

# City of Belgrade, Montana

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



AMATICS  
CPA GROUP

**CITY OF BELGRADE, MONTANA**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2017**

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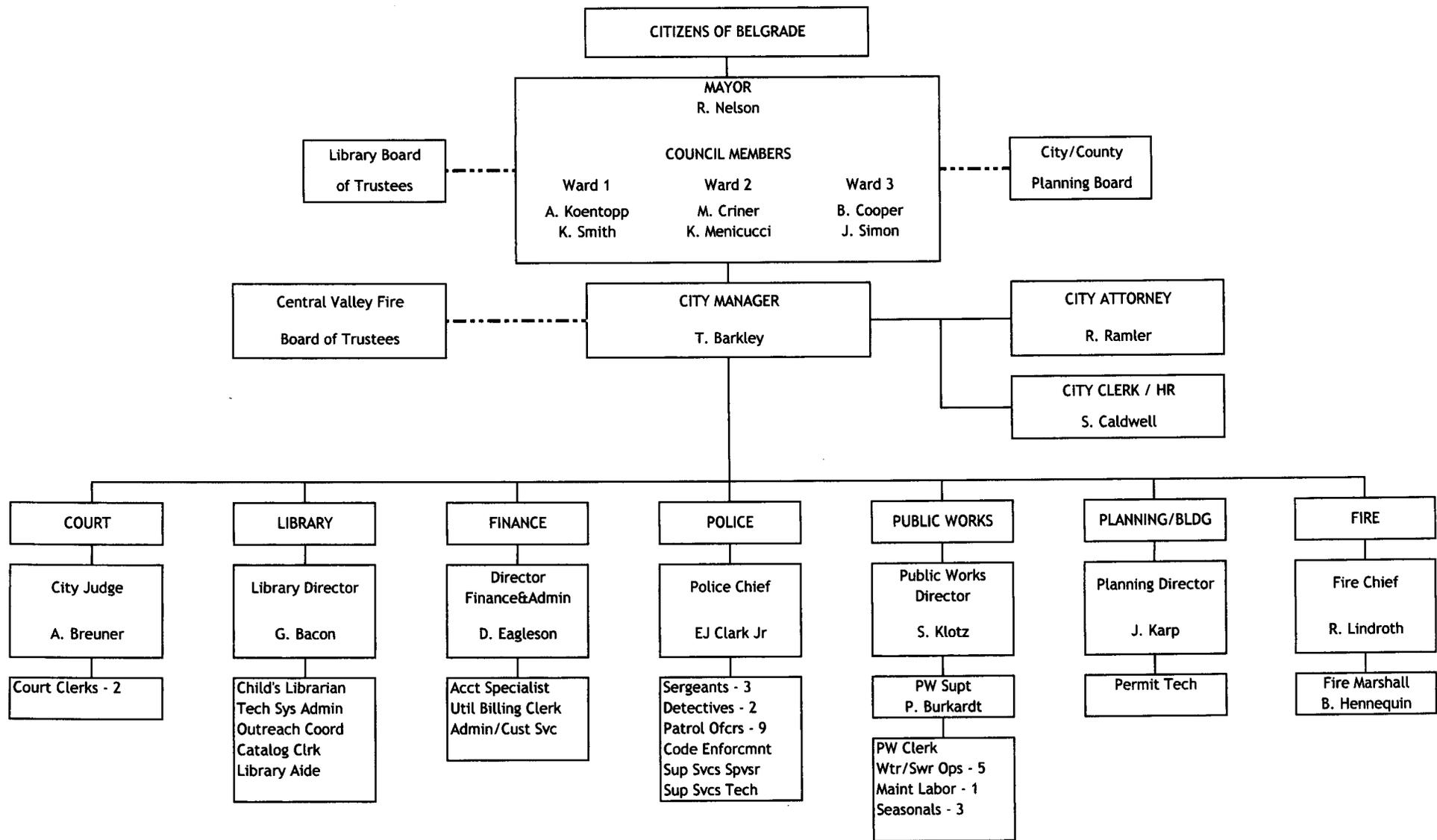
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**PART I**  
**INTRODUCTORY SECTION**



**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, 2017, 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, 2017, 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 5, 2018, 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 5, 2018

## **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, 2017. 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-5. 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.

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

**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.

*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.

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

**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 \$10,006,776. *Unrestricted* net position of the governmental activities – 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 totaled \$1,631,901 at the end of this year. The net position of our business-type activities totaled \$12,946,870 with the unrestricted net position totaling \$162,150. 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 (FY) 2016 and 2017 is shown below. In FY2016, general revenues were higher than the general revenues received in FY2015 but as seen in the chart below, the general revenues dropped in FY2017. General revenues were \$2,900,053 in FY2015, \$3,356,894 in FY2016 and decreased to \$3,533,243 in FY2017.

	<b>FY 2016</b>	<b>FY 2017</b>	<b>Change</b>	<b>% Change</b>
Total General Revenues	\$ 3,356,894	\$ 3,533,243	\$ 176,349	5.3%
Program Revenues				
Charges for Services	4,531,703	4,898,495	366,792	8.1%
Operating Grants & Contributions	597,090	1,026,422	429,332	71.9%
Capital Grants & Contributions	13,549	436,300	422,751	3120.2%
Total Program Revenues	5,142,342	6,361,217	1,218,875	23.7%
Total General & Program Revenues	8,499,236	9,894,460	1,395,224	16.4%
Cost of all Programs	7,500,925	8,939,967	1,439,042	19.2%
Change in Net Position	<u>\$ 998,311</u>	<u>\$ 954,493</u>	<u>\$ (43,818)</u>	<u>-4.4%</u>

Charges for services grew by \$366,792 from \$4,531,703 in FY 2016 to \$4,898,495 in FY2017. The increases in charge for services can largely be attributed to new construction in the City generating income from impact fees and building permits.

Operating grants and contributions increased from \$597,090 in FY2016 to \$1,026,422 in FY2017. Capital grants increased from \$13,549 in FY2016 to \$436,300 in FY2017.

Revenues exceeded the cost of programs in FY2016 by \$998,311 and in FY2017 by \$954,493. In FY 2014 the City increased rates for water by 15% and sewer by 25%. The impact of this change and the increase in the number of customers continues to be seen in the increase in charges for services.

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

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

The City issued 164 building permits in FY 2017 compared to 134 in 2016 and 75 in FY 2015. In FY 2017, this generated building permit fees of \$237,656 and impact fees of \$1,334,5834. Impact fees of \$579,002 were collected for governmental impacts, \$494,465 for water service impacts and \$261,116 for sewer service impacts.

Operating Grants and Contributions increased in FY2017 from \$597,090 to \$1,026,422. The Belgrade Police Department received Highway Safety Program grant funds to provide DUI and seat belt safety patrols in the amount of \$21,810. The City received a \$300 Arbor Day grant to celebrate Arbor Day and plant trees in local parks in FY 2015, 2016 and 2017. The Belgrade Library received contributions of \$6,114 in FY 2017 for normally received state grants. The Community Transportation Enhancement Program (CTEP) received \$213,124.

**Streets and Roads**

In Fiscal Year 2017, the City received \$134,452 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; in FY 2016 the fee was \$59 per lot and in FY 2017 the fee was \$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 will be budgeted for FY2019.

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 FY2016, governmental general and program revenues were \$5,747,739, an increase of 21.21% from FY 2015. In FY2017 they increased another 17.8% to \$6,768,305. Most of this increase in revenues can be attributed to the new Municipal Services levy that was passed in FY 2015.

The cost to programs in FY2017 increased by \$847,251 or 16.9%, the largest portion of which can be attributed to increased employer contributions to employee benefits. Growth within the City has made it necessary to hire additional employees in several departments. One of the departments directly impacted by the recent growth has been the Police Department so the City asked the voters to consider a 68 mill levy to retain the 3 sworn officers hired through the sunseting Public Safety Mill Levy and to hire an additional 3 officers. This was passed by voters in May of 2017. Departments maintain similar budgets year to year and costs are carefully monitored.

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

**Governmental Activities (Continued)**

	<b>FY 2016</b>	<b>FY 2017</b>	<b>Change</b>	<b>% Change</b>
Total General Revenues	\$ 3,553,742	\$ 3,683,764	\$ 130,022	3.7%
Program Revenues				
Charges for Services	1,596,907	1,630,543	33,636	2.1%
Operating Grants & Contributions	597,090	1,026,422	429,332	71.9%
Capital Grants & Contributions	-	427,576	427,576	N/A
Total Program Revenues	2,193,997	3,084,541	890,544	40.6%
Total General & Program Revenues	5,747,739	6,768,305	1,020,566	17.8%
Cost of all Programs	5,011,277	5,858,528	847,251	16.9%
Change in Net Position	<u>\$ 736,462</u>	<u>\$ 909,777</u>	<u>\$ 173,315</u>	<u>23.5%</u>

Intergovernmental Revenues - The Belgrade Police Department received several grants in FY 2017 from the Montana Department of Transportation totaling \$21,810 to support the highway safety programs. The library received \$144,671 from Gallatin County and \$4,634 from the State Aid per Capita Grant. Montana State Entitlement Share revenue to the City was \$793,183.

Unrestricted Interest on Investments - Interest rates on the City's repurchase agreement decreased from 0.3% during FY2016 to 0.15% in FY2017 with the merger of Valley Bank and First Interstate Bank.

Debt Service - expenditures for principal and interest were \$376,976 from governmental funds, of which \$242,673 was principal and \$134,303 was for interest and fees. In FY2014 the City took out a loan in the amount of \$304,008 to purchase a fire truck. It also took a draw of \$4,589 on the Intercap loan and used the funds to complete the repair of the library roof. In FY2014 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 from FY2017 are the debt service numbers for SID 78 which included \$113,520 for interest, \$180,000 for principal and a \$350 agent fee for a total of \$293,870 for FY 2017.

The cost of all *governmental activities* for Fiscal Year 2017 was \$5,858,528. 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 \$2,773,987, because some of the cost was paid by those who directly benefited from the programs (Charges for Services \$1,630,543) or by other governments and organizations that subsidized certain programs with grants and contributions (Operating Grants \$1,026,422 and Capital Grants \$427,576).

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

**Governmental Activities (Continued)**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Change</u>	<u>% Change</u>
Total Cost of Governmental Services	\$ 5,011,277	\$ 5,858,528	\$ 847,251	16.9%
Charges for Services	1,596,907	1,630,543	33,636	2.1%
Operating Grants	597,090	1,026,422	429,332	71.9%
Capital Grants and Contributions	-	427,576	427,576	N/A
Local Taxpayers Ultimately Funded	<u>\$ 2,817,280</u>	<u>\$ 2,773,987</u>	<u>\$ (43,293)</u>	<u>-1.5%</u>

**Business-type Activities**

Operating revenues of the City's business-type activities for Fiscal Year 2016 were \$2,934,797 compared to \$2,469,609 in FY 2015 and \$3,267,952 in FY2017. Operating and interest expenses increased from \$2,366,557 in FY2015 to \$2,489,650 in FY2016, to \$3,081,439 in 2017. 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 2016</u>	<u>FY 2017</u>	<u>Change</u>
Charges for Services			
Water	\$ 1,508,604	\$ 1,731,759	\$ 223,155
Sewer	1,426,193	1,536,193	110,000
Total Revenues	<u>2,934,797</u>	<u>3,267,952</u>	<u>333,155</u>
Expenses			
Water	1,318,487	1,573,027	254,540
Sewer	1,171,163	1,508,412	337,249
Total Expenses	<u>2,489,650</u>	<u>3,081,439</u>	<u>591,789</u>
Interest Income	9,080	17,307	8,227
Intergovernmental Revenues	13,549	8,724	(4,825)
Operating Transfers	(205,928)	(167,828)	38,100
	<u>(183,299)</u>	<u>(141,797)</u>	<u>41,502</u>
Change in Net Position	<u>\$ 261,848</u>	<u>\$ 44,716</u>	<u>\$ (217,132)</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 continue to increase due to the growth within the City. In FY2015 revenues were \$96,545, \$231,682 in FY2016 and \$268,011 in FY2017. The largest increase was seen in single family building permits. In FY2015 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** – FY2015 planning fees and permits were \$49,120. In FY2016 those fees rose to \$56,126 but they dropped to \$44,132 in FY2017 in part due to a reduction in commercial construction permits 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 FY2017 and are expected to be built out within the next couple years.
- **Impact Fee Fund** – In Fiscal Year 2017 the City saw a slight decrease in its impact fee revenues. In FY 2016 the City collected \$639,983 in impact fees compared to \$235,036 in FY2015, but collected only \$579,002 in FY2017. Most of the impact fee revenue in FY 2017 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. In FY2018 the City included in its budget monies to retain an independent consultant to study its impact fee schedules and to help it identify the best uses for the funds collected. Another goal is 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. Property taxes are the City's primary revenue source, followed by intergovernmental revenues, charges for service and special assessments. 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 long-range needs. After receiving input from various groups, the City's management, using conservative budget practices, develops realistic estimates of revenues and expenses for the for the coming fiscal year. Financial information from current and prior years is also 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's department heads work diligently 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 by the Government Finance Officers Association (GFOA). This policy also precludes relying on reserves for on-going operations so the City budgets in such a way as 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% in FY2016 after seeing increases in both FY2015 (1.84%) and FY2014 (3.45%). The mill value in FY2017 increased by 5.32% from FY2016.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

	<b>FY 2016</b>	<b>FY 2017</b>	<b>Change</b>
Other Assets	\$ 14,506,680	\$ 16,057,600	\$ 1,550,920
Capital Assets	17,643,582	17,047,638	(595,944)
<b>Total City Wide Assets</b>	<b>32,150,262</b>	<b>33,105,238</b>	<b>954,976</b>
<b>Deferred Outflows of Resources</b>	<b>308,371</b>	<b>605,236</b>	<b>296,865</b>
Liabilities	716,223	818,525	102,302
Long Term Liabilities	9,551,316	9,907,419	356,103
<b>Total Liabilities</b>	<b>10,267,539</b>	<b>10,725,944</b>	<b>458,405</b>
<b>Deferred Inflows of Resources</b>	<b>191,941</b>	<b>30,884</b>	<b>(161,057)</b>
Net Investment in Capital Assets	10,222,511	10,030,008	(192,503)
Restricted for general government	945,991	1,107,867	161,876
Restricted for public safety	976,656	1,041,456	64,800
Restricted for public works	1,882,056	3,127,761	1,245,705
Restricted for culture and recreation	176,117	176,855	738
Restricted for library capital purchases	6,540	30,260	23,720
Restricted for debt service	3,835,638	3,432,762	(402,876)
Restricted for impact fees	-	1,805,030	1,805,030
Restricted for replacement and depreciation	407,078	407,596	518
Unrestricted	3,546,566	1,794,051	(1,752,515)
<b>Total Net Position</b>	<b>\$ 21,999,153</b>	<b>\$ 22,953,646</b>	<b>\$ 954,493</b>

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

**CAPITAL ASSETS**

At the end of Fiscal Year 2017, the City had \$3,070,570 invested in capital assets in the governmental funds and \$13,977,068 in the water and sewer funds for a total of \$17,047,638. This was a decrease of \$595,945 from FY2016.

