Benefit Increases:

**Guaranteed Annual Benefit Adjustment (GABA)**

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.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013: 1.5% for each year PERS is funded at or above 90%; 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and 0% whenever the amortization period for PERS is 40 years or more.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Actuarial Assumptions (Continued)

- 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.

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 2123. 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

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 June 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. Summarized in the table below are the best estimates of the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2015.

<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%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Sensitivity Analysis

	<b>1.0% Decrease (6.75%)</b>	<b>Current Discount Rate 7.75%</b>	<b>1.0% Increase (8.75%)</b>
Employer's Net Pension Liability	\$ 1,962,004	\$ 1,272,555	\$ 690,331

The above table presents the NPL calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

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

Pension Amount Totals

GASB Statement 68, paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

Net Pension Liability

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

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, the State is required to report a proportionate share of a local government’s NPL that is associated with the non-State employer.

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016 reporting will use the 2016 reporting values presented in these notes.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Net Pension Liability (Continued)

	<b>Net Pension Liability as of 6/30/2016</b>	<b>Net Pension Liability as of 6/30/2015</b>	<b>Percent of Collective NPL as of 6/30/2016</b>	<b>Percent of Collective NPL as of 6/30/2015</b>	<b>Change in Percent of Collective NPL</b>
Employer Proportionate Share	\$ 851,420	\$ 852,415	0.514700%	0.542470%	-0.027770%
State of Montana Proportionate Share associated with Employer	1,725,058	1,721,979	1.042830%	1.095853%	-0.053023%
<b>Total</b>	<b>\$ 2,576,478</b>	<b>\$ 2,574,394</b>	<b>1.557530%</b>	<b>1.638323%</b>	<b>-0.080793%</b>

The Table above displays the employer proportionate share of the NPL and the employer’s proportion of NPL for June 30, 2015 and 2016. The employer’s proportion of the NPL was based on the employer’s contributions received by MPORS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of MPORS’ participating employers. As of the employer’s reporting date the employer recorded a liability of \$851,420 and the employer’s proportionate share was 0.514700%.

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

*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 NPL 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

	<b>Pension Expense as of 6/30/2016</b>	<b>Pension Expense as of 6/30/2015</b>
Employer Proportionate Share of MPORS	\$ 74,122	\$ 91,690
State of Montana Proportionate Share associated with Employer	175,443	185,225
<b>Total</b>	<b>\$ 249,565</b>	<b>\$ 276,915</b>

At June 30, 2016, the employer recognized its proportionate share of the MPORS’ pension expense of \$249,565. The employer also recognized grant revenue of \$175,443 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of MPORS’ deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual vs. Expected Experience	\$ -	\$ 7,776
Actual vs. Expected Investment Earnings	-	31,986
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	36,745
Employer contributions subsequent to the measurement date - FY 2016 Contributions	108,923	-
<b>Total</b>	<b>\$ 108,923</b>	<b>\$ 76,507</b>

\$108,923 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 beginning in the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

<b>Year ended June 30</b>	<b>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense</b>
2017	\$ (29,043)
2018	(29,043)
2019	(29,043)
2020	10,622
2021	-
Thereafter	-
	<b>\$ (76,507)</b>

CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

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 provides retirement benefits to 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.

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. The balance held by MPERA for MPORS DROP participants as of June 30, 2016 was approximately \$7 million.

Summary of Benefits

*Eligibility for benefit*

20 years of membership service, regardless of age  
Age 50, 5 years of membership service

*Vesting*

Death and disability rights are vested immediately  
5 years of membership service for all other rights

*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

*Compensation Cap*

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

*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

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Summary of Benefits (Continued)

*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

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and contribution rates are shown in the table below.

<b>Fiscal Year</b>	<b>Member</b>				<b>Employer</b>	<b>State</b>
	<b>Hired &lt; 7/1/75</b>	<b>Hired &gt; 6/30/75</b>	<b>Hired &gt; 6/30/79</b>	<b>Hired &gt; 6/30/97 GABA</b>		
2000-2016	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

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, 2014, 2015, and 2016 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, 2016 and the two previous years is presented in the following table.

<b>Year Ended June 30</b>	<b>Covered Payroll</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>	<b>State Contributions</b>
2016	\$ 746,842	\$ 67,216	\$ 107,620	\$ 219,347
2015	\$ 712,354	\$ 64,112	\$ 102,650	\$ 209,218
2014	\$ 727,852	\$ 65,507	\$ 104,883	\$ 213,770

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 MPERA’s web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at MPERA’s website at <http://mpera.mt.gov/actuarialValuations.shtml>.

CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return (net of admin expense): 7.75%
- Admin Expense as a % of Payroll: 0.20%
- General Wage Growth (includes inflation at 3.00%): 4.00%
- Merit Increases: 0% to 7.3%
- Postretirement Benefit Increases:

**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.
- 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.

Discount Rate

The discount rate used to measure the TPL 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 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

**CITY OF BELGRADE, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

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

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%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

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 June 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. Summarized in the table above are the best estimates of the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2015.

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>
Employer's Net Pension Liability	\$ 1,202,075	\$ 851,420	\$ 540,126

The above table presents the NPL calculated using a discount rate of 7.75% as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

**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, 2016**

**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.

	<b>General Fund</b>	<b>Impact Fees</b>	<b>Street Maintenance</b>	<b>S.I.D. 78</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>						
General government	-	-	-	-	945,991	945,991
Public safety	-	-	-	-	976,656	976,656
Public works	-	1,302,442	119,159	-	460,455	1,882,056
Culture and recreation	-	-	-	-	182,657	182,657
Debt service	-	-	-	-	372,700	372,700
Total restricted	<u>-</u>	<u>1,302,442</u>	<u>119,159</u>	<u>-</u>	<u>2,938,459</u>	<u>4,360,060</u>
<b>Committed</b>						
General government	-	-	-	-	150,763	150,763
Public safety	-	-	-	-	4	4
Culture and recreation	-	-	-	-	128,033	128,033
Housing and community dev	-	-	-	-	1,743,777	1,743,777
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,022,577</u>	<u>2,022,577</u>
<b>Assigned</b>						
Public works	-	-	-	648,982	-	648,982
Capital projects	-	-	-	-	140,875	140,875
Employee leave	85,515	-	-	-	11,368	96,883
Total assigned	<u>85,515</u>	<u>-</u>	<u>-</u>	<u>648,982</u>	<u>152,243</u>	<u>886,740</u>
<b>Unassigned</b>						
	<u>696,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>696,820</u>
Total fund balances	<u>\$ 782,335</u>	<u>\$ 1,302,442</u>	<u>\$ 119,159</u>	<u>\$ 648,982</u>	<u>\$ 5,113,279</u>	<u>\$ 7,966,197</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 a 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 February 6, 2017, the date on which the financial statements were available to be issued.

