

**MONTANA DEPARTMENT OF ADMINISTRATION  
Local Government Services Bureau**

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**ENTITY #021501  
MONTANA  
City of Columbia Falls  
130th 6th St W**

Columbia Falls

MONTANA

59912

**ANNUAL FINANCIAL  
REPORT**



**Fiscal Year Ended  
June 30, 2017**

**CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA**  
**ANNUAL FINANCIAL REPORT**  
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**June 30, 2017**

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**INTRODUCTORY**

**SECTION**



130 6<sup>th</sup> STREET WEST  
ROOM A  
COLUMBIA FALLS, MT 59912

PHONE (406) 892-4391  
FAX (406) 892-4413

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TRANSMITTAL LETTER

December 28, 2017

To the Honorable Mayor, City Councilors and the Citizens of the City of Columbia Falls, MT

State law requires that all general purpose local governments publish a complete set of financial statements within six months of the close of each fiscal year, or no later than December 31, 2017. These financial statements must be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The comprehensive annual financial report of the City of Columbia Falls, Montana for the fiscal year ended June 30, 2017 is hereby submitted as required by state law.

This report consists of management's representations concerning the finances and compliance of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City.

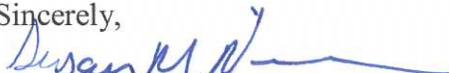
Doyle & Associates, P.C., a firm of licensed certified public accountants will complete the audit of the financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit also conducts test of compliance with local, state and federal laws. The independent auditor's report is published separately and upon issuance available for public inspection.

The City administration takes seriously the duty of transparency in government operations and accountability to the public. The comprehensive annual financial report is one of the key documents in keeping the public informed of the City's operations and finances.

The financial statements included in this report demonstrate the City's continued financial stability. The City's total net position, increased by \$45,654, a 0.18% increase for fiscal year ended June 30, 2017, compared to an increase of \$203,547 in the prior year. The City is maintaining the current level of services with the resources available.

Thank you for your support and leadership resulting in the City's ability to meet goals and to provide the citizens of Columbia Falls with quality services.

Sincerely,

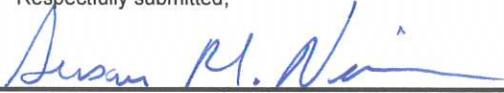
  
Susan M. Nicosia  
City Manager

**City of Columbia Falls  
ELECTED OFFICIALS/OFFICERS**

OFFICE	NAME OF CITY/TOWN OFFICIALS/OFFICERS	DATE TERM EXPIRES
Mayor	Donald W. Barnhart	12/31/2017
Councilperson	Darin Fisher	12/31/2019
Councilperson	Doug Karper	12/31/2019
Councilperson	Jenny Lovering	12/31/2017
Councilperson	Dave Petersen	12/31/2017
Councilperson	John Piper	12/31/2019
Councilperson	Mike Shepard	12/31/2017
City manager	Susan Nicosia, CPA, MPA	Appointed
Attorney	Justin Breck	12/31/2017
Chief of Police	Clint Peters	Appointed
Clerk	Barb Staaland	Appointed
Finance Director	Sandy Carlson	Appointed
City Judge	Susan T. Gordon	12/31/2017
Fire Chief	Rick Hagen	Appointed
Public Works Director	Grady Jenkins	Appointed

In accordance with State law, I hereby transmit the  
City of Columbia Falls  
Annual Financial Report for the fiscal year ended  
June 30, 2017

Respectfully submitted;