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.

Some of the major capital assets attained and capital projects completed using governmental funds in FY 2017 include:

Library/City Hall Parking Lot	\$ 105,772	2017 Ram 5500 Chassis	\$ 35,866
Court remodel	\$ 23,268	2016 Polaris ATV-4 Wheeler	\$ 18,575
Sidewalks II	\$ 344,308	72" D902 Kubota Mower	\$ 13,349
2017 Interceptor SUV-Police	\$ 45,288		

In the Water and Sewer Funds, some of the capital asset additions include:

2017 Ram 2500 Pickup	\$ 29,466	Yukon Sewer Extension Proj	\$ 53,341
2017 Ram 2500 Crew	\$ 29,466	Vac-Con Vacuum Truck Lease	\$ 394,733
Sewer Camera	\$ 34,893	Water Meters	\$ 159,003
2016 HUR SD400 Valve Exerciser	\$ 11,510		

**DEBT**

In FY2014 long-term debt increased due to the purchase of a Smeal Fire Truck for \$304,008 and an additional draw on the InterCap loan to repair and improve the library roof of \$4,589. No additional long-term debt was incurred in FY2017.

At year-end, the City had \$3,116,298 in governmental bonds and notes outstanding. This total is comprised of \$175,000 in a general obligation or GO debt incurred for library expansion, \$2,675,000 in a S.I.D for water and sewer infrastructure projects, a note payable for the fire truck of \$211,809 and a note payable for the library roof loan of \$54,589.

In FY2014 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 FY2017 the City owed \$2,276,000 in bonds for its water system and \$1,385,000 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 FY2016-2017 budget such as 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 was increased to \$71.00 for FY 2017. The increased fee will allow the City to better maintain the City's streets now and hopefully reduce the need for costly replacement 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 and \$359,366 in FY2017 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).

**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, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 7,028,881	\$ 787,806	\$ 7,816,687
Restricted cash and investments	2,092,601	2,708,884	4,801,485
Receivables, net	2,887,508	219,175	3,106,683
Notes receivable	324,371	-	324,371
Fiduciary fund receivable	8,374	-	8,374
Capital assets			
Nondepreciable land and construction in progress	329,446	81,405	410,851
Other capital assets, net of depreciation	2,741,124	13,895,663	16,636,787
Total capital assets	3,070,570	13,977,068	17,047,638
Total assets	15,412,305	17,692,933	33,105,238
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	417,708	187,528	605,236
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	8,785	84	8,869
Compensated absences payable	56,000	16,574	72,574
Current portion capital leases	-	75,513	75,513
Current portion long-term debt	253,569	408,000	661,569
Long-term liabilities			
Compensated absences	272,199	62,352	334,551
Capital leases	-	240,232	240,232
Other post-employment health benefits	426,737	140,900	567,637
Due in more than one year	2,862,829	3,253,000	6,115,829
Net pension liability	1,914,666	734,504	2,649,170
Total liabilities	5,794,785	4,931,159	10,725,944
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	28,452	2,432	30,884
<b>NET POSITION</b>			
Net investment in capital assets	(45,828)	10,075,836	10,030,008
Restricted for general government	1,107,867	-	1,107,867
Restricted for public safety	1,041,456	-	1,041,456
Restricted for public works	3,127,761	-	3,127,761
Restricted for culture and recreation	176,855	-	176,855
Restricted for library capital purchases	30,260	-	30,260
Restricted for debt service	2,936,504	496,258	3,432,762
Restricted for impact fees	-	1,805,030	1,805,030
Restricted for replacement and depreciation	-	407,596	407,596
Unrestricted	1,631,901	162,150	1,794,051
Total net position	\$ 10,006,776	\$ 12,946,870	\$ 22,953,646

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

**CITY OF BELGRADE, MONTANA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

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		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 901,815	\$ 137,390	\$ 1,761	\$ -	\$ (762,664)	\$ -	\$ (762,664)
Public safety	2,762,285	243,711	269,826	-	(2,248,748)	-	(2,248,748)
Public works	627,792	1,236,619	-	347,576	956,403	-	956,403
Public welfare	70,538	-	-	-	(70,538)	-	(70,538)
Culture and recreation	627,608	12,823	161,085	80,000	(373,700)	-	(373,700)
Housing and community development	639,449	-	593,750	-	(45,699)	-	(45,699)
Other	94,738	-	-	-	(94,738)	-	(94,738)
Interest and fiscal fees	134,303	-	-	-	(134,303)	-	(134,303)
Total governmental activities	<u>5,858,528</u>	<u>1,630,543</u>	<u>1,026,422</u>	<u>427,576</u>	<u>(2,773,987)</u>	<u>-</u>	<u>(2,773,987)</u>
Business-type activities:							
Water	1,573,027	1,731,759	-	4,362	-	163,094	163,094
Sewer	1,508,412	1,536,193	-	4,362	-	32,143	32,143
Total business-type activities	<u>3,081,439</u>	<u>3,267,952</u>	<u>-</u>	<u>8,724</u>	<u>-</u>	<u>195,237</u>	<u>195,237</u>
Total primary government	<u>\$ 8,939,967</u>	<u>\$ 4,898,495</u>	<u>\$ 1,026,422</u>	<u>\$ 436,300</u>	<u>(2,773,987)</u>	<u>195,237</u>	<u>(2,578,750)</u>
General revenues:							
Property taxes, levied for general purposes					2,633,919	-	2,633,919
Grants and contributions not restricted to specific programs					805,841	-	805,841
Gain on sale of capital assets					14,050	-	14,050
Unrestricted investment earnings					10,096	17,307	27,403
Miscellaneous					52,030	-	52,030
Transfers					167,828	(167,828)	-
Total general revenues					<u>3,683,764</u>	<u>(150,521)</u>	<u>3,533,243</u>
Change in net position					909,777	44,716	954,493
Net position-beginning					<u>9,096,999</u>	<u>12,902,154</u>	<u>21,999,153</u>
Net position-ending					<u>\$ 10,006,776</u>	<u>\$ 12,946,870</u>	<u>\$ 22,953,646</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, 2017**

	<u>General</u>	<u>Impact Fees</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	\$ 883,407	\$ 6,858	\$ 715,587	\$ 5,423,029	\$ 7,028,881
Receivables:					
Property taxes	10,102	-		44,047	54,149
Customers, net	33,705	-	-	-	33,705
Special assessments	-	-	2,554,690	7,015	2,561,705
Other governments	109,312	-	-	60,388	169,700
Due from other City funds	27,124	-	-	17,500	44,624
Notes receivable	-	-	-	324,371	324,371
Restricted cash and cash equivalents	110,568	1,876,852	-	105,181	2,092,601
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u>\$ 1,174,218</u>	<u>\$ 1,883,710</u>	<u>\$ 3,270,277</u>	<u>\$ 5,981,531</u>	<u>\$ 12,309,736</u>

(continued)

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

**CITY OF BELGRADE, MONTANA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>General</u>	<u>Impact Fees</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	\$ -	\$ -	\$ 850	\$ 7,690
Deposits payable	1,095	-	-	-	1,095
Advances	-	-	-	324,286	324,286
Due to other City funds	-	-	-	36,250	36,250
<b>Total liabilities</b>	<u>7,935</u>	<u>-</u>	<u>-</u>	<u>361,386</u>	<u>369,321</u>
<b>Deferred inflows of resources:</b>					
Deferred inflows - tax revenues	10,102	-	-	44,047	54,149
Deferred inflows - special assessments	-	-	2,554,690	7,219	2,561,909
Deferred inflows - court fines	33,705	-	-	-	33,705
<b>Total deferred inflows of resources</b>	<u>43,807</u>	<u>-</u>	<u>2,554,690</u>	<u>51,266</u>	<u>2,649,763</u>
<b>Fund balances:</b>					
Restricted	-	1,883,710	715,587	3,263,391	5,862,688
Committed	-	-	-	2,193,812	2,193,812
Assigned	354,364	-	-	111,676	466,040
Unassigned	768,112	-	-	-	768,112
<b>Total fund balances</b>	<u>1,122,476</u>	<u>1,883,710</u>	<u>715,587</u>	<u>5,568,879</u>	<u>9,290,652</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,174,218</u>	<u>\$ 1,883,710</u>	<u>\$ 3,270,277</u>	<u>\$ 5,981,531</u>	<u>\$ 12,309,736</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, 2017**

Fund balances - total governmental funds		\$ 9,290,652
<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	\$ 13,588,199	
Less: accumulated depreciation	<u>(10,517,629)</u>	3,070,570
<p>Advances and deferred inflows in the governmental funds are reported on the full accrual basis in the entity-wide statements.</p>		
		3,042,298
<p>Deferred outflows related to pensions are not receivable in the current period and therefore are not reported in the governmental funds.</p>		
		417,708
<p>Deferred inflows related to pensions are not payable in the current period and therefore are not reported in the governmental funds.</p>		
		(28,452)
<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	(3,116,398)	
Net pension liability	(1,914,666)	
Other post-employment health benefits	(426,737)	
Compensated absences	<u>(328,199)</u>	<u>(5,786,000)</u>
Net position of governmental activities		<u><u>\$ 10,006,776</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, 2017**

	<u>General</u>	<u>Impact Fees</u>	<u>SID 78 Sanitary Water and Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 818,288	\$ -	\$ -	\$ 1,817,189	\$ 2,635,477
Special assessments	-	-	359,737	328,995	688,732
Licenses and permits	131,468	-	-	268,361	399,829
Intergovernmental	793,643	-	-	1,386,196	2,179,839
Charges for services	5,922	579,002	-	71,255	656,179
Fines and forfeitures	152,892	-	-	17,116	170,008
Interest on investments	969	2,266	1,088	5,773	10,096
Loan repayment	-	-	-	110,790	110,790
Other	2,295	-	-	49,735	52,030
Total revenues	<u>1,905,477</u>	<u>581,268</u>	<u>360,825</u>	<u>4,055,410</u>	<u>6,902,980</u>
<b>EXPENDITURES</b>					
Current					
General government	498,867	-	-	296,532	795,399
Public safety	891,456	-	-	1,624,090	2,515,546
Public works	-	-	350	191,468	191,818
Public welfare	49,846	-	-	15,095	64,941
Culture and recreation	84,697	-	-	420,706	505,403
Housing and community developmen	31,500	-	-	620,695	652,195
Other	8,477	-	-	86,261	94,738
Capital outlay	19,543	-	-	543,844	563,387
Debt service					
Principal payments	-	-	180,000	62,673	242,673
Interest and fiscal fees	-	-	113,870	20,433	134,303
Total expenditures	<u>1,584,386</u>	<u>-</u>	<u>294,220</u>	<u>3,881,797</u>	<u>5,760,403</u>
Excess (deficiency) of revenues over expenditures	<u>321,091</u>	<u>581,268</u>	<u>66,605</u>	<u>173,613</u>	<u>1,142,577</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	40,000	-	-	391,091	431,091
Transfers out	(35,000)	-	-	(228,263)	(263,263)
Proceeds from sale of capital assets	14,050	-	-	-	14,050
Total other financing sources (uses)	<u>19,050</u>	<u>-</u>	<u>-</u>	<u>162,828</u>	<u>181,878</u>
Net change in fund balances	340,141	581,268	66,605	336,441	1,324,455
<b>FUND BALANCE - beginning of year</b>	<u>782,335</u>	<u>1,302,442</u>	<u>648,982</u>	<u>5,232,438</u>	<u>7,966,197</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 1,122,476</u>	<u>\$ 1,883,710</u>	<u>\$ 715,587</u>	<u>\$ 5,568,879</u>	<u>\$ 9,290,652</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, 2017**