**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, 2016**

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, 2016 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	6/30/2014	\$ 66,352	0.00%	\$ 85,943
	6/30/2015	\$ 122,974	0.00%	\$ 208,917
	6/30/2016	\$ 147,664	0.00%	\$ 356,581

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)]	\$ 620,194
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	0.0%	\$ 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 Three Fiscal Years**

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportionate share of the net pension liability	\$ 1,272,555	\$ 1,044,914	\$ 1,344,643
Employer's proportionate share of the net pension liability associated with the employer	0.091035%	0.083861%	0.223150%
State of MT proportionate share of the net pension liability associated with the employer	\$ 15,631	\$ 12,760	\$ 16,420
Total	\$ 1,288,186	\$ 1,057,674	\$ 1,361,063
Employer's covered-employee payroll	\$ 1,062,399	\$ 949,302	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	119.780%	110.072%	Not available
Plan fiduciary net position the total pension liability	78.400%	79.900%	Not available

<b>SCHEDULE OF CONTRIBUTIONS</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 103,008	\$ 103,495	\$ 83,929
Contributions in relation to the contractually required contributions	\$ 103,008	\$ 103,495	\$ 83,929
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	\$ 1,193,230	\$ 1,266,768	\$ 949,302
Contributions of covered-employee payroll	8.633%	8.170%	8.841%

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

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportionate share of the net pension liability	\$ 851,420	\$ 852,415	\$ 971,206
Employer's proportionate share of the net pension liability associated with the employer	0.514700%	0.542470%	0.460223%
State of MT proportionate share of the net pension liability associated with the employer	\$ 1,725,058	\$ 1,721,979	\$ 1,961,952
<b>Total</b>	<b>\$ 2,576,478</b>	<b>\$ 2,574,394</b>	<b>\$ 2,933,158</b>
Employer's covered-employee payroll	\$ 712,354	\$ 727,852	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	119.522%	117.114%	Not available
Plan fiduciary net position the total pension liability	66.900%	67.000%	Not available

<b>SCHEDULE OF CONTRIBUTIONS</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 109,536	\$ 103,263	\$ 105,827
Contributions in relation to the contractually required contributions	\$ 109,536	\$ 103,263	\$ 105,827
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	\$ 746,842	\$ 712,354	\$ 727,852
Contributions of covered-employee payroll	14.667%	14.496%	14.540%

**CITY OF BELGRADE, MONTANA**  
**NOTE A TO RSI**  
**Notes to Required Supplementary Information - Public Employees' Retirement System (PERS)**  
**Year Ended June 30, 2016**

**Changes of Benefit Terms** - The following changes to the plan provision were made as identified:

**2013 Legislative Changes:**

**Working Retirees** - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

**Highest Average Compensation (HAC) Cap** - House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation. All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

**House Bill 454** - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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 all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
  - a. 1.5% each year PERS is funded at or above 90%;
  - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  - c. 0% whenever the amortization period for PERS is 40 years or more.

**2015 Legislative Changes:**

**General Revisions** - House Bill 101, effective January 1, 2016

**Second Retirement Benefit** - for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- refund of member's contributions from second employment plus regular interest (currently 0.25%);
- no service credit for second employment;
- start same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement.

2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
- GABA starts in the January after receiving recalculated benefit for 12 months.

**CITY OF LIVINGSTON, MONTANA**

**NOTE A TO RSI (Continued)**

**Notes to Required Supplementary Information - Public Employees' Retirement System (PERS)**

**Year Ended June 30, 2016**

- 3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
- refund of member's contributions from second employment plus regular interest (currently 0.25%);
  - no service credit for second employment;
  - start same benefit amount the month following termination; and,
  - GABA starts again in the January immediately following second retirement.
- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
- member receives same retirement benefit as prior to return to service;
  - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

**Revise DC Funding Laws** - House Bill 107, effective July 1, 2015

**Employer Contributions and the Defined Contribution Plan** – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**CITY OF BELGRADE, MONTANA**

**NOTE B TO RSI**

**Notes to Required Supplementary Information - Municipal Police Officers' Retirement System (MPORS)**

**Year Ended June 30, 2016**

**Changes of Benefit Terms** - The following changes to the plan provision were made as identified:

**2013 Legislative Changes:**

**Highest Average Compensation (HAC) Cap** - House Bill 97, effective July 1, 2013

All MPORS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation. All bonuses paid to MPORS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

**2015 Legislative Changes:**

**General Revisions** - House Bill 101, effective January 1, 2016

**MPORS DROP Survivor Benefits - for MPORS**

Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9-1206(1), MCA.

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.20%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

**CITY OF BELGRADE, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary fund balance, July 1	\$ 548,888	\$ 548,888	\$ 548,888	\$ -
Resources (inflows):				
Taxes	588,055	588,055	652,925	64,870
Special assessments			-	-
Licenses and permits	121,725	121,725	119,248	(2,477)
Intergovernmental	749,810	749,810	762,485	12,675
Charges for services	1,000	1,000	6,055	5,055
Fines and forfeitures	108,300	108,300	139,529	31,229
Interest on investments	700	700	1,223	523
Transfers from other funds	40,000	40,000	40,000	-
Other	-	-	9,529	9,529
	<u>2,158,478</u>	<u>2,158,478</u>	<u>2,279,882</u>	<u>121,404</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	328,881	328,881	452,136	(123,255)
Public safety	936,839	936,839	847,140	89,699
Public works	-	-	5,515	(5,515)
Public welfare	53,627	53,627	45,043	8,584
Culture and recreation	90,449	90,449	80,093	10,356
Housing and community development	-	-	-	-
Other	19,150	19,150	24,235	(5,085)
Capital outlay	47,175	47,175	13,300	33,875
Debt service	-	-	-	-
Transfers to other funds	30,085	30,085	30,085	-
	<u>1,506,206</u>	<u>1,506,206</u>	<u>1,497,547</u>	<u>8,659</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 652,272</u>	<u>\$ 652,272</u>	<u>\$ 782,335</u>	<u>\$ 130,063</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE - IMPACT FEES**  
**Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary fund balance, July 1	\$ 659,042	\$ 659,042	\$ 659,042	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	255,000	255,000	639,983	384,983
Fines and forfeitures	-	-	-	-
Interest on investments	1,900	1,900	3,417	1,517
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>915,942</u>	<u>915,942</u>	<u>1,302,442</u>	<u>386,500</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	50,000	50,000	-	50,000
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 865,942</u>	<u>\$ 865,942</u>	<u>\$ 1,302,442</u>	<u>\$ 436,500</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE - STREET MAINTENANCE**  
**Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Budgetary fund balance, July 1	589,331	589,331	589,331	-
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	211,425	211,425	214,680	3,255
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	1,800	1,800	956	(844)
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>802,556</u>	<u>802,556</u>	<u>804,967</u>	<u>2,411</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	202,122	202,122	120,525	81,597
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Other	-	-	-	-
Capital outlay	505,000	505,000	509,135	(4,135)
Debt service	-	-	-	-
Transfers to other funds	56,148	56,148	56,148	-
	<u>763,270</u>	<u>763,270</u>	<u>685,808</u>	<u>77,462</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 39,286</u>	<u>\$ 39,286</u>	<u>\$ 119,159</u>	<u>\$ 79,873</u>

See the Independent Auditors' Report.