City Manager

12/28/17

Date



Finance Director

12/28/17

Date

**FINANCIAL**

**SECTION**

**MANAGEMENT'S  
DISCUSSION  
AND  
ANALYSIS**

## **CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the report provides readers with a narrative overview and analysis of the financial activities of the City of Columbia Falls for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at June 30 by \$25,036,610 (net position). Of this amount, \$702,801 or approximately 2.8% may be used to meet the City's ongoing obligations to citizens and creditors. The remainder includes \$18,697,618 in capital assets, net of related debt and \$5,636,191 restricted for future debt payments and future use.
- Total net position increased by \$45,654 from routine operations. Net position in business-type activities was restated by (\$22,075) to correct capital assets in the prior year. In addition, the governmental activities net position was restated by \$182, again correcting capital assets in the prior year. The notes to the financial statements further describe the effect of recording these adjustments.
- As of June 30 the City's governmental funds reported combined ending fund balance as restated of \$3,782,425, an increase of \$495,442 over the prior year. Approximately 10% of this amount, \$392,779 is available for spending at the government's discretion (unassigned fund balance).
- The City installed a fire alarm system in City Hall for a cost of \$16,979.
- The City completed \$36,820 in parking lot improvements at Welcome Park and River's Edge Park had parking lot improvements, \$6,960 and \$29,860 respectively. Horine Park improvements totaling \$22,595 including landscaping and fencing were started in this year but were not completed until after June 30<sup>th</sup>.
- The City continued the police patrol vehicle replacement program, purchasing one Police Interceptor for a total of \$45,124.
- The City completed the 8<sup>th</sup> Street East and 1<sup>st</sup> Ave East reconstruction project that included new asphalt, sidewalk, curb, gutter and storm drainage for the two block area for \$131,259. The City also completed a portion of alley paving for \$5,058.
- The Water Fund purchased a replacement vehicle, a 2017 Ford F-250 for \$27,022, and the Sewer Fund purchased the original vehicle for net book value.
- The City started the Riverwood SID project which included reconstructing the existing street to and installing City Water and Sewer mains and connections to the subdivision. The project was approximately 34% complete at June 30, 2017. The project costs are captured in Construction in Progress. The Street Construction Fund had costs of \$59,374 and the Water and Sewer Funds had \$120,058 and \$252,502 respectively. The project is expected to be complete November 2017.

## Management's Discussion and Analysis (continued)

- The Sewer Fund completed construction of a new steel building to cover the UV system. Cost of the building was \$87,924.
- Public Works purchased the following equipment items in the 2017 FY: Air compressor for \$8,372, Line Sprayer for \$6,286.
- The City had one sidewalk replaced using the City's 50/50 share program. The total cost was \$1,964 (city share of \$982).
- The Water Fund Operating income (loss) was (\$179,174) compared to \$80,387 for the prior year. Water debt was reduced by \$26,000. The Water Fund's net position decreased by \$109,696 for the 2017 fiscal year.
- Operating income (loss) for the Sewer Fund was (\$195,417) compared to operating income (loss) of (\$122,409) for the prior year. Sewer debt was reduced by \$193,000. The Sewer Fund's net position decreased by \$59,168 for the 2017 fiscal year.
- The 2017 FY was the first year for the City's Tax Increment District formed in 2015 pursuant to Title 7, Chapter 15, Parts 42 and 43, Montana Code Annotated. MT Department of Revenue certified the Columbia Falls Urban Renewal Tax Increment Financing District (TIF) in February 2016 with a base year of January 1, 2015. The 2016 tax certification received in August 2016 provided the first incremental value. In November 2016, the City Council adopted a budget for the projected tax resources to be received for the 2017 FY. See pages 74 and 75 for detailed financial information on the Tax Increment District, reported as special revenue Fund 2310.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial statements contain four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) budgetary comparisons.

**1. Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The *statement of net position* (page 14) presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* (page 15) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are

## Management's Discussion and Analysis (continued)

principally supported by taxes and intergovernmental revenues (*governmental activities*). Governmental activities include general government, public safety, public works, public health, culture and recreation, housing and community development, and debt service. The City has two business type activities – operation of a water utility and wastewater utility. The City charges a fee to customers to recover the cost of operating the utilities.

The government-wide financial statements include not only the City's (known as the *primary government*), but also a legally separate component unit, the Fire Department Relief Association, for which the City is financially accountable. Financial information for the Fire Department Relief Association is reported separately from the financial information presented for the primary government.

**2. Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Columbia Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of The City of Columbia Falls can be divided into three categories: (a.) *governmental funds*, (b.) *proprietary funds* and (c.) *fiduciary funds*.

- a. **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation between *governmental funds* and *governmental activities* view of financial position. These statements are found on pages 16 – 19.

The City of Columbia Falls maintains 17 individual governmental funds. Information is presented separately for the General Fund, Street Maintenance Fund, and Cedar Creek Trust Fund as they are major funds. Data from the other 14 funds are combined into a single aggregated presentation.