Net change in fund balances - total governmental funds		\$ 1,324,455
<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	\$ 563,387	
Donated capital assets	80,000	
Less: current year depreciation	<u>(698,039)</u>	(54,652)
<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		242,673
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(157,804)
<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>		
		(396,553)
<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.	(41,404)	
CDBG loans	14,310	
Change in pension expense related to net pension liability	<u>(21,248)</u>	<u>(48,342)</u>
Change in net position of governmental activities		<u><u>\$ 909,777</u></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, 2017**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 463,771	\$ 324,035	\$ 787,806
Receivables			
Customers, net	101,783	117,392	219,175
	565,554	441,427	1,006,981
Total current assets			
Other assets			
Restricted cash and equivalents	1,633,851	1,075,033	2,708,884
Property, plant and equipment			
Nondepreciable:			
Land	600	-	600
Construction work in process	80,805	-	80,805
Depreciable:			
Buildings and structures	108,094	16,637	124,731
Improvements	630,191	12,616,165	13,246,356
Machinery and equipment	296,657	679,871	976,528
Water and tower lines	12,852,787	-	12,852,787
Accumulated depreciation and amortization	(6,966,954)	(6,337,785)	(13,304,739)
	7,002,180	6,974,888	13,977,068
Net property, plant and equipment			
	9,201,585	8,491,348	17,692,933
Total assets			
	93,764	93,764	187,528
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	93,764	93,764	187,528

(continued)

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

**CITY OF BELGRADE, MONTANA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<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>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 84	\$ -	\$ 84
Accrued employee benefits payable	8,287	8,287	16,574
Capital lease obligation	-	75,513	75,513
Bonds, notes, and loans payable	149,000	259,000	408,000
Total current liabilities	<u>157,371</u>	<u>342,800</u>	<u>500,171</u>
Noncurrent liabilities			
Revenue bonds due after one year	2,127,000	1,126,000	3,253,000
Other post-employment health benefits	70,542	70,358	140,900
Capital lease obligations	-	240,232	240,232
Net pension liability	367,252	367,252	734,504
Accrued employee benefits payable due after one year	31,176	31,176	62,352
Total noncurrent liabilities	<u>2,595,970</u>	<u>1,835,018</u>	<u>4,430,988</u>
Total liabilities	<u>2,753,341</u>	<u>2,177,818</u>	<u>4,931,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>1,216</u>	<u>1,216</u>	<u>2,432</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,726,180	5,349,656	10,075,836
Restricted for debt service	210,838	285,420	496,258
Restricted for impact fees	1,075,618	729,412	1,805,030
Restricted for replacement and depreciation	347,396	60,200	407,596
Unrestricted	180,760	(18,610)	162,150
Total net position	<u>\$ 6,540,792</u>	<u>\$ 6,406,078</u>	<u>\$ 12,946,870</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, 2017**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Totals</b></u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,719,394	\$ 1,529,383	\$ 3,248,777
Miscellaneous revenues	5,555	-	5,555
On-behalf pension revenues	6,810	6,810	13,620
Total operating revenues	<u>1,731,759</u>	<u>1,536,193</u>	<u>3,267,952</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	418,536	417,887	836,423
Supplies	35,288	35,081	70,369
Purchased services	373,030	439,173	812,203
Other expenses	14,549	4,403	18,952
Depreciation and amortization	665,796	574,457	1,240,253
Total operating expenses	<u>1,507,199</u>	<u>1,471,001</u>	<u>2,978,200</u>
Operating income	<u>224,560</u>	<u>65,192</u>	<u>289,752</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	15,139	2,168	17,307
Interest expense	(65,828)	(37,411)	(103,239)
Intergovernmental revenues	4,362	4,362	8,724
Total nonoperating revenues (expenses)	<u>(46,327)</u>	<u>(30,881)</u>	<u>(77,208)</u>
Income before contributions and transfers	<u>178,233</u>	<u>34,311</u>	<u>212,544</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Transfers out	<u>(83,914)</u>	<u>(83,914)</u>	<u>(167,828)</u>
<b>Change in net position</b>	94,319	(49,603)	44,716
<b>NET POSITION,</b>			
beginning of year	<u>6,446,473</u>	<u>6,455,681</u>	<u>12,902,154</u>
<b>NET POSITION,</b>			
end of year	<u>\$ 6,540,792</u>	<u>\$ 6,406,078</u>	<u>\$ 12,946,870</u>

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, 2017**

	<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	\$ 1,759,421	\$ 1,536,171	\$ 3,295,592
Receipts from others	6,810	6,810	13,620
Payments to suppliers	(422,784)	(478,657)	(901,441)
Payments to employees	(365,188)	(364,684)	(729,872)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>978,259</u>	<u>699,640</u>	<u>1,677,899</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers out	(83,914)	(83,914)	(167,828)
Receipts from grants	4,362	4,362	8,724
<b>Net Cash Flows Provided (Used) by Noncapital Financing Activities</b>	<u>(79,552)</u>	<u>(79,552)</u>	<u>(159,104)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Additions to property, plant and equipment	(190,157)	(114,071)	(304,228)
Principal paid on bonds, interfund loans, loans and leases	(146,000)	(333,988)	(479,988)
Interest paid on bonds, interfund loans, loans and leases	(65,828)	(37,411)	(103,239)
<b>Net Cash Flows Provided (Used) by Capital and Related Financing Activities</b>	<u>(401,985)</u>	<u>(485,470)</u>	<u>(887,455)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	15,139	2,168	17,307
<b>Net Cash Flows Provided (Used) by Investing Activities</b>	<u>15,139</u>	<u>2,168</u>	<u>17,307</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	511,861	136,786	648,647
Cash and Cash Equivalents at Beginning of Year	<u>1,585,761</u>	<u>1,262,282</u>	<u>2,848,043</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,097,622</u>	<u>\$ 1,399,068</u>	<u>\$ 3,496,690</u>
<b>Classified As:</b>			
Current Assets	\$ 463,771	\$ 324,035	\$ 787,806
Restricted Assets	<u>1,633,851</u>	<u>1,075,033</u>	<u>2,708,884</u>
<b>Totals</b>	<u>\$ 2,097,622</u>	<u>\$ 1,399,068</u>	<u>\$ 3,496,690</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, 2017**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating income</b>	\$ 224,560	65,192	\$ 289,752
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>			
Depreciation and amortization	665,796	574,457	1,240,253
<b>Change in Assets and Liabilities:</b>			
(Increase) Decrease in:			
Accounts receivable	34,556	6,790	41,346
Deferred outflows of resources	(51,224)	(51,215)	(102,439)
Increase (Decrease) in:			
Accounts payable	-	-	-
Other post-employment benefits	26,650	26,601	53,251
Net pension liability	97,020	96,935	193,955
Deferred inflows of resources	(22,736)	(22,757)	(45,493)
Accrued employee benefits	3,637	3,637	7,274
Total adjustments	753,699	634,448	1,388,147
Net cash provided by operating activities	\$ 978,259	699,640	\$ 1,677,899

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, 2017**

	<b>Fire Department Relief</b>	<b>City Court Restitution</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,804	\$ 27,558	\$ 36,362
Investments	151,616	-	151,616
Total assets	<u>\$ 160,420</u>	<u>\$ 27,558</u>	<u>\$ 187,978</u>
<b>LIABILITIES</b>			
Due to other City funds	\$ -	\$ 8,374	\$ 8,374
Due to others	160,420	19,184	179,604
Total liabilities	<u>\$ 160,420</u>	<u>\$ 27,558</u>	<u>\$ 187,978</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, 2017**

**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, 2017, the City implemented the following GASB Statements that had no impact on the City's financial statements: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*.

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, 2017, and for the year then ended.

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

**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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**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.

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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**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.

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.

**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. 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, 2017**

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

**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.

**Restricted Cash**

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

**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.

**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.

**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, 2017**

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

**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.

**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.

**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, 2017**

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

**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, 2017**

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

**Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position**

GASB Statement No. 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 Statement No. 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 Statement No. 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.

**Pension Plans**

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 \$12,806,150 and the balance per the bank was \$13,231,589. 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	\$ 7,028,881	\$ 2,092,601	\$ 9,121,482
Business-type activities	787,806	2,708,884	3,496,690
Fiduciary funds	187,978	-	187,978
	<u>\$ 8,004,665</u>	<u>\$ 4,801,485</u>	<u>\$ 12,806,150</u>

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 mutual funds. 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, 2017**

**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	\$ 74,023
Demand deposits	N/A	FDIC	N/A	12,731,942
Petty cash	N/A	N/A	N/A	185
				<u>\$ 12,806,150</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, 2017, were within legal limits. The tax levies were based upon a taxable valuation of \$10,130,632.

**CITY OF BELGRADE, MONTANA**  
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**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, 2017:

**Special Revenue Notes Receivable:**

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)	110,976
4% note receivable from Stealth Products, Inc. dated November 22, 2013, due in monthly installments of \$3,446 to December 1, 2020. (a)	124,603
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)	78,441
	\$ 324,371

(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, 2017.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, depreciation expense on capital assets was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 73,474
Public Safety	105,250
Public Works	431,970
Culture and Recreation	87,345
<b>Total depreciation expense - governmental activities</b>	<u><u>\$ 698,039</u></u>
 <b>Business-type Activities:</b>	
Water	\$ 665,796
Sewer	574,457
<b>Total depreciation expense - business-type activities</b>	<u><u>\$ 1,240,253</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, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassifications</b>	<b>June 30, 2017</b>
<b>Governmental Activities:</b>					
Non-depreciable					
Land	\$ 329,446	\$ -	\$ -	\$ -	\$ 329,446
Construction in progress	52,176	-	-	(52,176)	-
Depreciable					
Buildings and structures	2,875,278	23,268	-	-	2,898,546
Improvements	1,105,017	493,588	-	52,176	1,650,781
Machinery and equipment	2,280,109	126,531	(132,048)	-	2,274,592
Infrastructure	<u>6,434,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,434,834</u>
Total	13,076,860	643,387	(132,048)	-	13,588,199
Accumulated depreciation	<u>(9,951,638)</u>	<u>(698,039)</u>	<u>132,048</u>	<u>-</u>	<u>(10,517,629)</u>
Total governmental activities	<u><u>\$ 3,125,222</u></u>	<u><u>\$ (54,652)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,070,570</u></u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**6. CAPITAL ASSETS (Continued)**

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	<u>June 30, 2017</u>
<b>Business-type Activities:</b>					
Non-depreciable					
Land	\$ 600	\$ -	\$ -	\$ -	\$ 600
Construction in progress	-	80,805	-	-	80,805
Depreciable					
Buildings and structures	124,731	-	-	-	124,731
Improvements	13,193,015	53,341	-	-	13,246,356
Machinery and equipment	489,912	486,616	-	-	976,528
Water tower and lines	<u>12,774,589</u>	<u>78,198</u>	<u>-</u>	<u>-</u>	<u>12,852,787</u>
Total	26,582,847	698,960	-	-	27,281,807
Accumulated depreciation	<u>(12,064,486)</u>	<u>(1,240,253)</u>	<u>-</u>	<u>-</u>	<u>(13,304,739)</u>
Total business-type activities	<u>\$ 14,518,361</u>	<u>\$ (541,293)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,977,068</u>
Total capital assets	<u>\$ 17,643,583</u>	<u>\$ (595,945)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,047,638</u>
<b>Accumulated Depreciation:</b>					
Governmental Activities:					
Buildings and structures	\$ (2,178,343)	\$ (135,825)	\$ -	\$ -	\$ (2,314,168)
Improvements	(589,822)	(104,701)	-	-	(694,523)
Machinery and equipment	(1,764,741)	(106,811)	132,048	-	(1,739,504)
Infrastructure	<u>(5,418,732)</u>	<u>(350,702)</u>	<u>-</u>	<u>-</u>	<u>(5,769,434)</u>
Total governmental activities	<u>\$ (9,951,638)</u>	<u>\$ (698,039)</u>	<u>\$ 132,048</u>	<u>\$ -</u>	<u>\$ (10,517,629)</u>
Business-type Activities:					
Buildings	\$ (118,495)	\$ (6,232)	\$ -	\$ -	\$ (124,727)
Improvements	(636,974)	(29,357)	-	-	(666,331)
Machinery and equipment	(467,111)	(79,049)	-	-	(546,160)
Water tower and lines	<u>(10,841,906)</u>	<u>(1,125,615)</u>	<u>-</u>	<u>-</u>	<u>(11,967,521)</u>
Total business-type activities	<u>\$ (12,064,486)</u>	<u>\$ (1,240,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,304,739)</u>
Total accumulated depreciation	<u>\$ (22,016,124)</u>	<u>\$ (1,938,292)</u>	<u>\$ 132,048</u>	<u>\$ -</u>	<u>\$ (23,822,368)</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 \$272,199 for governmental activities and \$62,352 for business-type activities at June 30, 2017, 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, 2017, were \$328,199 for governmental activities and \$78,926 for business-type activities.