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

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures  
Year Ended June 30, 2016**

	<b>General Fund</b>	<b>Impact Fees</b>	<b>Street Maintenance</b>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,279,882	\$ 1,302,442	\$ 804,967
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.	(548,888)	(659,042)	(589,331)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	(40,000)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,690,994	\$ 643,400	\$ 215,636
 <b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,497,547	\$ -	\$ 685,808
Differences - budget to GAAP:			
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	(30,085)	-	(56,148)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,467,462	\$ -	\$ 629,660

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, 2016**

	<u>Special Revenue Funds</u>					
	<u>Comprehensive Liability Insurance</u>	<u>Parks - Cash in Lieu</u>	<u>City Library</u>	<u>City / County Planning</u>	<u>Permissive Medical Levy</u>	<u>PERS</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 58,375	\$ 175,240	\$ 135,199	\$ 371,763	\$ 1,222	\$ 92,389
Receivables						
Property taxes	2,335	-	12,514	5,149	708	6,147
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other governments	-	-	-	5,500	-	-
Due from other City funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	11,368	67,113	-	-
	<u>-</u>	<u>-</u>	<u>11,368</u>	<u>67,113</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 60,710</u>	<u>\$ 175,240</u>	<u>\$ 159,081</u>	<u>\$ 449,525</u>	<u>\$ 1,930</u>	<u>\$ 98,536</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 625	\$ -	\$ -	\$ -
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>625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	2,336	-	12,515	5,374	708	6,147
Deferred inflows of special assessments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,336</u>	<u>-</u>	<u>12,515</u>	<u>5,374</u>	<u>708</u>	<u>6,147</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	175,240	6,540	444,151	1,222	-
Committed	58,374	-	128,033	-	-	92,389
Assigned	-	-	11,368	-	-	-
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>58,374</u>	<u>175,240</u>	<u>145,941</u>	<u>444,151</u>	<u>1,222</u>	<u>92,389</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 60,710</u>	<u>\$ 175,240</u>	<u>\$ 159,081</u>	<u>\$ 449,525</u>	<u>\$ 1,930</u>	<u>\$ 98,536</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>Special Revenue Funds</u>					
	<u>Group Health</u>	<u>Drug Forfeiture</u>	<u>Building Code Enforcement</u>	<u>Lighting Districts</u>	<u>Municipal Services Levy</u>	<u>Victim's Advocate</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 311,244	\$ 19,743	\$ 178,903	\$ 146,376	\$ 2,387	\$ -
Receivables						
Property taxes	10,056	-	-	-	1,655	-
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	907	-	-
Other governments	-	565	-	-	17,390	-
Due from other City funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	10,471	-	-	-
	<u>-</u>	<u>-</u>	<u>10,471</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 321,300</u>	<u>\$ 20,308</u>	<u>\$ 189,374</u>	<u>\$ 147,283</u>	<u>\$ 21,432</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
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	10,056	-	-	-	1,655	-
Deferred inflows of special assessments	-	-	-	907	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>907</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>10,056</u>	<u>-</u>	<u>-</u>	<u>907</u>	<u>1,655</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	311,244	20,308	189,374	146,376	19,777	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>311,244</u>	<u>20,308</u>	<u>189,374</u>	<u>146,376</u>	<u>19,777</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 321,300</u>	<u>\$ 20,308</u>	<u>\$ 189,374</u>	<u>\$ 147,283</u>	<u>\$ 21,432</u>	<u>\$ -</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<u>Special Revenue Funds</u>				
	<u>Police Training</u>	<u>Gas Tax</u>	<u>Volunteer Fire</u>	<u>CTEP</u>	<u>DUI Task Force</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,494	\$ 136,862	\$ 130,852	\$ 177,217	\$ 4
Receivables					
Property taxes	-	-	2,235	-	-
Customers, net	-	-	-	-	-
Special assessments	-	-	-	-	-
Other governments	-	-	16,596	-	-
Due from other City funds	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,494</u>	<u>\$ 136,862</u>	<u>\$ 149,683</u>	<u>\$ 177,217</u>	<u>\$ 4</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
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	-	-	2,236	-	-
Deferred inflows of special assessments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,236</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	10,494	136,862	147,447	177,217	-
Committed	-	-	-	-	4
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>10,494</u>	<u>136,862</u>	<u>147,447</u>	<u>177,217</u>	<u>4</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,494</u>	<u>\$ 136,862</u>	<u>\$ 149,683</u>	<u>\$ 177,217</u>	<u>\$ 4</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Special Revenue Funds					
	Public Safety Mill	VFD Relief Association	CDBG 1992 and Prior	CDBG 1993 and After	Job Creation Grant	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 33,940	\$ 728,884	\$ 541,737	\$ 1,185,828	\$ -	\$ 4,438,659
Receivables						-
Property taxes	3,626	6,310	-	-	-	50,735
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	-	-	907
Other governments	16,683	-	-	-	-	56,734
Due from other City funds	-	-	-	-	-	-
Notes receivable	-	-	290,117	130,649	-	420,766
Restricted cash and cash equivalents	-	-	-	16,212	-	105,164
	<u>54,249</u>	<u>735,194</u>	<u>831,854</u>	<u>1,332,689</u>	<u>-</u>	<u>5,072,965</u>
Total assets	<u>\$ 54,249</u>	<u>\$ 735,194</u>	<u>\$ 831,854</u>	<u>\$ 1,332,689</u>	<u>\$ -</u>	<u>\$ 5,072,965</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625
Advances	-	-	290,117	130,649	-	420,766
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>290,117</u>	<u>130,649</u>	<u>-</u>	<u>421,391</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	3,626	6,310	-	-	-	50,963
Deferred inflows of special assessments	-	-	-	-	-	907
	<u>3,626</u>	<u>6,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,870</u>
Total deferred inflows of resources	<u>3,626</u>	<u>6,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,870</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	50,623	728,884	-	-	-	2,565,759
Committed	-	-	541,737	1,202,040	-	2,022,577
Assigned	-	-	-	-	-	11,368
Unassigned	-	-	-	-	-	-
	<u>50,623</u>	<u>728,884</u>	<u>541,737</u>	<u>1,202,040</u>	<u>-</u>	<u>4,599,704</u>
Total fund balances	<u>50,623</u>	<u>728,884</u>	<u>541,737</u>	<u>1,202,040</u>	<u>-</u>	<u>4,599,704</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,249</u>	<u>\$ 735,194</u>	<u>\$ 831,854</u>	<u>\$ 1,332,689</u>	<u>\$ -</u>	<u>\$ 5,072,965</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