	<u>Balance June 30, 2016</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2017</u>
Compensated absences				
Governmental Activities	\$ 286,795	\$ 97,404	\$ (56,000)	\$ 328,199
Business-type Activities	<u>71,652</u>	<u>23,274</u>	<u>(16,000)</u>	<u>78,926</u>
Total compensated absences	<u>\$ 358,447</u>	<u>\$ 120,678</u>	<u>\$ (72,000)</u>	<u>\$ 407,125</u>

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Compensated absences			
Governmental Activities	\$ 56,000	\$ 272,199	\$ 328,199
Business-type Activities	<u>16,574</u>	<u>62,352</u>	<u>78,926</u>
Total compensated absences	<u>\$ 72,574</u>	<u>\$ 334,551</u>	<u>\$ 407,125</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, 2017:

	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance June 30, 2017</u>
General obligation bonds	\$ 205,000	\$ -	\$ (30,000)	\$ 175,000
Special assessment debt	2,855,000	-	(180,000)	2,675,000
Notes payable	<u>299,071</u>	<u>-</u>	<u>(32,673)</u>	<u>266,398</u>
Totals	<u>\$ 3,359,071</u>	<u>\$ -</u>	<u>\$ (242,673)</u>	<u>\$ 3,116,398</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$ 145,000	\$ 175,000
Special assessment debt	190,000	2,485,000	2,675,000
Notes payable	33,569	232,829	266,398
	\$ 253,569	\$ 2,862,829	\$ 3,116,398

**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%	\$ <u>175,000</u>	\$ <u>30,000</u>

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,			
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	40,000	2,000	42,000
	\$ 175,000	\$ 27,120	\$ 202,120

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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.

	<u>Issue Date</u>	<u>Term</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Annual Payment</u>	<u>Amount Outstanding</u>
SID #78	04/08	20 yrs	\$ 4,000,000	2.2 - 4.25%	Variable	<u>\$ 2,675,000</u>
		<b>Balance</b>				<b>Balance</b>
		<b>June 30, 2016</b>	<b>Issuances</b>	<b>Repayments</b>		<b>June 30, 2017</b>
SID #78		<u>\$ 2,855,000</u>	<u>\$ -</u>	<u>\$ (180,000)</u>		<u>\$ 2,675,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year ending June 30,</b>			
2018	\$ 190,000	\$ 113,870	\$ 303,870
2019	200,000	107,390	307,390
2020	210,000	100,360	310,360
2021	220,000	92,760	312,760
2022	230,000	84,676	314,676
2023-2027	1,320,000	251,282	1,571,282
2028	305,000	38,104	343,104
	<u>\$ 2,675,000</u>	<u>\$ 788,442</u>	<u>\$ 3,463,442</u>

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**  
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**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	\$ 4,359	\$ 50,230	\$ 54,589
First Interstate Bank note payable - fire truck	29,210	182,599	211,809
	<b>\$ 33,569</b>	<b>\$ 232,829</b>	<b>\$ 266,398</b>

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

<b>Year ending June 30,</b>	<b>Principal</b>
2018	\$ 33,569
2019	34,773
2020	36,010
2021	37,323
2022	38,671
2023-2027	77,594
2028-2029	8,458
	<b>\$ 266,398</b>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2017 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	\$ 206,000
WRF-11236	January 2011	20 yrs	161,300	2.25%	variable	107,000
WRF-11221	July 2010	20 yrs	2,718,000	3.75%	variable	1,963,000
						<u>\$ 2,276,000</u>

	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance June 30, 2017</u>
Water System ARRA B	\$ 222,000	\$ -	\$ (16,000)	\$ 206,000
WRF-11236	115,000	-	(8,000)	107,000
WRF-11221	2,085,000	-	(122,000)	1,963,000
	<u>\$ 2,422,000</u>	<u>\$ -</u>	<u>\$ (146,000)</u>	<u>\$ 2,276,000</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>
2018	\$ 149,000	\$ 61,838	\$ 210,838
2019	153,000	57,759	210,759
2020	157,000	53,558	210,558
2021	161,000	49,238	210,238
2022	167,000	44,788	211,788
2023-2027	915,000	148,863	1,063,863
2028-2030	574,000	28,475	602,475
	<u>\$ 2,276,000</u>	<u>\$ 444,518</u>	<u>\$ 2,720,518</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 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>
Sewer System 2001	April 2001	20 yrs	\$ 1,058,000	2.00%	variable	\$ 240,000
Wasterwater Treatment 2003	April 2003	20 yrs	1,940,000	2.00%	variable	672,000
Wastewater 2003B	August 2003	20 yrs	1,512,000	2.00%	variable	473,000
						<u>\$ 1,385,000</u>

	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance June 30, 2017</u>
Sewer System 2001	\$ 306,000	\$ -	\$ (66,000)	\$ 240,000
Wasterwater Treatment 2003	787,000	-	(115,000)	672,000
Wastewater 2003	547,000	-	(74,000)	473,000
	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ (255,000)</u>	<u>\$ 1,385,000</u>

Waste 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>
2018	\$ 259,000	\$ 26,421	\$ 285,421
2019	263,000	21,211	284,211
2020	269,000	15,922	284,922
2021	239,000	10,510	249,510
2022	208,000	6,070	214,070
2023	147,000	1,891	148,891
	<u>\$ 1,385,000</u>	<u>\$ 82,025</u>	<u>\$ 1,467,025</u>

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**  
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**9. CAPITAL LEASES**

In September 2016, the City entered into a capital lease agreement for a vacuum truck. The lease term is five years, payable in five consecutive annual installments of \$84,869, including interest. The total amount capitalized of \$394,733 represents the present value of the future lease payments. The lease payable is reported in the sewer fund.

The gross amount of assets recorded under capital lease and the accumulated depreciation is as follows:

	<b>Sewer Fund</b>
Machinery and equipment	\$ 394,733
Less: accumulated depreciation	(61,427)
	\$ 333,306

The following is a summary of the capital lease activity during the fiscal year:

	<b>Balance June 30, 2016</b>	<b>Issuances</b>	<b>Repayments</b>	<b>Balance June 30, 2017</b>
Vacuum truck capital lease	\$ -	\$ 394,733	\$ (78,988)	\$ 315,745

Future minimum lease payments for the capital lease are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Year ending June 30,</b>			
2018	\$ 75,513	\$ 9,356	\$ 84,869
2019	77,751	7,118	84,869
2020	80,054	4,814	84,868
2021	82,427	2,442	84,869
	\$ 315,745	\$ 23,730	\$ 339,475

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**10. 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. Per MCA 19-18-503, the City is required to soundly fund the plan, meaning (a) assets in the fund are maintained at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater; or (b) funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. The City obtained an actuarial valuation for the disability and pension fund and found the fund to be soundly funded.

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.

**11. 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, 2017, 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, 2017.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**11. 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)	\$ 169,968
Interest on net OPEB obligation	806
Adjustment to annual required contribution (amortization)	40,282
Annual OPEB cost (expense)	211,056
Contributions made	-
Increase in net OPEB obligation	211,056
Net OPEB obligation - beginning of year	356,581
Net OPEB obligation - end of year	\$ 567,637

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, 2017 and the two preceding fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2015	\$ 122,974	0.00%	\$ 208,917
June 30, 2016	\$ 147,664	0.00%	\$ 356,581
June 30, 2017	\$ 211,056	0.00%	\$ 567,637

*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%
2. Investment Rate of Return: 2.0%
3. Premium increases: 6.0% for 2018, 6.1% for 2019 and 2020, 6.2% for 2021 and 2022, 6.1% for 2023, and 6.2% for 2024 and later, from the Centers for Medicare and Medicaid Services as published in National Health Care Expenditures Projections 2011-2021.
4. Average salary increase: 2.5%
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, 2017**

**11. 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, 2017 year end OPEB obligation is reported in the City's funds as follows:

<b>Functions/Programs</b>	<b>FY 2017 Expense</b>	<b>Net OPEB Obligation at Year End</b>
Primary Government:		
Governmental activities:		
General government	\$ 23,072	\$ 61,359
Public safety	104,219	283,832
Public works	3,464	8,450
Public welfare	3,269	11,092
Culture and recreation	22,478	58,222
Housing and community development	1,302	3,782
Total governmental activities	157,804	426,737
Business-type activities:		
Water	26,650	70,542
Sewer	26,602	70,358
Total business-type activities	53,252	140,900
Total primary government	\$ 211,056	\$ 567,637

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**12. 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.

**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, 2017, is as follows:

	<b>Due From</b>	<b>Due To</b>
General Fund	\$ 27,124	\$ -
Special Revenue Funds		
City Library	17,500	-
Capital Project Funds		
Library Improvements	-	17,500
Habitat for Humanity Grant	-	18,750
Trust and Agency Funds		
Court Restitution	-	8,374
	\$ 44,624	\$ 44,624

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**14. 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.

**15. 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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**16. 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.

**17. 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.

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

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 participation in the PERS Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. The following information for reporting as of June 30, 2017, is based on a June 30, 2016 measurement date.

Pension Amount Totals

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2016, was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

*Special Funding:* The state of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as special funding. Those employers who received special funding are counties; cities & towns; school districts & high schools; and other governmental agencies.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

*Not Special Funding:* Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2017 and 2016, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$1,696,811 and the employer’s proportionate share was 0.0996 percent.

	<b>Net Pension Liability as of 6/30/2017</b>	<b>Net Pension Liability as of 6/30/2016</b>	<b>Percent of Collective NPL as of 6/30/2017</b>	<b>Percent of Collective NPL as of 6/30/2015</b>	<b>Change in Percent of Collective NPL</b>
Employer Proportionate Share	\$ 1,696,811	\$ 1,272,555	0.099600%	0.091035%	0.008565%
State of Montana Proportionate Share associated with Employer	20,733	15,631	0.001200%	0.001118%	0.000082%
Total	<u>\$ 1,717,544</u>	<u>\$ 1,288,186</u>	<u>0.100800%</u>	<u>0.092153%</u>	<u>0.008647%</u>

*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:* Between the measurement date of the collective NPL and the employer’s reporting date there were no changes in proportion that would have an effect on the employer’s proportionate share of the collective NPL since the previous measurement date.

Pension Expense

	<b>Pension Expense as of 6/30/2017</b>	<b>Pension Expense as of 6/30/2016</b>
Employer Proportionate Share of PERS	\$ 180,081	\$ 112,805
State of Montana Proportionate Share associated with Employer	1,737	971
State of Montana Coal Tax for employer	29,729	30,540
Total	<u>\$ 211,547</u>	<u>\$ 144,316</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

At June 30, 2017, the employer recognized \$180,081 for its proportionate share of the Plan’s pension expense and recognized grant revenue of \$1,737 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$29,729 from the Coal Severance Tax fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of PERS’ deferred outflows of resources and deferred inflows of resources from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual vs. Expected Experience	\$ 9,155	\$ 5,617
Projected vs. Actual Investment Earnings	159,636	-
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	156,797	-
Employer Contributions Subsequent to the Measurement Date	107,628	-
<b>Total</b>	<b>\$ 433,216</b>	<b>\$ 5,617</b>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Recognition of Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in employer’s 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>
2018	\$ 7,729
2019	7,729
2020	90,715
2021	57,001
2022	-
Thereafter	-
	\$ 163,174

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, 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 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, 2017**

**18. RETIREMENT 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*

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;

*Compensation Cap*

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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

*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.

Overview of Contributions

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

<b>Fiscal Year</b>	<b>Member</b>		<b>State &amp; University</b>	<b>Local Governments</b>		<b>School Districts</b>	
	<b>Hired &lt; 7/1/11</b>	<b>Hired &gt; 7/1/11</b>	<b>Employer</b>	<b>Employer</b>	<b>State</b>	<b>Employer</b>	<b>State</b>
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
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, 2017**

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

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 below 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 Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR as 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 Severance Tax Fund.

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the City are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during the years ended June 30, 2015, 2016, and 2017 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, 2017 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>
2017	\$ 1,460,969	\$ 115,416	\$ 122,282	\$ 1,461
2016	\$ 1,336,695	\$ 105,599	\$ 110,545	\$ 1,337
2015	\$ 1,266,768	\$ 100,075	\$ 103,495	\$ 1,267

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, 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.

- 3.0% 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.
- 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 would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.1% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. 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. A municipal bond rate was not incorporated in the discount rate.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total			4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate 7.75%</u>	<u>1.0% Increase (8.75%)</u>
Net Pension Liability	\$ 4,262,198	\$ 1,696,811	\$ 1,037,505

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Defined Contribution Plan

The City contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS 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.

Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer’s contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2016, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 289 employers that have participants in the PERS-DCRP totaled \$382,656.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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 participation in MPORS (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. The following information for reporting as of June 30, 2017, is based on a June 30, 2016 measurement date.

Pension Amount Totals

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2016, was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

*Special Funding*

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan 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 collective NPL that is associated with the non-state employer.

The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2017 and 2016, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$952,359 and the employer’s proportionate share was 0.5290 percent.

	<b>Net Pension Liability as of 6/30/2017</b>	<b>Net Pension Liability as of 6/30/2016</b>	<b>Percent of Collective NPL as of 6/30/2017</b>	<b>Percent of Collective NPL as of 6/30/2016</b>	<b>Change in Percent of Collective NPL</b>
Employer Proportionate Share	\$ 952,359	\$ 851,420	0.529000%	0.514700%	0.014300%
State of Montana Proportionate Share associated with Employer	1,890,473	1,725,058	1.050200%	1.042830%	0.007370%
Total	<u>\$ 2,842,832</u>	<u>\$ 2,576,478</u>	<u>1.579200%</u>	<u>1.557530%</u>	<u>0.021670%</u>

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**19. PENSION PLANS – MUNICIPAL POLICE OFFICERS’ RETIREMENT SYSTEM (MPORS) (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 were changes in benefit terms since the previous measurement date.

*Changes in proportionate share:* Between the measurement date of the collective NPL and the employer’s reporting date there were no changes in proportion that would have an effect on the employer’s proportionate share of the collective NPL since the previous measurement date.

Pension Expense

	<b>Pension Expense as of 6/30/2017</b>	<b>Pension Expense as of 6/30/2016</b>
Employer Proportionate Share of MPORS	\$ 97,347	\$ 74,122
State of Montana Proportionate Share associated with Employer	202,572	175,443
Total	\$ 299,919	\$ 249,565

At June 30, 2017, the employer recognized its proportionate share of the Plan’s pension expense of \$97,347. The employer also recognized grant revenue of \$202,572 for the support provided by the state of Montana for the proportionate share of the pension expense that is associated with the employer.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of the Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual vs. Expected Experience	\$ -	\$ 19,402
Projected vs. Actual Investment Earnings	61,753	-
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	5,864
Employer Contributions Subsequent to the Measurement Date	110,266	-
Total	\$ 172,019	\$ 25,266

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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>
2018	\$ (1,946)
2019	(1,946)
2020	26,234
2021	20,009
2022	-
Thereafter	-
	\$ 42,351

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 established in 1974 and governed by Title 19, chapters 2 & 9, 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 only participate in the DROP 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 date as 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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

*Minimum benefit adjustment (non-GABA)*

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

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

Overview of Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates. Member and employer 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>		
2000-2017	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, 2015, 2016, and 2017 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, 2017 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>
2017	\$ 765,209	\$ 68,869	\$ 110,266	\$ 224,742
2016	\$ 746,842	\$ 67,216	\$ 107,620	\$ 219,347
2015	\$ 712,354	\$ 64,112	\$ 102,650	\$ 209,218

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, 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.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

- 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 would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total			<u>4.37%</u>
Inflation			<u>3.00%</u>
Portfolio Return Expectation			<u><u>7.37%</u></u>

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate 7.75%</u>	<u>1.0% Increase (8.75%)</u>
Employer's Net Pension Liability	<u>\$ 1,282,300</u>	<u>\$ 952,359</u>	<u>\$ 592,450</u>

**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 10.

Flanagan and Morrow v. City of Belgrade

The City of Belgrade was 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 filed a motion to dismiss the claims on the basis of preclusion, res judicata and collateral estoppel. In January 2018, the Judge dismissed a the lawsuit against the City.

**CITY OF BELGRADE, MONTANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**21. 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>S.I.D. 78</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted</b>					
General government	\$ -	\$ -	\$ -	\$ 1,107,867	\$ 1,107,867
Public safety	-	-	-	1,041,456	1,041,456
Public works	-	1,883,710	715,587	528,464	3,127,761
Culture and recreation	-	-	-	207,115	207,115
Debt service	-	-	-	378,489	378,489
Total restricted	<u>-</u>	<u>1,883,710</u>	<u>715,587</u>	<u>3,263,391</u>	<u>5,862,688</u>
<b>Committed</b>					
General government	-	-	-	219,477	219,477
Public safety	-	-	-	4	4
Public works	-	-	-	-	-
Culture and recreation	-	-	-	142,866	142,866
Housing and community dev	-	-	-	1,831,465	1,831,465
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,193,812</u>	<u>2,193,812</u>
<b>Assigned</b>					
Public safety	354,364	-	-	-	354,364
Capital projects	-	-	-	100,291	100,291
Employee leave	-	-	-	11,385	11,385
Total assigned	<u>354,364</u>	<u>-</u>	<u>-</u>	<u>111,676</u>	<u>466,040</u>
<b>Unassigned</b>					
	<u>768,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,112</u>
Total fund balances	<u>\$ 1,122,476</u>	<u>\$ 1,883,710</u>	<u>\$ 715,587</u>	<u>\$ 5,568,879</u>	<u>\$ 9,290,652</u>

**22. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 5, 2018, 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, 2017**

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, 2017, 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	6/30/2015	\$ 122,974	0.00%	\$ 208,917
	6/30/2016	\$ 147,664	0.00%	\$ 356,581
	6/30/2017	\$ 211,056	0.00%	\$ 567,637

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 1,298,423
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 1,298,423</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 2,024,962
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	64.1%

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%
	7/1/2016	\$ -	\$ 1,298,423	\$ 1,298,423	0.0%	\$ 2,024,962	64.1%

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

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportionate share of the net pension liability	\$ 1,696,811	\$ 1,272,555	\$ 1,044,914	\$ 1,344,643
Employer's proportionate share of the net pension liability associated with the employer	0.099600%	0.091035%	0.083861%	0.223150%
State of MT proportionate share of the net pension liability associated with the employer	\$ 20,733	\$ 15,631	\$ 12,760	\$ 16,420
Total	\$ 1,717,544	\$ 1,288,186	\$ 1,057,674	\$ 1,361,063
Employer's covered-employee payroll	\$ 1,193,230	\$ 1,062,399	\$ 962,499	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	142.200%	119.780%	110.072%	Not available
Plan fiduciary net position the total pension liability	74.710%	78.400%	79.900%	Not available

<b>SCHEDULE OF CONTRIBUTIONS</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 107,628	\$ 103,008	\$ 103,495	\$ 83,929
Contributions in relation to the contractually required contributions	\$ 107,628	\$ 103,008	\$ 103,495	\$ 83,929
Contribution deficiency (excess)	-	-	-	-
Employer's covered-employee payroll	\$ 1,285,872	\$ 1,193,230	\$ 1,266,768	\$ 949,302
Contributions of covered-employee payroll	8.370%	8.633%	8.170%	8.841%

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

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportionate share of the net pension liability	\$ 952,359	\$ 851,420	\$ 852,415	\$ 971,206
Employer's proportionate share of the net pension liability associated with the employer	0.529000%	0.514700%	0.542470%	0.460223%
State of MT proportionate share of the net pension liability associated with the employer	\$ 1,890,473	\$ 1,725,058	\$ 1,721,979	\$ 1,961,952
Total	\$ 2,842,832	\$ 2,576,478	\$ 2,574,394	\$ 2,933,158
Employer's covered-employee payroll	\$ 746,842	\$ 712,354	\$ 727,852	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	127.520%	119.522%	117.114%	Not available
Plan fiduciary net position the total pension liability	65.620%	66.900%	67.000%	Not available

<b>SCHEDULE OF CONTRIBUTIONS</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 110,266	\$ 109,536	\$ 103,263	\$ 105,827
Contributions in relation to the contractually required contributions	\$ 110,266	\$ 109,536	\$ 103,263	\$ 105,827
Contribution deficiency (excess)	-	-	-	-
Employer's covered-employee payroll	\$ 765,209	\$ 746,842	\$ 712,354	\$ 727,852
Contributions of covered-employee payroll	14.410%	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, 2017**

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

**2013 Legislative Changes:**

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.
- 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.

**CITY OF BELGRADE, MONTANA**  
**NOTE A TO RSI (Continued)**  
**Notes to Required Supplementary Information - Public Employees' Retirement System (PERS)**  
**Year Ended June 30, 2017**

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

**Changes in Actuarial Assumptions and Methods**

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

The following addition was adopted in 2014 based upon implementation of GASB Statement 68:

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

There were no changes following the 2013 Economic Experience Study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75%, net of pension plan investment expense, and including
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, 2017**

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

**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

**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%
-------------------------------	-------

There were no changes following the 2013 Economic Experience study.

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	7.75%, net of pension plan investment expense, and
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, 2017**

	<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	\$ 782,335	\$ 782,335	\$ 782,335	\$ -
Resources (inflows):				
Taxes	659,873	659,873	818,288	158,415
Special assessments	-	-	-	-
Licenses and permits	121,300	121,300	131,468	10,168
Intergovernmental	780,483	780,483	793,643	13,160
Charges for services	5,750	5,750	5,922	172
Fines and forfeitures	132,025	132,025	152,892	20,867
Sale of capital assets	-	-	14,050	14,050
Interest on investments	1,250	1,250	969	(281)
Transfers from other funds	40,000	40,000	40,000	-
Other	10,375	10,375	2,295	(8,080)
	<u>2,533,391</u>	<u>2,533,391</u>	<u>2,741,862</u>	<u>208,471</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	529,638	529,638	498,867	30,771
Public safety	985,927	985,927	891,456	94,471
Public works	-	-	-	-
Public welfare	56,069	56,069	49,846	6,223
Culture and recreation	118,287	118,287	84,697	33,590
Housing and community development	38,000	38,000	31,500	6,500
Other	19,150	19,150	8,477	10,673
Capital outlay	54,500	54,500	19,543	34,957
Debt service	-	-	-	-
Transfers to other funds	35,000	35,000	35,000	-
	<u>1,836,571</u>	<u>1,836,571</u>	<u>1,619,386</u>	<u>217,185</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 696,820</u>	<u>\$ 696,820</u>	<u>\$ 1,122,476</u>	<u>\$ 425,656</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE - IMPACT FEES**  
**Year Ended June 30, 2017**

	<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	\$ 1,302,442	\$ 1,302,442	\$ 1,302,442	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	500,000	500,000	579,002	79,002
Fines and forfeitures	-	-	-	-
Sale of capital assets	-	-	-	-
Interest on investments	2,500	2,500	2,266	(234)
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>1,804,942</u>	<u>1,804,942</u>	<u>1,883,710</u>	<u>78,768</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>\$ 1,754,942</u>	<u>\$ 1,754,942</u>	<u>\$ 1,883,710</u>	<u>\$ 128,768</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, 2017**

	<b>General Fund</b>	<b>Impact Fees</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,741,862	\$ 1,883,710
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.	(782,335)	(1,302,442)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	(40,000)	-
The proceeds from the sale of assets are budgetary resources but are regarded as a <i>special item</i> , rather than revenue, for financial reporting purposes.	(14,050)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,905,477	\$ 581,268
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,619,386	\$ -
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	(35,000)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,584,386	\$ -

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, 2017**

	<b>Special Revenue Funds</b>					
	<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>ASSETS</b>						
Cash and cash equivalents	\$ 113,690	\$ 175,501	\$ 156,251	\$ 419,048	\$ 417	\$ 105,787
Receivables						
Property taxes	1,058	-	4,216	3,611	391	2,565
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other governments	-	-	-	5,500	-	-
Due from other City funds	-	-	17,500	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	11,385	67,113	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 114,748</u>	<u>\$ 175,501</u>	<u>\$ 189,352</u>	<u>\$ 495,272</u>	<u>\$ 808</u>	<u>\$ 108,352</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 625	\$ 225	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>625</u>	<u>225</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	1,058	-	4,216	3,611	391	2,565
Deferred inflows of special assessments	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>1,058</u>	<u>-</u>	<u>4,216</u>	<u>3,611</u>	<u>391</u>	<u>2,565</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	175,501	30,260	491,436	417	-
Committed	113,690	-	142,866	-	-	105,787
Assigned	-	-	11,385	-	-	-
Unassigned	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>113,690</u>	<u>175,501</u>	<u>184,511</u>	<u>491,436</u>	<u>417</u>	<u>105,787</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 114,748</u>	<u>\$ 175,501</u>	<u>\$ 189,352</u>	<u>\$ 495,272</u>	<u>\$ 808</u>	<u>\$ 108,352</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<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	\$ 301,570	\$ 24,704	\$ 303,973	\$ 177,440	\$ 17,959	\$ -
Receivables						
Property taxes	4,191	-	-	-	8,605	-
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	906	-	-
Other governments	-	585	-	-	12,586	-
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>\$ 305,761</u>	<u>\$ 25,289</u>	<u>\$ 314,444</u>	<u>\$ 178,346</u>	<u>\$ 39,150</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	4,191	-	-	-	8,605	-
Deferred inflows of special assessments	-	-	-	906	-	-
	<u>4,191</u>	<u>-</u>	<u>-</u>	<u>906</u>	<u>8,605</u>	<u>-</u>
Total deferred inflows of resources	<u>4,191</u>	<u>-</u>	<u>-</u>	<u>906</u>	<u>8,605</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	301,570	25,289	314,444	177,440	30,545	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>301,570</u>	<u>25,289</u>	<u>314,444</u>	<u>177,440</u>	<u>30,545</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 305,761</u>	<u>\$ 25,289</u>	<u>\$ 314,444</u>	<u>\$ 178,346</u>	<u>\$ 39,150</u>	<u>\$ -</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>Special Revenue Funds</u>					
	<u>Police Training</u>	<u>Gas Tax</u>	<u>Street Maintenance</u>	<u>Volunteer Fire</u>	<u>CTEP</u>	<u>DUI Task Force</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 19,763	\$ 144,260	\$ 125,357	\$ 124,236	\$ 81,407	\$ 4
Receivables						
Property taxes	-	-	-	2,635	-	-
Customers, net	-	-	-	-	-	-
Special assessments	-	-	4,067	-	-	-
Other governments	-	-	-	11,397	-	-
Due from other City funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 19,763</u>	<u>\$ 144,260</u>	<u>\$ 129,424</u>	<u>\$ 138,268</u>	<u>\$ 81,407</u>	<u>\$ 4</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	-	-	-	2,635	-	-
Deferred inflows of special assessments	-	-	4,067	-	-	-
	<u>-</u>	<u>-</u>	<u>4,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4,067</u>	<u>2,635</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	19,763	144,260	125,357	135,633	81,407	-
Committed	-	-	-	-	-	4
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>19,763</u>	<u>144,260</u>	<u>125,357</u>	<u>135,633</u>	<u>81,407</u>	<u>4</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,763</u>	<u>\$ 144,260</u>	<u>\$ 129,424</u>	<u>\$ 138,268</u>	<u>\$ 81,407</u>	<u>\$ 4</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