**Debt Service Funds**

	<b>G.O. Bonds Library Expansion</b>	<b>S.I.D. Revolving</b>	<b>S.I.D. 72</b>	<b>S.I.D. 75</b>	<b>S.I.D. 76</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 41,491	\$ 290,557	\$ 8,525	\$ 30,823	\$ 1,304	\$ 372,700
Receivables						
Property taxes	2,707	-	-	-	-	2,707
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	2,246	-	2,246
Other governments	-	-	-	-	-	-
Due from other City funds	-	-	-	-	-	-
Seized property						
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 44,198</b>	<b>\$ 290,557</b>	<b>\$ 8,525</b>	<b>\$ 33,069</b>	<b>\$ 1,304</b>	<b>\$ 377,653</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred inflows of resources:						
Deferred inflows of tax revenues	2,707	-	-	-	-	2,707
Deferred inflows of special assessments	-	-	-	2,246	-	2,246
<b>Total deferred inflows of resources</b>	<b>2,707</b>	<b>-</b>	<b>-</b>	<b>2,246</b>	<b>-</b>	<b>4,953</b>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	41,491	290,557	8,525	30,823	1,304	372,700
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>41,491</b>	<b>290,557</b>	<b>8,525</b>	<b>30,823</b>	<b>1,304</b>	<b>372,700</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 44,198</b>	<b>\$ 290,557</b>	<b>\$ 8,525</b>	<b>\$ 33,069</b>	<b>\$ 1,304</b>	<b>\$ 377,653</b>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<u>Capital Project Funds</u>				<b>Total Nonmajor Governmental Funds</b>
	<u>General Improvements</u>	<u>Library Improvements</u>	<u>Fire Department Improvements</u>	<u>Total</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 110,868	\$ 4,073	\$ 20,934	\$ 135,875	\$ 4,947,234
Receivables					
Property taxes	-	-	-	-	53,442
Customers, net	-	-	-	-	-
Special assessments	-	-	-	-	3,153
Other governments	-	-	-	-	56,734
Due from other City funds	-	-	-	-	-
Seized property	-	-	-	-	-
Notes receivable	-	-	-	-	420,766
Restricted cash and cash equivalents	-	5,000	-	5,000	110,164
	<u>110,868</u>	<u>9,073</u>	<u>20,934</u>	<u>140,875</u>	<u>5,591,493</u>
Total assets	<u>\$ 110,868</u>	<u>\$ 9,073</u>	<u>\$ 20,934</u>	<u>\$ 140,875</u>	<u>\$ 5,591,493</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 625
Advances	-	-	-	-	420,766
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>421,391</u>
Deferred inflows of resources:					
Deferred inflows of tax revenues	-	-	-	-	53,670
Deferred inflows of special assessments	-	-	-	-	3,153
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,823</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,823</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	2,938,459
Committed	-	-	-	-	2,022,577
Assigned	110,868	9,073	20,934	140,875	152,243
Unassigned	-	-	-	-	-
	<u>110,868</u>	<u>9,073</u>	<u>20,934</u>	<u>140,875</u>	<u>5,113,279</u>
Total fund balances	<u>110,868</u>	<u>9,073</u>	<u>20,934</u>	<u>140,875</u>	<u>5,113,279</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 110,868</u>	<u>\$ 9,073</u>	<u>\$ 20,934</u>	<u>\$ 140,875</u>	<u>\$ 5,591,493</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, 2016**

	<b>Comprehensive Liability Insurance</b>	<b>Parks - Cash in Lieu</b>	<b>City Library</b>	<b>City / County Planning</b>	<b>Permissive Medical Levy</b>	<b>PERS</b>
<b>REVENUES</b>						
Taxes	\$ 43,600	\$ -	\$ 175,790	\$ 166,194	\$ 10,539	\$ 107,051
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	250	-	-
Intergovernmental	-	-	155,535	12,630	-	228,731
Charges for services	-	-	10,210	59,926	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	11	209	489	1,014	-	70
Loan repayment	-	-	-	-	-	-
Other	-	125,872	35,429	-	-	-
Total revenues	<u>43,611</u>	<u>126,081</u>	<u>377,453</u>	<u>240,014</u>	<u>10,539</u>	<u>335,852</u>
<b>EXPENDITURES</b>						
Current						
General government	89,920	-	-	57,091	-	50,857
Public safety	-	-	-	-	-	322,966
Public works	-	-	-	-	-	7,390
Public welfare	-	-	-	-	-	6,085
Culture and recreation	-	92	331,777	-	-	44,772
Housing and community development	-	-	-	-	-	2,608
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Principal	-	-	4,526	-	-	-
Interest and fiscal fees	-	-	2,610	-	-	-
Total expenditures	<u>89,920</u>	<u>92</u>	<u>338,913</u>	<u>57,091</u>	<u>-</u>	<u>434,678</u>
Revenues over (under) expenditures	<u>(46,309)</u>	<u>125,989</u>	<u>38,540</u>	<u>182,923</u>	<u>10,539</u>	<u>(98,826)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	61,958	-	-	-	-	114,380
Transfers out	-	-	(57,007)	(22,441)	(22,500)	-
Total other financing sources and uses	<u>61,958</u>	<u>-</u>	<u>(57,007)</u>	<u>(22,441)</u>	<u>(22,500)</u>	<u>114,380</u>
Net change in fund balance	15,649	125,989	(18,467)	160,482	(11,961)	15,554
<b>FUND BALANCES,</b>						
beginning 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>
<b>FUND BALANCES,</b>						
end of year	<u>\$ 58,374</u>	<u>\$ 175,240</u>	<u>\$ 145,941</u>	<u>\$ 444,151</u>	<u>\$ 1,222</u>	<u>\$ 92,389</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, 2016**