**Special Revenue Funds**

	<b>Public Safety Mill</b>	<b>VFD Relief Association</b>	<b>CDBG 1992 and Prior</b>	<b>CDBG 1993 and After</b>	<b>Job Creation Grant</b>	<b>HOME Grant</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,340	\$ 806,670	\$ 638,729	\$ 1,176,439	\$ -	\$ -	\$ 4,926,545
Receivables							-
Property taxes	7,907	7,789	-	-	-	-	42,968
Customers, net	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	4,973
Other governments	11,570	-	-	-	-	-	41,638
Due from other City funds	-	-	-	-	-	-	17,500
Notes receivable	-	-	203,043	121,328	-	-	324,371
Restricted cash and cash equivalents	-	-	-	16,212	-	-	105,181
	<u>\$ 32,817</u>	<u>\$ 814,459</u>	<u>\$ 841,772</u>	<u>\$ 1,313,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,463,176</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850
Advances	-	-	202,958	121,328	-	-	324,286
Due to other City funds	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>202,958</u>	<u>121,328</u>	<u>-</u>	<u>-</u>	<u>325,136</u>
Deferred inflows of resources:							
Deferred inflows of tax revenues	7,907	7,789	-	-	-	-	42,968
Deferred inflows of special assessments	-	-	-	-	-	-	4,973
	<u>7,907</u>	<u>7,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,941</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	24,910	806,670	-	-	-	-	2,884,902
Committed	-	-	638,814	1,192,651	-	-	2,193,812
Assigned	-	-	-	-	-	-	11,385
Unassigned	-	-	-	-	-	-	-
	<u>24,910</u>	<u>806,670</u>	<u>638,814</u>	<u>1,192,651</u>	<u>-</u>	<u>-</u>	<u>5,090,099</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,817</u>	<u>\$ 814,459</u>	<u>\$ 841,772</u>	<u>\$ 1,313,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,463,176</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

<b>Debt Service Funds</b>						
	<b>G.O. Bonds</b>	<b>S.I.D.</b>				
	<b>Library Expansion</b>	<b>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	\$ 47,048	\$ 290,991	\$ 8,525	\$ 30,823	\$ 1,306	\$ 378,693
Receivables						
Property taxes	1,079	-	-	-	-	1,079
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	2,246	(204)	2,042
Other governments	-	-	-	-	-	-
Due from other City funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
	<u>48,127</u>	<u>290,991</u>	<u>8,525</u>	<u>33,069</u>	<u>1,102</u>	<u>381,814</u>
Total assets	<u>\$ 48,127</u>	<u>\$ 290,991</u>	<u>\$ 8,525</u>	<u>\$ 33,069</u>	<u>\$ 1,102</u>	<u>\$ 381,814</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	-	-	-	-	-	-
Due to other City funds	-	-	-	-	-	-
	<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	1,079	-	-	-	-	1,079
Deferred inflows of special assessments	-	-	-	2,246	-	2,246
	<u>1,079</u>	<u>-</u>	<u>-</u>	<u>2,246</u>	<u>-</u>	<u>3,325</u>
Total deferred inflows of resources	<u>1,079</u>	<u>-</u>	<u>-</u>	<u>2,246</u>	<u>-</u>	<u>3,325</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	47,048	290,991	8,525	30,823	1,102	378,489
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>47,048</u>	<u>290,991</u>	<u>8,525</u>	<u>30,823</u>	<u>1,102</u>	<u>378,489</u>
Total fund balances	<u>47,048</u>	<u>290,991</u>	<u>8,525</u>	<u>30,823</u>	<u>1,102</u>	<u>378,489</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,127</u>	<u>\$ 290,991</u>	<u>\$ 8,525</u>	<u>\$ 33,069</u>	<u>\$ 1,102</u>	<u>\$ 381,814</u>

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>Capital Project Funds</u>				<b>Total Nonmajor Governmental Funds</b>	
	<b>General Improvements</b>	<b>Library Improvements</b>	<b>Fire Department Improvements</b>	<b>Habitat for Humanity Grant</b>		<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 87,747	\$ 9,079	\$ 20,965	\$ -	\$ 117,791	\$ 5,423,029
Receivables						
Property taxes	-	-	-	-	-	44,047
Customers, net	-	-	-	-	-	-
Special assessments	-	-	-	-	-	7,015
Other governments	-	-	-	18,750	18,750	60,388
Due from other City funds	-	-	-	-	-	17,500
Notes receivable	-	-	-	-	-	324,371
Restricted cash and cash equivalents	-	-	-	-	-	105,181
	<u>\$ 87,747</u>	<u>\$ 9,079</u>	<u>\$ 20,965</u>	<u>\$ 18,750</u>	<u>\$ 136,541</u>	<u>\$ 5,981,531</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850
Advances	-	-	-	-	-	324,286
Due to other City funds	-	17,500	-	18,750	36,250	36,250
	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>18,750</u>	<u>36,250</u>	<u>361,386</u>
Total liabilities	-	17,500	-	18,750	36,250	361,386
Deferred inflows of resources:						
Deferred inflows of tax revenues	-	-	-	-	-	44,047
Deferred inflows of special assessments	-	-	-	-	-	7,219
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,266</u>
Total deferred inflows of resources	-	-	-	-	-	51,266
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	3,263,391
Committed	-	-	-	-	-	2,193,812
Assigned	87,747	(8,421)	20,965	-	100,291	111,676
Unassigned	-	-	-	-	-	-
	<u>87,747</u>	<u>(8,421)</u>	<u>20,965</u>	<u>-</u>	<u>100,291</u>	<u>5,568,879</u>
Total fund balances	87,747	(8,421)	20,965	-	100,291	5,568,879
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 87,747</u>	<u>\$ 9,079</u>	<u>\$ 20,965</u>	<u>\$ 18,750</u>	<u>\$ 136,541</u>	<u>\$ 5,981,531</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, 2017**

	<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>REVENUES</b>						
Taxes	\$ 44,935	\$ -	\$ 179,014	\$ 114,167	\$ 15,695	\$ 109,637
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	350	-	-
Intergovernmental	-	-	173,958	13,009	-	234,629
Charges for services	-	-	12,823	58,432	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	61	261	229	599	-	71
Loan repayment	-	-	-	-	-	-
Other	-	-	49,735	-	-	-
Total revenues	<u>44,996</u>	<u>261</u>	<u>415,759</u>	<u>186,557</u>	<u>15,695</u>	<u>344,337</u>
<b>EXPENDITURES</b>						
Current						
General government	59,319	-	-	119,836	-	54,185
Public safety	-	-	-	-	-	331,479
Public works	-	-	-	-	-	8,196
Public welfare	-	-	-	-	-	7,741
Culture and recreation	-	-	309,363	-	-	50,541
Housing and community development	-	-	-	-	-	3,187
Other	-	-	2,429	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	4,608	-	-	-
Interest and fiscal fees	-	-	899	-	-	-
Total expenditures	<u>59,319</u>	<u>-</u>	<u>317,299</u>	<u>119,836</u>	<u>-</u>	<u>455,329</u>
Revenues over (under) expenditures	<u>(14,323)</u>	<u>261</u>	<u>98,460</u>	<u>66,721</u>	<u>15,695</u>	<u>(110,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	69,639	-	-	-	-	124,390
Transfers out	-	-	(59,890)	(19,436)	(16,500)	-
Total other financing sources and uses	<u>69,639</u>	<u>-</u>	<u>(59,890)</u>	<u>(19,436)</u>	<u>(16,500)</u>	<u>124,390</u>
Net change in fund balance	55,316	261	38,570	47,285	(805)	13,398
<b>FUND BALANCES,</b> beginning 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>
<b>FUND BALANCES,</b> end of year	<u>\$ 113,690</u>	<u>\$ 175,501</u>	<u>\$ 184,511</u>	<u>\$ 491,436</u>	<u>\$ 417</u>	<u>\$ 105,787</u>

(continued)

**CITY OF BELGRADE, MONTANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)**  
**Year Ended June 30, 2017**

	<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	\$ 178,862	\$ -	\$ -	\$ -	\$ 359,887	\$ -
Special assessments	-	-	-	114,668	-	-
Licenses and permits	-	-	268,011	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	6,456	-	-	-	10,660
Interest on investments	369	30	342	228	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>179,231</u>	<u>6,486</u>	<u>268,353</u>	<u>114,896</u>	<u>359,887</u>	<u>10,660</u>
<b>EXPENDITURES</b>						
Current						
General government	52,532	-	-	-	-	10,660
Public safety	231,135	1,505	123,846	-	289,295	-
Public works	7,705	-	-	-	-	-
Public welfare	7,354	-	-	-	-	-
Culture and recreation	48,678	-	-	-	12,124	-
Housing and community development	2,802	-	-	-	-	-
Other	-	-	-	83,832	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>350,206</u>	<u>1,505</u>	<u>123,846</u>	<u>83,832</u>	<u>301,419</u>	<u>10,660</u>
Revenues over (under) expenditures	<u>(170,975)</u>	<u>4,981</u>	<u>144,507</u>	<u>31,064</u>	<u>58,468</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	161,301	-	-	-	-	-
Transfers out	-	-	(19,437)	-	(47,700)	-
Total other financing sources and uses	<u>161,301</u>	<u>-</u>	<u>(19,437)</u>	<u>-</u>	<u>(47,700)</u>	<u>-</u>
Net change in fund balances	(9,674)	4,981	125,070	31,064	10,768	-
<b>FUND BALANCES,</b>						
beginning of year	<u>311,244</u>	<u>20,308</u>	<u>189,374</u>	<u>146,376</u>	<u>19,777</u>	<u>-</u>
<b>FUND BALANCES,</b>						
end of year	<u>\$ 301,570</u>	<u>\$ 25,289</u>	<u>\$ 314,444</u>	<u>\$ 177,440</u>	<u>\$ 30,545</u>	<u>\$ -</u>

(continued)

**CITY OF BELGRADE, MONTANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)**  
**Year Ended June 30, 2017**

	<u>Police Training</u>	<u>Gas Tax</u>	<u>Street Maintenance</u>	<u>Volunteer Fire</u>	<u>CTEP</u>	<u>DUI Task Force</u>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 326,090	\$ -	\$ -
Special assessments	-	-	214,529	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	134,452	-	8,192	213,124	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	15	287	197	142	152	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>15</u>	<u>134,739</u>	<u>214,726</u>	<u>334,424</u>	<u>213,276</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	-
Public safety	6,246	-	-	329,315	-	-
Public works	-	4,475	171,092	-	-	-
Public welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	122,866	25,836	-	309,086	-
Debt service						
Principal	-	-	-	28,065	-	-
Interest and fiscal fees	-	-	-	9,119	-	-
Total expenditures	<u>6,246</u>	<u>127,341</u>	<u>196,928</u>	<u>366,499</u>	<u>309,086</u>	<u>-</u>
Revenues over (under) expenditures	<u>(6,231)</u>	<u>7,398</u>	<u>17,798</u>	<u>(32,075)</u>	<u>(95,810)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	15,500	-	-	20,261	-	-
Transfers out	-	-	(11,600)	-	-	-
Total other financing sources and uses	<u>15,500</u>	<u>-</u>	<u>(11,600)</u>	<u>20,261</u>	<u>-</u>	<u>-</u>
Net change in fund balance	9,269	7,398	6,198	(11,814)	(95,810)	-
<b>FUND BALANCES,</b> beginning of year	<u>10,494</u>	<u>136,862</u>	<u>119,159</u>	<u>147,447</u>	<u>177,217</u>	<u>4</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 19,763</u>	<u>\$ 144,260</u>	<u>\$ 125,357</u>	<u>\$ 135,633</u>	<u>\$ 81,407</u>	<u>\$ 4</u>

(continued)

**CITY OF BELGRADE, MONTANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (CONTINUED)**  
**Year Ended June 30, 2017**