	<u>Group Health</u>	<u>Drug Forfeiture</u>	<u>Building Code Enforcement</u>	<u>Lighting Districts</u>	<u>Municipal Services Levy</u>	<u>Victim's Advocate</u>
<b>REVENUES</b>						
Taxes	\$ 181,738	\$ -	\$ -	\$ -	\$ 341,811	\$ -
Special assessments	-	-	-	79,626	-	-
Licenses and permits	-	-	231,682	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	6,310	-	-	-	10,979
Interest on investments	599	29	487	488	-	-
Loan repayment	-	-	-	-	-	-
Other	-	1,566	-	-	-	-
Total revenues	<u>182,337</u>	<u>7,905</u>	<u>232,169</u>	<u>80,114</u>	<u>341,811</u>	<u>10,979</u>
<b>EXPENDITURES</b>						
Current						
General government	51,318	-	-	-	-	10,979
Public safety	214,483	6,074	92,379	-	285,422	-
Public works	7,895	-	-	-	-	-
Public welfare	6,250	-	-	-	-	-
Culture and recreation	46,055	-	-	-	12,167	-
Housing and community development	2,961	-	-	76,190	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	27,800	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>328,962</u>	<u>6,074</u>	<u>120,179</u>	<u>76,190</u>	<u>297,589</u>	<u>10,979</u>
Revenues over (under) expenditures	<u>(146,625)</u>	<u>1,831</u>	<u>111,990</u>	<u>3,924</u>	<u>44,222</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	189,885	-	-	-	-	-
Transfers out	-	-	(16,824)	-	(24,445)	-
Total other financing sources and uses	<u>189,885</u>	<u>-</u>	<u>(16,824)</u>	<u>-</u>	<u>(24,445)</u>	<u>-</u>
Net change in fund balances	43,260	1,831	95,166	3,924	19,777	-
<b>FUND BALANCES,</b> beginning of year	<u>267,984</u>	<u>18,477</u>	<u>94,208</u>	<u>142,452</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 311,244</u>	<u>\$ 20,308</u>	<u>\$ 189,374</u>	<u>\$ 146,376</u>	<u>\$ 19,777</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, 2016**

	<u>Police Training</u>	<u>Gas Tax</u>	<u>Volunteer Fire</u>	<u>CTEP</u>	<u>DUI Task Force</u>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 318,216	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	126,634	7,860	2,843	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest on investments	47	249	229	493	-
Loan repayment	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>47</u>	<u>126,883</u>	<u>326,305</u>	<u>3,336</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	16,842	-	301,040	-	-
Public works	-	7,515	-	2,339	-
Public welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and community development	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	1,272	-	13,759	-
Debt service					
Principal	-	-	27,037	-	-
Interest and fiscal fees	-	-	10,147	-	-
Total expenditures	<u>16,842</u>	<u>8,787</u>	<u>338,224</u>	<u>16,098</u>	<u>-</u>
Revenues over (under) expenditures	<u>(16,795)</u>	<u>118,096</u>	<u>(11,919)</u>	<u>(12,762)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,000	-	17,950	45,000	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>10,000</u>	<u>-</u>	<u>17,950</u>	<u>45,000</u>	<u>-</u>
Net change in fund balance	<u>(6,795)</u>	<u>118,096</u>	<u>6,031</u>	<u>32,238</u>	<u>-</u>
<b>FUND BALANCES,</b> beginning of year	<u>17,289</u>	<u>18,766</u>	<u>141,416</u>	<u>144,979</u>	<u>4</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 10,494</u>	<u>\$ 136,862</u>	<u>\$ 147,447</u>	<u>\$ 177,217</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, 2016**

	<u>Public Safety Mill</u>	<u>VFD Relief Association</u>	<u>CDBG 1992 and Prior</u>	<u>CDBG 1993 and After</u>	<u>Job Creation Grant</u>	<u>Special Revenue Totals</u>
<b>REVENUES</b>						
Taxes	\$ 320,882	\$ 111,092	\$ -	\$ -	\$ -	\$ 1,776,913
Special assessments	-	-	-	-	-	79,626
Licenses and permits	-	-	-	-	-	231,932
Intergovernmental	5,126	14,423	-	-	52,500	606,282
Charges for services	-	-	-	-	-	70,136
Fines and forfeitures	-	-	-	-	-	17,289
Interest on investments	112	2,327	1,679	1,259	-	9,791
Loan repayment	-	-	104,726	16,357	-	121,083
Other	-	-	-	-	-	162,867
Total revenues	<u>326,120</u>	<u>127,842</u>	<u>106,405</u>	<u>17,616</u>	<u>52,500</u>	<u>3,075,919</u>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	260,165
Public safety	273,974	30,000	-	-	-	1,543,180
Public works	-	-	-	-	-	25,139
Public welfare	-	-	-	-	-	12,335
Culture and recreation	-	-	-	-	-	434,863
Housing and community development	-	-	-	19,147	52,500	153,406
Other	-	-	-	-	-	-
Capital outlay	42,779	-	-	-	-	85,610
Debt service						
Principal	-	-	-	-	-	31,563
Interest and fiscal fees	-	-	-	-	-	12,757
Total expenditures	<u>316,753</u>	<u>30,000</u>	<u>-</u>	<u>19,147</u>	<u>52,500</u>	<u>2,559,018</u>
Revenues over (under) expenditures	<u>9,367</u>	<u>97,842</u>	<u>106,405</u>	<u>(1,531)</u>	<u>-</u>	<u>516,901</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	439,173
Transfers out	(42,851)	-	-	(944)	-	(187,012)
Total other financing sources and uses	<u>(42,851)</u>	<u>-</u>	<u>-</u>	<u>(944)</u>	<u>-</u>	<u>252,161</u>
Net change in fund balance	(33,484)	97,842	106,405	(2,475)	-	769,062
<b>FUND BALANCES,</b> beginning of year	<u>84,107</u>	<u>631,042</u>	<u>435,332</u>	<u>1,204,515</u>	<u>-</u>	<u>3,830,642</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 50,623</u>	<u>\$ 728,884</u>	<u>\$ 541,737</u>	<u>\$ 1,202,040</u>	<u>\$ -</u>	<u>\$ 4,599,704</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	45,896	-	-	-	628	46,524
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	170	1,011	-	-	1	1,182
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>46,066</u>	<u>1,011</u>	<u>-</u>	<u>-</u>	<u>629</u>	<u>47,706</u>
<b>EXPENDITURES</b>						
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	11,795	-	-	-	-	11,795
Total expenditures	<u>41,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,795</u>
Revenues over (under) expenditures	<u>4,271</u>	<u>1,011</u>	<u>-</u>	<u>-</u>	<u>629</u>	<u>5,911</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	4,271	1,011	-	-	629	5,911
<b>FUND BALANCES,</b> beginning 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>
<b>FUND BALANCES,</b> end of year	<u>\$ 41,491</u>	<u>\$ 290,557</u>	<u>\$ 8,525</u>	<u>\$ 30,823</u>	<u>\$ 1,304</u>	<u>\$ 372,700</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, 2016**