	<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>HOME Grant</u>	<u>Special Revenue Totals</u>
<b>REVENUES</b>							
Taxes	\$ 331,023	\$ 111,985	\$ -	\$ -	\$ -	\$ -	\$ 1,771,295
Special assessments	-	-	-	-	-	-	329,197
Licenses and permits	-	-	-	-	-	-	268,361
Intergovernmental	-	15,082	-	-	75,000	500,000	1,367,446
Charges for services	-	-	-	-	-	-	71,255
Fines and forfeitures	-	-	-	-	-	-	17,116
Interest on investments	21	1,119	954	-	-	-	5,077
Loan repayment	-	-	96,123	14,667	-	-	110,790
Other	-	-	-	-	-	-	49,735
Total revenues	<u>331,044</u>	<u>128,186</u>	<u>97,077</u>	<u>14,667</u>	<u>75,000</u>	<u>500,000</u>	<u>3,990,272</u>
<b>EXPENDITURES</b>							
Current							
General government	-	-	-	-	-	-	296,532
Public safety	260,869	50,400	-	-	-	-	1,624,090
Public works	-	-	-	-	-	-	191,468
Public welfare	-	-	-	-	-	-	15,095
Culture and recreation	-	-	-	-	-	-	420,706
Housing and community developmen	-	-	-	20,956	75,000	500,000	601,945
Other	-	-	-	-	-	-	86,261
Capital outlay	45,288	-	-	-	-	-	503,076
Debt service							
Principal	-	-	-	-	-	-	32,673
Interest and fiscal fees	-	-	-	-	-	-	10,018
Total expenditures	<u>306,157</u>	<u>50,400</u>	<u>-</u>	<u>20,956</u>	<u>75,000</u>	<u>500,000</u>	<u>3,781,864</u>
Revenues over (under) expenditures	<u>24,887</u>	<u>77,786</u>	<u>97,077</u>	<u>(6,289)</u>	<u>-</u>	<u>-</u>	<u>208,408</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	391,091
Transfers out	<u>(50,600)</u>	<u>-</u>	<u>-</u>	<u>(3,100)</u>	<u>-</u>	<u>-</u>	<u>(228,263)</u>
Total other financing sources and uses	<u>(50,600)</u>	<u>-</u>	<u>-</u>	<u>(3,100)</u>	<u>-</u>	<u>-</u>	<u>162,828</u>
Net change in fund balance	(25,713)	77,786	97,077	(9,389)	-	-	371,236
<b>FUND BALANCES,</b> beginning of year	<u>50,623</u>	<u>728,884</u>	<u>541,737</u>	<u>1,202,040</u>	<u>-</u>	<u>-</u>	<u>4,718,863</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 24,910</u>	<u>\$ 806,670</u>	<u>\$ 638,814</u>	<u>\$ 1,192,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,090,099</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, 2017**

	<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	\$ 45,894	\$ -	\$ -	\$ -	\$ -	\$ 45,894
Special assessments	-	-	-	-	(202)	(202)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	78	434	-	-	-	512
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>45,972</u>	<u>434</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>46,204</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	10,415	-	-	-	-	10,415
Total expenditures	<u>40,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,415</u>
Revenues over (under) expenditures	<u>5,557</u>	<u>434</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>5,789</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	5,557	434	-	-	(202)	5,789
<b>FUND BALANCES,</b>						
beginning 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>
<b>FUND BALANCES,</b>						
end of year	<u>\$ 47,048</u>	<u>\$ 290,991</u>	<u>\$ 8,525</u>	<u>\$ 30,823</u>	<u>\$ 1,102</u>	<u>\$ 378,489</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, 2017**

	<b>General Improvements</b>	<b>Library Improvements</b>	<b>Fire Dept Improvements</b>	<b>Habitat for Humanity Grant</b>	<b>Capital Projects Totals</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,817,189
Special assessments	-	-	-	-	-	328,995
Licenses and permits	-	-	-	-	-	268,361
Intergovernmental	-	-	-	18,750	18,750	1,386,196
Charges for services	-	-	-	-	-	71,255
Fines and forfeitures	-	-	-	-	-	17,116
Interest on investments	147	6	31	-	184	5,773
Loan repayment	-	-	-	-	-	110,790
Other	-	-	-	-	-	49,735
Total revenues	<u>147</u>	<u>6</u>	<u>31</u>	<u>18,750</u>	<u>18,934</u>	<u>4,055,410</u>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	296,532
Public safety	-	-	-	-	-	1,624,090
Public works	-	-	-	-	-	191,468
Public welfare	-	-	-	-	-	15,095
Culture and recreation	-	-	-	-	-	420,706
Housing and community development	-	-	-	18,750	18,750	620,695
Other	-	-	-	-	-	86,261
Capital outlay	23,268	17,500	-	-	40,768	543,844
Debt service						
Principal	-	-	-	-	-	62,673
Interest and fiscal fees	-	-	-	-	-	20,433
Total expenditures	<u>23,268</u>	<u>17,500</u>	<u>-</u>	<u>18,750</u>	<u>59,518</u>	<u>3,881,797</u>
Revenues over (under) expenditures	<u>(23,121)</u>	<u>(17,494)</u>	<u>31</u>	<u>-</u>	<u>(40,584)</u>	<u>173,613</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	391,091
Transfers out	-	-	-	-	-	(228,263)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,828</u>
Net change in fund balance	<u>(23,121)</u>	<u>(17,494)</u>	<u>31</u>	<u>-</u>	<u>(40,584)</u>	<u>336,441</u>
<b>FUND BALANCES,</b> beginning of year	<u>110,868</u>	<u>9,073</u>	<u>20,934</u>	<u>-</u>	<u>140,875</u>	<u>5,232,438</u>
<b>FUND BALANCES,</b> end of year	<u>\$ 87,747</u>	<u>\$ (8,421)</u>	<u>\$ 20,965</u>	<u>\$ -</u>	<u>\$ 100,291</u>	<u>\$ 5,568,879</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, 2017**

	<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	\$ 648,982	\$ 648,982	\$ 648,982	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	337,600	337,600	359,737	22,137
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	1,900	1,900	1,088	(812)
Bond proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>988,482</u>	<u>988,482</u>	<u>1,009,807</u>	<u>21,325</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	350	(350)
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	290,605	295,605	293,870	1,735
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>290,605</u>	<u>295,605</u>	<u>294,220</u>	<u>1,385</u>
Budgetary fund balance, June 30	<u>\$ 697,877</u>	<u>\$ 692,877</u>	<u>\$ 715,587</u>	<u>\$ 22,710</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, 2017**

**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	\$ 1,009,807
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.	(648,982)
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	<u>\$ 360,825</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 294,220
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	<u>\$ 294,220</u>

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, 2017**

	<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	\$ 46,161	44,935	(1,226)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	20	61	41	150	261	111
Loan repayment	-	-	-	-	-	-
Other	-	-	-	2,000	-	(2,000)
Total revenues	<u>46,181</u>	<u>44,996</u>	<u>(1,185)</u>	<u>2,150</u>	<u>261</u>	<u>(1,889)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>91,000</u>	<u>59,319</u>	<u>31,681</u>	<u>145,000</u>	<u>-</u>	<u>145,000</u>
Revenues over (under) expenditures	<u>(44,819)</u>	<u>(14,323)</u>	<u>30,496</u>	<u>(142,850)</u>	<u>261</u>	<u>143,111</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	75,877	69,639	(6,238)	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>75,877</u>	<u>69,639</u>	<u>(6,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>31,058</u></u>	<u>55,316</u>	<u><u>24,258</u></u>	<u><u>(142,850)</u></u>	<u>261</u>	<u><u>143,111</u></u>
<b>FUND BALANCE</b> beginning of year		<u>58,374</u>			<u>175,240</u>	
<b>FUND BALANCE</b> end of year		<u><u>\$ 113,690</u></u>			<u><u>\$ 175,501</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, 2017**

	<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	\$ 178,039	179,014	975	\$ 107,950	114,167	6,217
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	500	350	(150)
Intergovernmental	173,658	173,958	300	75,000	13,009	(61,991)
Charges for services	8,825	12,823	3,998	58,000	58,432	432
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	500	229	(271)	1,050	599	(451)
Loan repayment	-	-	-	-	-	-
Other	33,900	49,735	15,835	-	-	-
Total revenues	<u>394,922</u>	<u>415,759</u>	<u>20,837</u>	<u>242,500</u>	<u>186,557</u>	<u>(55,943)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>341,795</u>	<u>317,299</u>	<u>24,496</u>	<u>324,602</u>	<u>119,836</u>	<u>204,766</u>
Revenues over (under) expenditures	<u>53,127</u>	<u>98,460</u>	<u>45,333</u>	<u>(82,102)</u>	<u>66,721</u>	<u>148,823</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(59,890)	(59,890)	-	(19,436)	(19,436)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(59,890)</u>	<u>(59,890)</u>	<u>-</u>	<u>(19,436)</u>	<u>(19,436)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(6,763)</u>	<u>38,570</u>	<u>45,333</u>	<u>(101,538)</u>	<u>47,285</u>	<u>148,823</u>
<b>FUND BALANCE</b> beginning of year		<u>145,941</u>			<u>444,151</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 184,511</u>			<u>\$ 491,436</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, 2017**

	Permissive Medical Levy			PERS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 16,966	15,695	(1,271)	\$ 111,134	109,637	(1,497)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	8,348	234,629	226,281
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	75	71	(4)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	16,966	15,695	(1,271)	119,557	344,337	224,780
<b>EXPENDITURES - BUDGET UNIT</b>	-	-	-	246,890	455,329	(208,439)
Revenues over (under) expenditures	16,966	15,695	(1,271)	(127,333)	(110,992)	16,341
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	156,240	124,390	(31,850)
Transfers out	(16,500)	(16,500)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	(16,500)	(16,500)	-	156,240	124,390	-
Revenues and other sources over (under) expenditures	466	(805)	(1,271)	28,907	13,398	(15,509)
<b>FUND BALANCE</b> beginning of year		1,222			92,389	
<b>FUND BALANCE</b> end of year		\$ 417			\$ 105,787	

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, 2017**

	Group Health			Drug Forfeiture		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 183,376	178,862	(4,514)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	6,200	6,456	256
Interest on investments	600	369	(231)	50	30	(20)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	183,976	179,231	(4,745)	6,250	6,486	236
<b>EXPENDITURES - BUDGET UNIT</b>	351,042	350,206	836	9,175	1,505	7,670
Revenues over (under) expenditures	(167,066)	(170,975)	(3,909)	(2,925)	4,981	7,906
<b>OTHER FINANCING SOURCES</b>						
Transfers in	252,394	161,301	(91,093)	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	252,394	161,301	(91,093)	-	-	-
Revenues and other sources over (under) expenditures	85,328	(9,674)	(95,002)	(2,925)	4,981	7,906
<b>FUND BALANCE</b> beginning of year		311,244			20,308	
<b>FUND BALANCE</b> end of year		\$ 301,570			\$ 25,289	

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, 2017**

	<b>Building Code Enforcement</b>			<b>Lighting Districts</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	83,246	114,668	31,422
Licenses and permits	209,600	268,011	58,411	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	450	342	(108)	525	228	(297)
Loan repayment	-	-	-	-	-	-
Other	250	-	(250)	-	-	-
Total revenues	<u>210,300</u>	<u>268,353</u>	<u>58,053</u>	<u>83,771</u>	<u>114,896</u>	<u>31,125</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>158,495</u>	<u>123,846</u>	<u>34,649</u>	<u>85,125</u>	<u>83,832</u>	<u>1,293</u>
Revenues over (under) expenditures	<u>51,805</u>	<u>144,507</u>	<u>92,702</u>	<u>(1,354)</u>	<u>31,064</u>	<u>32,418</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(19,437)	(19,437)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(19,437)</u>	<u>(19,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>32,368</u>	125,070	<u>92,702</u>	<u>(1,354)</u>	31,064	<u>32,418</u>
<b>FUND BALANCE</b> beginning of year		<u>189,374</u>			<u>146,376</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 314,444</u>			<u>\$ 177,440</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, 2017**

	<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	\$ 364,188	359,887	(4,301)	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	11,000	10,660	(340)
Interest on investments	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>364,188</u>	<u>359,887</u>	<u>(4,301)</u>	<u>11,000</u>	<u>10,660</u>	<u>(340)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>301,418</u>	<u>301,419</u>	<u>(1)</u>	<u>11,000</u>	<u>10,660</u>	<u>340</u>
Revenues over (under) expenditures	<u>62,770</u>	<u>58,468</u>	<u>(4,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(47,700)	(47,700)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(47,700)</u>	<u>(47,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>15,070</u>	10,768	<u>(4,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>						
beginning of year		<u>19,777</u>			<u>-</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 30,545</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, 2017**

	Police Training			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	127,500	134,452	6,952
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	60	15	(45)	250	287	37
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	60	15	(45)	127,750	134,739	6,989
<b>EXPENDITURES - BUDGET UNIT</b>	25,775	6,246	19,529	234,000	127,341	106,659
Revenues over (under) expenditures	(25,715)	(6,231)	19,484	(106,250)	7,398	113,648
<b>OTHER FINANCING SOURCES</b>						
Transfers in	15,500	15,500	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	15,500	15,500	-	-	-	-
Revenues and other sources over (under) expenditures	(10,215)	9,269	19,484	(106,250)	7,398	113,648
<b>FUND BALANCE</b> beginning of year		10,494			136,862	
<b>FUND BALANCE</b> end of year		\$ 19,763			\$ 144,260	

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, 2017**

	<u>Street Maintenance</u>			<u>Volunteer Fire</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	\$ -	-	-	\$ 345,246	326,090	(19,156)
Special assessments	254,350	214,529	(39,821)	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	8,192	8,192	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	1,000	197	(803)	240	142	(98)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>255,350</u>	<u>214,726</u>	<u>(40,624)</u>	<u>353,678</u>	<u>334,424</u>	<u>(19,254)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>190,219</u>	<u>196,928</u>	<u>(6,709)</u>	<u>404,419</u>	<u>366,499</u>	<u>37,920</u>
Revenues over (under) expenditures	<u>65,131</u>	<u>17,798</u>	<u>(47,333)</u>	<u>(50,741)</u>	<u>(32,075)</u>	<u>18,666</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	17,950	20,261	2,311
Transfers out	(45,000)	(11,600)	33,400	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(45,000)</u>	<u>(11,600)</u>	<u>33,400</u>	<u>17,950</u>	<u>20,261</u>	<u>2,311</u>
Revenues and other sources over (under) expenditures	<u>20,131</u>	6,198	<u>(13,933)</u>	<u>(32,791)</u>	(11,814)	<u>20,977</u>
<b>FUND BALANCE</b> beginning of year		<u>119,159</u>			<u>147,447</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 125,357</u>			<u>\$ 135,633</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, 2017**

	<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	3,000	213,124	210,124	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	400	152	(248)	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,400</u>	<u>213,276</u>	<u>209,876</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>315,000</u>	<u>309,086</u>	<u>5,914</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(311,600)</u>	<u>(95,810)</u>	<u>215,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	45,000	-	(45,000)	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>(266,600)</u></u>	<u><u>(95,810)</u></u>	<u><u>170,790</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCE</b> beginning of year		<u>177,217</u>			<u>4</u>	
<b>FUND BALANCE</b> end of year		<u><u>\$ 81,407</u></u>			<u><u>\$ 4</u></u>	

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**SPECIAL REVENUE FUNDS (CONTINUED)**  
**Year Ended June 30, 2017**

	<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	\$ 343,107	331,023	(12,084)	\$ 115,136	111,985	(3,151)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	5,000	-	(5,000)	17,500	15,082	(2,418)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	125	21	(104)	2,400	1,119	(1,281)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>348,232</u>	<u>331,044</u>	<u>(17,188)</u>	<u>135,036</u>	<u>128,186</u>	<u>(6,850)</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>312,330</u>	<u>306,157</u>	<u>6,173</u>	<u>50,400</u>	<u>50,400</u>	<u>-</u>
Revenues over (under) expenditures	<u>35,902</u>	<u>24,887</u>	<u>(11,015)</u>	<u>84,636</u>	<u>77,786</u>	<u>(6,850)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(45,500)	(50,600)	(5,100)	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>(45,500)</u>	<u>(50,600)</u>	<u>(5,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(9,598)</u>	<u>(25,713)</u>	<u>(16,115)</u>	<u>84,636</u>	<u>77,786</u>	<u>(6,850)</u>
<b>FUND BALANCE</b> beginning of year		<u>50,623</u>			<u>728,884</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 24,910</u>			<u>\$ 806,670</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, 2017**

	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	150	954	804	-	-	-
Loan repayment	1,550	96,123	94,573	1,300	14,667	13,367
Other	-	-	-	-	-	-
Total revenues	<u>1,700</u>	<u>97,077</u>	<u>95,377</u>	<u>1,300</u>	<u>14,667</u>	<u>13,367</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,332</u>	<u>20,956</u>	<u>1,376</u>
Revenues over (under) expenditures	<u>1,700</u>	<u>97,077</u>	<u>95,377</u>	<u>(21,032)</u>	<u>(6,289)</u>	<u>14,743</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(3,520)	(3,100)	420
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,520)</u>	<u>(3,100)</u>	<u>420</u>
Revenues and other sources over (under) expenditures	<u>1,700</u>	<u>97,077</u>	<u>95,377</u>	<u>(24,552)</u>	<u>(9,389)</u>	<u>15,163</u>
<b>FUND BALANCE</b>						
beginning of year		<u>541,737</u>			<u>1,202,040</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 638,814</u>			<u>\$ 1,192,651</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, 2017**

	<u>Job Creation Grant</u>			<u>HOME Grant</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	187,500	75,000	(112,500)	500,000	500,000	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>187,500</u>	<u>75,000</u>	<u>(112,500)</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<b>EXPENDITURES - BUDGET</b>						
UNIT	<u>187,500</u>	<u>75,000</u>	<u>112,500</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Revenues over (under) expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>	<u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
<b>FUND BALANCE</b>						
beginning of year		<u>-</u>			<u>-</u>	
<b>FUND BALANCE</b>						
end of year		<u><u>\$ -</u></u>			<u><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, 2017**

	<b>Total Special Revenue Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes	\$ 1,811,303	1,771,295	(40,008)
Special assessments	337,596	329,197	(8,399)
Licenses and permits	210,100	268,361	58,261
Intergovernmental	605,698	1,367,446	761,748
Charges for services	66,825	71,255	4,430
Fines and forfeitures	17,200	17,116	(84)
Interest on investments	8,045	5,077	(2,968)
Loan repayment	2,850	110,790	107,940
Other	36,150	49,735	13,585
	<u>3,095,767</u>	<u>3,990,272</u>	<u>894,505</u>
<b>EXPENDITURES - BUDGET UNIT</b>	<u>3,807,517</u>	<u>3,781,864</u>	<u>25,653</u>
Revenues over (under) expenditures	<u>(711,750)</u>	<u>208,408</u>	<u>920,158</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	562,961	391,091	(171,870)
Transfers out	(256,983)	(228,263)	28,720
Sale of capital assets	-	-	-
	<u>305,978</u>	<u>162,828</u>	<u>(143,150)</u>
Revenues and other sources over (under) expenditures	<u>(405,772)</u>	<u>371,236</u>	<u>777,008</u>
<b>FUND BALANCE</b> beginning of year		<u>4,718,863</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 5,090,099</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, 2017**

	<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	\$ -	45,894	45,894
Special assessments	47,195	-	(47,195)
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	175	78	(97)
Other	-	-	-
	<u>47,370</u>	<u>45,972</u>	<u>(1,398)</u>
Total revenue			
<b>EXPENDITURES</b>			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	10,415	10,415	-
	<u>40,415</u>	<u>40,415</u>	<u>-</u>
Total expenditures			
Revenues over (under) expenditures	<u>6,955</u>	<u>5,557</u>	<u>(1,398)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Revenues and other sources over (under) expenditures and other uses	<u>6,955</u>	5,557	<u>(1,398)</u>
<b>FUND BALANCE</b> beginning of year		<u>41,491</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 47,048</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, 2017**

	S.I.D. Revolving			S.I.D. 72		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	1,150	434	(716)	-	-	-
Other	-	-	-	-	-	-
Total revenue	1,150	434	(716)	-	-	-
<b>EXPENDITURES</b>						
Current - General government	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Revenues over (under) expenditures	1,150	434	(716)	-	-	-
<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	1,150	434	(716)	-	-	-
<b>FUND BALANCE</b> beginning of year		290,557			8,525	
<b>FUND BALANCE</b> end of year		\$ 290,991			\$ 8,525	

See the Independent Auditors' Report.

**CITY OF BELGRADE, MONTANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - BUDGET (GAAP BASIS) AND ACTUAL**  
**DEBT SERVICE FUNDS (CONTINUED)**  
**Year Ended June 30, 2017**

	<u>S.I.D. 75</u>			<u>S.I.D. 76</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	(202)	(202)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>(202)</u>
<b>EXPENDITURES</b>						
Current - General government	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>(202)</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>-</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>(202)</u>
<b>FUND BALANCE</b>						
beginning of year		<u>30,823</u>			<u>1,304</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 30,823</u>			<u>\$ 1,102</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, 2017**

	<u>Total Debt Service Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes	\$ -	45,894	45,894
Special assessments	47,195	(202)	(47,397)
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	1,325	512	(813)
Other	-	-	-
	<u>48,520</u>	<u>46,204</u>	<u>(2,316)</u>
Total revenue			
<b>EXPENDITURES</b>			
Current - General government	-	-	-
Debt service			
Principal	30,000	30,000	-
Interest and fiscal fees	10,415	10,415	-
	<u>40,415</u>	<u>40,415</u>	<u>-</u>
Total expenditures			
Revenues over (under) expenditures	<u>8,105</u>	<u>5,789</u>	<u>(2,316)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Revenues and other sources over (under) expenditures and other uses	<u>8,105</u>	5,789	<u>(2,316)</u>
<b>FUND BALANCE</b> beginning of year		<u>372,700</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 378,489</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, 2017**

	<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	-	-	-	17,500	-	(17,500)
Charges for services	-	-	-	-	-	-
Interest on investments	400	147	(253)	15	6	(9)
Other	-	-	-	-	-	-
Total revenue	<u>400</u>	<u>147</u>	<u>(253)</u>	<u>17,515</u>	<u>6</u>	<u>(17,509)</u>
<b>EXPENDITURES</b>						
Current - General government	60,000	23,268	36,732	17,500	17,500	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>60,000</u>	<u>23,268</u>	<u>36,732</u>	<u>17,500</u>	<u>17,500</u>	<u>-</u>
Revenues over (under) expenditures	<u>(59,600)</u>	<u>(23,121)</u>	<u>36,479</u>	<u>15</u>	<u>(17,494)</u>	<u>(17,509)</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>(59,600)</u>	<u>(23,121)</u>	<u>36,479</u>	<u>15</u>	<u>(17,494)</u>	<u>(17,509)</u>
<b>FUND BALANCE</b> beginning of year		<u>110,868</u>			<u>9,073</u>	
<b>FUND BALANCE</b> end of year		<u>\$ 87,747</u>			<u>\$ (8,421)</u>	

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**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, 2017**

	<u>Fire Department Improvements</u>			<u>Habitat for Humanity Grant</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	-	-	-	-	18,750	18,750
Charges for services	-	-	-	-	-	-
Interest on investments	75	31	(44)	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>75</u>	<u>31</u>	<u>(44)</u>	<u>-</u>	<u>18,750</u>	<u>18,750</u>
<b>EXPENDITURES</b>						
Current - General government	-	-	-	18,750	18,750	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,750</u>	<u>18,750</u>	<u>-</u>
Revenues over (under) expenditures	<u>75</u>	<u>31</u>	<u>(44)</u>	<u>(18,750)</u>	<u>-</u>	<u>18,750</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>75</u>	<u>31</u>	<u>(44)</u>	<u>(18,750)</u>	<u>-</u>	<u>18,750</u>
<b>FUND BALANCE</b>						
beginning of year		<u>20,934</u>			<u>-</u>	
<b>FUND BALANCE</b>						
end of year		<u>\$ 20,965</u>			<u>\$ -</u>	

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**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, 2017**

	<b>Total Capital Project Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes	\$ -	-	-
Special assessments	-	-	-
Intergovernmental	17,500	18,750	1,250
Charges for services	-	-	-
Interest on investments	490	184	(306)
Other	-	-	-
Total revenue	<u>17,990</u>	<u>18,934</u>	<u>944</u>
<b>EXPENDITURES</b>			
Current - General government	96,250	59,518	36,732
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Total expenditures	<u>96,250</u>	<u>59,518</u>	<u>36,732</u>
Revenues over (under) expenditures	<u>(78,260)</u>	<u>(40,584)</u>	<u>37,676</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>(78,260)</u>	<u>(40,584)</u>	<u>37,676</u>
<b>FUND EQUITY,</b> beginning of year		<u>140,875</u>	
<b>FUND EQUITY,</b> end of year		<u>\$ 100,291</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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 5, 2018.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-C1 and 2017-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 5, 2018

**CITY OF BELGRADE MONTANA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

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, 2017.

**2017-C1**        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 \$208,439.

Effect: The City is out of compliance with MCA 7-6-4033.

Cause: The City budgeted for cash PERS expenditures but did not budget for on-behalf payments which are reported as revenues and expenditures in the PERS fund.

Recommendation: The City should take into account on-behalf payments when budgeting revenues and expenditures in the PERS fund.

Response: The City will take these on-behalf payments into account when budgeting for this fund in the future.

**2017-C2**        Criteria: In accordance with MCA 7-6-4030, the governing body's final budget must be balanced so that appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

Condition: Two funds were budgeted for deficit spending (appropriations in excess of the projected beginning balance plus the estimated revenue of the fund for the fiscal year) – CTEP special revenue fund \$89,383 and Habitat for Humanity capital projects fund \$18,750.

Effect: The City is out of compliance with MCA 7-6-4030.

Cause: In both cases, expenditures were appropriately budgeted but significant revenues were not budgeted, resulting in budgeted deficits. Neither fund actually had deficit spending.

Recommendation: The City's governing body should monitor budgets to make appropriate amendments, so appropriations are limited to the projected beginning balance plus the estimated revenue of the fund for the year.

Response: In the CTEP fund, the budget was designed to spend down the current funds pending closure of the program, however, we did not budget enough for current year revenue. In the Habitat for Humanity fund, the grant was a reimbursable grant and was awarded mid-year. The revenue from it was not received until after expenditures were made and the budgeted revenue was not amended to account for those funds.

**CITY OF BELGRADE MONTANA  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2017**

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, 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.

Status: Resolved - The City recorded on-behalf payments for the year ended June 30, 2017.

**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 2017-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.

Status: See current year finding 2017-C1.