	<b>General Improvements</b>	<b>Library Improvements</b>	<b>Fire Dept Improvements</b>	<b>Capital Projects Totals</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,776,913
Special assessments	-	-	-	-	126,150
Licenses and permits	-	-	-	-	231,932
Intergovernmental	-	-	-	-	606,282
Charges for services	-	-	-	-	70,136
Fines and forfeitures	-	-	-	-	17,289
Interest on investments	386	12	73	471	11,444
Loan repayment	-	-	-	-	121,083
Other	-	-	-	-	162,867
Total revenues	<u>386</u>	<u>12</u>	<u>73</u>	<u>471</u>	<u>3,124,096</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	260,165
Public safety	-	-	-	-	1,543,180
Public works	-	-	-	-	25,139
Public welfare	-	-	-	-	12,335
Culture and recreation	-	-	-	-	434,863
Housing and community development	-	-	-	-	153,406
Other	-	-	-	-	-
Capital outlay	-	-	-	-	85,610
Debt service					
Principal	-	-	-	-	61,563
Interest and fiscal fees	-	-	-	-	24,552
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600,813</u>
Revenues over (under) expenditures	<u>386</u>	<u>12</u>	<u>73</u>	<u>471</u>	<u>523,283</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	439,173
Transfers out	-	-	-	-	(187,012)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,161</u>
Net change in fund balance	386	12	73	471	775,444
<b>FUND BALANCES, beginning of year</b>	<u>110,482</u>	<u>9,061</u>	<u>20,861</u>	<u>140,404</u>	<u>4,337,835</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 110,868</u>	<u>\$ 9,073</u>	<u>\$ 20,934</u>	<u>\$ 140,875</u>	<u>\$ 5,113,279</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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget</b> <b>Positive (Negative)</b>
Budgetary fund balance, July 1	\$ 640,817	\$ 640,817	\$ 640,817	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	337,600	337,600	327,449	(10,151)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	1,900	1,900	2,422	522
Bond proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Other	-	-	(26,361)	(26,361)
Amounts available for appropriation	<u>980,317</u>	<u>980,317</u>	<u>944,327</u>	<u>(35,990)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	290,605	295,605	295,345	260
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>290,605</u>	<u>295,605</u>	<u>295,345</u>	<u>260</u>
Budgetary fund balance, June 30	<u>\$ 689,712</u>	<u>\$ 684,712</u>	<u>\$ 648,982</u>	<u>\$ (35,730)</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, 2016**

**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	\$ 944,327
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.	(640,817)
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	\$ 303,510

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 295,345
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	\$ 295,345

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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ 43,917	43,600	(317)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	11	11	150	209	59
Loan repayment	-	-	-	-	-	-
Other	-	-	-	1,600	125,872	124,272
Total revenues	<u>43,917</u>	<u>43,611</u>	<u>(306)</u>	<u>1,750</u>	<u>126,081</u>	<u>124,331</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>97,420</u>	<u>89,920</u>	<u>7,500</u>	<u>1,850</u>	<u>92</u>	<u>1,758</u>
Revenues over (under) expenditures	<u>(53,503)</u>	<u>(46,309)</u>	<u>7,194</u>	<u>(100)</u>	<u>125,989</u>	<u>126,089</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	61,958	61,958	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>61,958</u>	<u>61,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>8,455</u>	15,649	<u>7,194</u>	<u>(100)</u>	125,989	<u>126,089</u>
<b>FUND BALANCE</b> beginning of year		<u>42,725</u>			<u>49,251</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 58,374</u>			<u>\$ 175,240</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ 173,840	175,790	1,950	\$ 98,083	166,194	68,111
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	250	250
Intergovernmental	155,535	155,535	-	-	12,630	12,630
Charges for services	8,800	10,210	1,410	49,000	59,926	10,926
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	350	489	139	550	1,014	464
Loan repayment	-	-	-	-	-	-
Other	26,700	35,429	8,729	-	-	-
Total revenues	<u>365,225</u>	<u>377,453</u>	<u>12,228</u>	<u>147,633</u>	<u>240,014</u>	<u>92,381</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>349,245</u>	<u>338,913</u>	<u>10,332</u>	<u>101,744</u>	<u>57,091</u>	<u>44,653</u>
Revenues over (under) expenditures	<u>15,980</u>	<u>38,540</u>	<u>22,560</u>	<u>45,889</u>	<u>182,923</u>	<u>137,034</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(57,007)	(57,007)	-	(22,441)	(22,441)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(57,007)</u>	<u>(57,007)</u>	<u>-</u>	<u>(22,441)</u>	<u>(22,441)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(41,027)</u>	<u>(18,467)</u>	<u>22,560</u>	<u>23,448</u>	<u>160,482</u>	<u>137,034</u>
<b>FUND BALANCE</b> beginning of year		<u>164,408</u>			<u>283,669</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 145,941</u>			<u>\$ 444,151</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, 2016**

	Permissive Medical Levy			PERS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 10,439	10,539	100	\$ 111,204	107,051	(4,153)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	8,047	228,731	220,684
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	50	70	20
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	10,439	10,539	100	119,301	335,852	216,551
<b>EXPENDITURES - BUDGET UNIT</b>	-	-	-	214,000	434,678	(220,678)
Revenues over (under) expenditures	10,439	10,539	100	(94,699)	(98,826)	(4,127)
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	117,721	114,380	(3,341)
Transfers out	(22,500)	(22,500)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	(22,500)	(22,500)	-	117,721	114,380	-
Revenues and other sources over (under) expenditures	(12,061)	(11,961)	100	23,022	15,554	(7,468)
<b>FUND BALANCE</b> beginning of year		13,183			76,835	
<b>FUND BALANCE</b> end of year		\$ 1,222			\$ 92,389	

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, 2016**

	Group Health			Drug Forfeiture		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 178,820	181,738	2,918	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	3,800	6,310	2,510
Interest on investments	300	599	299	50	29	(21)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	1,566	1,566
Total revenues	179,120	182,337	3,217	3,850	7,905	4,055
<b>EXPENDITURES - BUDGET UNIT</b>	329,000	328,962	38	16,359	6,074	10,285
Revenues over (under) expenditures	(149,880)	(146,625)	3,255	(12,509)	1,831	14,340
<b>OTHER FINANCING SOURCES</b>						
Transfers in	199,885	189,885	(10,000)	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	10,000	-	(10,000)
Total other financing sources	199,885	189,885	(10,000)	10,000	-	(10,000)
Revenues and other sources over (under) expenditures	50,005	43,260	(6,745)	(2,509)	1,831	4,340
<b>FUND BALANCE</b>						
beginning of year		267,984			18,477	
<b>FUND BALANCE</b>						
end of year		\$ 311,244			\$ 20,308	

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, 2016**

	<u>Building Code Enforcement</u>			<u>Lighting Districts</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	80,250	79,626	(624)
Licenses and permits	98,050	231,682	133,632	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	275	487	212	-	488	488
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>98,325</u>	<u>232,169</u>	<u>133,844</u>	<u>80,250</u>	<u>80,114</u>	<u>(136)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>120,203</u>	<u>120,179</u>	<u>24</u>	<u>76,500</u>	<u>76,190</u>	<u>310</u>
Revenues over (under) expenditures	<u>(21,878)</u>	<u>111,990</u>	<u>133,868</u>	<u>3,750</u>	<u>3,924</u>	<u>174</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(16,824)	(16,824)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(16,824)</u>	<u>(16,824)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(38,702)</u>	95,166	<u>133,868</u>	<u>3,750</u>	3,924	<u>174</u>
<b>FUND BALANCE</b> beginning of year		<u>94,208</u>			<u>142,452</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 189,374</u>			<u>\$ 146,376</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, 2016**

	<u>Municipal Services Levy</u>			<u>Victim's Advocate</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Taxes	\$ 355,905	341,811	(14,094)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	9,400	10,979	1,579
Interest on investments	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>355,905</u>	<u>341,811</u>	<u>(14,094)</u>	<u>9,400</u>	<u>10,979</u>	<u>1,579</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>308,016</u>	<u>297,589</u>	<u>10,427</u>	<u>12,100</u>	<u>10,979</u>	<u>1,121</u>
Revenues over (under) expenditures	<u>47,889</u>	<u>44,222</u>	<u>(3,667)</u>	<u>(2,700)</u>	<u>-</u>	<u>2,700</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(46,944)	(24,445)	22,499	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(46,944)</u>	<u>(24,445)</u>	<u>22,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>945</u>	<u>19,777</u>	<u>18,832</u>	<u>(2,700)</u>	<u>-</u>	<u>2,700</u>
<b>FUND BALANCE</b>						
beginning of year		<u>-</u>			<u>-</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 19,777</u>			<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, 2016**

	Police Training			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	126,634	126,634	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	75	47	(28)	75	249	174
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	75	47	(28)	126,709	126,883	174
<b>EXPENDITURES - BUDGET UNIT</b>	27,800	16,842	10,958	141,500	8,787	132,713
Revenues over (under) expenditures	(27,725)	(16,795)	10,930	(14,791)	118,096	132,887
<b>OTHER FINANCING SOURCES</b>						
Transfers in	10,000	10,000	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	10,000	10,000	-	-	-	-
Revenues and other sources over (under) expenditures	(17,725)	(6,795)	10,930	(14,791)	118,096	132,887
<b>FUND BALANCE</b> beginning of year		17,289			18,766	
<b>FUND BALANCE</b> end of year		\$ 10,494			\$ 136,862	

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, 2016**

	<b>Volunteer Fire</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes	\$ 323,893	318,216	(5,677)
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	7,860	7,860	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest on investments	200	229	29
Loan repayment	-	-	-
Other	-	-	-
Total revenues	<u>331,953</u>	<u>326,305</u>	<u>(5,648)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>341,273</u>	<u>338,224</u>	<u>3,049</u>
Revenues over (under) expenditures	<u>(9,320)</u>	<u>(11,919)</u>	<u>(2,599)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	17,950	17,950	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources	<u>17,950</u>	<u>17,950</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>8,630</u>	<u>6,031</u>	<u>(2,599)</u>
<b>FUND BALANCE</b> beginning of year		<u>141,416</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 147,447</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,843	2,843	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	493	493	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>3,336</u>	<u>3,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>100,000</u>	<u>16,098</u>	<u>83,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(12,762)</u>	<u>87,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	45,000	45,000	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(55,000)</u>	32,238	<u>87,238</u>	<u>-</u>	-	<u>-</u>
<b>FUND BALANCE</b> beginning of year		<u>144,979</u>			<u>4</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 177,217</u>			<u>\$ 4</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ 328,299	320,882	(7,417)	\$ 109,384	111,092	1,708
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	5,126	5,126	14,430	14,423	(7)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	150	112	(38)	1,675	2,327	652
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>328,449</u>	<u>326,120</u>	<u>(2,329)</u>	<u>125,489</u>	<u>127,842</u>	<u>2,353</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>323,689</u>	<u>316,753</u>	<u>6,936</u>	<u>36,000</u>	<u>30,000</u>	<u>6,000</u>
Revenues over (under) expenditures	<u>4,760</u>	<u>9,367</u>	<u>4,607</u>	<u>89,489</u>	<u>97,842</u>	<u>8,353</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(36,192)	(42,851)	(6,659)	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(36,192)</u>	<u>(42,851)</u>	<u>(6,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(31,432)</u>	<u>(33,484)</u>	<u>(2,052)</u>	<u>89,489</u>	<u>97,842</u>	<u>8,353</u>
<b>FUND BALANCE</b> beginning of year		<u>84,107</u>			<u>631,042</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 50,623</u>			<u>\$ 728,884</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, 2016**

	CDBG 1992 and Prior			CDBG 1993 and After		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	1,120	1,679	559	3,000	1,259	(1,741)
Loan repayment	120	104,726	104,606	-	16,357	16,357
Other	-	-	-	-	-	-
Total revenues	<u>1,240</u>	<u>106,405</u>	<u>105,165</u>	<u>3,000</u>	<u>17,616</u>	<u>14,616</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,205</u>	<u>19,147</u>	<u>1,058</u>
Revenues over (under) expenditures	<u>1,240</u>	<u>106,405</u>	<u>105,165</u>	<u>(17,205)</u>	<u>(1,531)</u>	<u>15,674</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(944)	(944)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(944)</u>	<u>(944)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>1,240</u>	<u>106,405</u>	<u>105,165</u>	<u>(18,149)</u>	<u>(2,475)</u>	<u>15,674</u>
<b>FUND BALANCE</b>						
beginning of year		<u>435,332</u>			<u>1,204,515</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 541,737</u>			<u>\$ 1,202,040</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, 2016**

	<u>Job Creation Grant</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>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ 1,733,784	1,776,913	43,129
Special assessments	-	-	-	80,250	79,626	(624)
Licenses and permits	-	-	-	98,050	231,932	133,882
Intergovernmental	90,000	52,500	(37,500)	402,506	606,282	203,776
Charges for services	-	-	-	57,800	70,136	12,336
Fines and forfeitures	-	-	-	13,200	17,289	4,089
Interest on investments	-	-	-	8,020	9,791	1,771
Loan repayment	-	-	-	120	121,083	120,963
Other	-	-	-	28,300	162,867	134,567
	<u>90,000</u>	<u>52,500</u>	<u>(37,500)</u>	<u>2,422,030</u>	<u>3,075,919</u>	<u>653,889</u>
Total revenues						
<b>EXPENDITURES - BUDGET UNIT</b>	<u>90,000</u>	<u>52,500</u>	<u>37,500</u>	<u>2,706,904</u>	<u>2,559,018</u>	<u>147,886</u>
Revenues over (under) expenditures	-	-	-	(284,874)	516,901	801,775
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	452,514	439,173	(13,341)
Transfers out	-	-	-	(202,852)	(187,012)	15,840
Sale of capital assets	-	-	-	10,000	-	(10,000)
Total other financing sources	-	-	-	259,662	252,161	(7,501)
Revenues and other sources over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,212)</u>	<u>769,062</u>	<u>794,274</u>
<b>FUND BALANCE</b> beginning of year		<u>-</u>			<u>3,830,642</u>	
<b>FUND BALANCE</b> end of year		<u>\$ -</u>			<u>\$ 4,599,704</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, 2016**

	<u>G.O. Bond - S.I.D. Library Expansion</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Taxes	\$ -	-	-
Special assessments	44,807	45,896	1,089
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	125	170	45
Other	-	-	-
	<u>44,932</u>	<u>46,066</u>	<u>1,134</u>
Total revenue			
<b>EXPENDITURES</b>			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	<u>13,150</u>	<u>11,795</u>	<u>1,355</u>
	<u>43,150</u>	<u>41,795</u>	<u>1,355</u>
Total expenditures			
Revenues over (under) expenditures	<u>1,782</u>	<u>4,271</u>	<u>2,489</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
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>1,782</u>	4,271	<u>2,489</u>
<b>FUND BALANCE</b> beginning of year		<u>37,220</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 41,491</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, 2016**

	<u>S.I.D. Revolving</u>			<u>S.I.D. 72</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	1,600	1,011	(589)	-	-	-
Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,600</u>	<u>1,011</u>	<u>(589)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>						
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>1,600</u>	<u>1,011</u>	<u>(589)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>1,600</u>	1,011	<u>(589)</u>	<u>-</u>	-	<u>-</u>
<b>FUND BALANCE</b>						
beginning of year		<u>289,546</u>			<u>8,525</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 290,557</u>			<u>\$ 8,525</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, 2016**

	S.I.D. 75			S.I.D. 76		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	628	628
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	-	-	-	1	1
Other	-	-	-	-	-	-
Total revenue	-	-	-	-	629	629
<b>EXPENDITURES</b>						
Current - General government	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	-	629	629
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	-	-	629	629
<b>FUND BALANCE</b>						
beginning of year		30,823			675	
<b>FUND BALANCE</b>						
end of year		\$ 30,823			\$ 1,304	

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, 2016**

	<u>Total Debt Service Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes	\$ -	-	-
Special assessments	44,807	46,524	1,717
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	1,725	1,182	(543)
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>46,532</u>	<u>47,706</u>	<u>1,174</u>
<b>EXPENDITURES</b>			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	13,150	11,795	1,355
	<u>43,150</u>	<u>41,795</u>	<u>1,355</u>
Total expenditures	<u>43,150</u>	<u>41,795</u>	<u>1,355</u>
Revenues over (under) expenditures	<u>3,382</u>	<u>5,911</u>	<u>2,529</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
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>3,382</u>	5,911	<u>2,529</u>
<b>FUND BALANCE</b> beginning of year		<u>366,789</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 372,700</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	200	386	186	-	12	12
Other	-	-	-	17,500	-	(17,500)
Total revenue	<u>200</u>	<u>386</u>	<u>186</u>	<u>17,500</u>	<u>12</u>	<u>(17,488)</u>
<b>EXPENDITURES</b>						
Current - General government	40,000	-	40,000	17,500	-	17,500
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
Revenues over (under) expenditures	<u>(39,800)</u>	<u>386</u>	<u>40,186</u>	<u>-</u>	<u>12</u>	<u>12</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>(39,800)</u>	<u>386</u>	<u>40,186</u>	<u>-</u>	<u>12</u>	<u>12</u>
<b>FUND BALANCE</b>						
beginning of year		<u>110,482</u>			<u>9,061</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 110,868</u>			<u>\$ 9,073</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, 2016**

	<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>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	73	73	200	471	271
Other	-	-	-	17,500	-	(17,500)
Total revenue	<u>-</u>	<u>73</u>	<u>73</u>	<u>17,700</u>	<u>471</u>	<u>(17,229)</u>
<b>EXPENDITURES</b>						
Current - General government	-	-	-	57,500	-	57,500
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,500</u>	<u>-</u>	<u>57,500</u>
Revenues over (under) expenditures	<u>-</u>	<u>73</u>	<u>73</u>	<u>(39,800)</u>	<u>471</u>	<u>40,271</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>73</u>	<u>73</u>	<u>(39,800)</u>	<u>471</u>	<u>40,271</u>
<b>FUND BALANCE</b>						
beginning of year		<u>20,861</u>			<u>140,404</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 20,934</u>			<u>\$ 140,875</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, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 6, 2017.

**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 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 as items 2016-C1 and 2016-C2.

## **City's Responses to Findings**

The City's responses 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  
February 6, 2017

**CITY OF BELGRADE MONTANA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

- 2016-C1**      Criteria: The State’s contributions on-behalf of City employees are made directly to PERS and MPORS. Under the provisions of GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, these are considered “on-behalf payments for fringe benefits” and should be recorded by the City as revenues and expenditures.
- Condition: The City did not record these on-behalf payments as revenues and expenditures.
- Effect: The City is out of compliance with GASB accounting standards.
- Cause: The City was unaware of this accounting treatment for on-behalf payments.
- Recommendation: The City should record the State’s contributions on-behalf of City employees as revenues and expenditures, in accordance with GASB Statement No. 24.
- Response: The City will record the proposed audit adjustment for the year ended June 30, 2016 and will record these on-behalf payments annually going forward.
- 
- 2016-C2**      Criteria: In accordance with MCA 7-6-4033, the City is limited to actual expenditures not to exceed budgeted appropriations per the original or amended budget. These appropriations may be amended through a public hearing.
- Condition: The PERS fund had expenditures in excess of appropriations of \$220,678, due to the adjustment to record on-behalf payments (Finding 2016-C1).
- Effect: The City is out of compliance with MCA 7-6-4033.
- Cause: The City was unaware of the accounting treatment for on-behalf payments so did not anticipate the need to budget for this revenue and expenditure.
- Recommendation: The City should make appropriate amendments to its budgeted expenditures as necessary.
- Response: The City was unaware of the accounting treatment for on-behalf payments, which resulted in the finding above and this finding. These payments will be budgeted for and recorded appropriately in future years.

**CITY OF BELGRADE MONTANA  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2016**

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, 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.

Status: The annual financial report was submitted to the Montana Department of Administration in accordance with the required timeframe. The City is no longer out of compliance with this MCA regulation.

**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.

Status: The City's audit will be completed and submitted to the Montana Department of Administration in accordance with the required timeframe. The City is no longer out of compliance with this MCA regulation.