The City of Columbia Falls adopts annual appropriated budget for its governmental and proprietary funds. Schedules providing budgetary comparison for the General Fund and Major Funds are included as required supplementary information to demonstrate compliance with both the original and final budgets.

- b. **Proprietary Funds.** The City of Columbia Falls operates two utilities, water and sewer, which are proprietary enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

## Management’s Discussion and Analysis (continued)

The proprietary fund statements provide detail information for the Water and Sewer Funds, which are classified as major enterprise funds. Data from the other two funds, Water Capital Expansion and Sewer Capital Expansion, are combined into a single aggregated presentation.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

- c. **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the City of Columbia Falls’ own operations.

The City of Columbia Falls has three administrative clearing funds for payroll, claims and flex funds that are included as agency funds in the basic fiduciary fund financial statement. The basic fiduciary fund financial statement can be found on page 23 of this report.

**3. Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 59 of this report.

**4. Other Information.** “Required Supplementary Information,” pages 60 through 73, includes Other Post Employment Benefits Plan Schedule of Funding Progress, Pension funding schedules, and the General and major Special Revenue Fund budgetary comparison schedules.

## CITY-WIDE FINANCIAL ANALYSIS

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In this case, the City’s assets exceeded liabilities by \$25,036,610 at June 30. The following table provides a summary comparison of the City’s governmental and business-type net assets for fiscal years 2016 and 2017.

### City of Columbia Falls Net Position

	Governmental Activities		Business-type Activities		Total	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
<b>Assets:</b>						
Current and other assets	\$ 4,062,201	\$ 3,559,869	\$ 4,084,112	\$ 4,206,559	\$ 8,146,313	\$ 7,766,428
Capital assets	9,325,358	9,781,047	11,315,946	11,630,577	20,641,304	21,411,624
Total Assets	13,387,559	13,340,916	15,400,058	15,837,136	28,787,617	29,178,052
<b>Deferred outflows of resources</b>	232,436	114,225	78,688	40,993	311,124	155,218
<b>Liabilities</b>						
Current and other liabilities	363,726	393,304	397,434	381,585		774,889
Long-term liabilities	1,737,618	1,743,779	1,511,945	1,692,415		3,436,194
Total Liabilities	2,101,344	2,137,083	1,909,379	2,074,000	-	4,211,083
<b>Deferred inflows of resources</b>	33,816	90,550	17,592	18,787	51,408	109,337
<b>Net Position</b>						
Invested in capital assets net of related debt	8,631,310	9,005,757	10,066,308	10,136,545	18,697,618	19,142,302
Restricted	2,067,304	1,178,509	3,568,887	3,723,542	5,636,191	4,902,051
Unrestricted	786,221	1,043,242	(83,420)	(74,746)	702,801	968,496
Total Net Position	\$ 11,484,835	\$ 11,227,508	\$ 13,551,775	\$ 13,785,341	\$ 25,036,610	\$ 25,012,849

A significant portion of the City’s net position (75%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets include land, buildings, machinery, and equipment, as well as infrastructure. Infrastructure assets include streets, sidewalks, water and sewer mains constructed by the city or constructed and donated by subdivision developers.

Management’s Discussion and Analysis (continued)

Capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt would need to be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$5,636,191 of the City’s net assets (23%) represents resources that are subject to external restrictions on how they may be used. Included in this category is a reserve for \$139,764 in the G. O. bond and SID debt service funds, \$308,179 for a long-term receivable in the Cedar Creek Trust Special Revenue Fund and other restrictions due to grant, donor or statutory provisions. Reserves have been established in the Water and Sewer funds for one year’s annual payment in the amount of \$38,308 and \$256,051, respectively. Additional Water and Sewer reserves are for Replacement and Depreciation and System Improvements, as required by bond indenture requirements. These reserves total \$246,754 in Water and \$200,000 in Sewer. The City also sets aside funds for future capital projects in Water and Sewer. As of June 30, 2017, these amounts were \$229,436 and \$1,084,520, respectively. The Water and Sewer Capital Expansion Fund Net Assets are restricted to fund expansion of the applicable systems. Those restricted net assets total \$1,465,593. The remaining balance of unrestricted assets, \$702,801 (2%) may be used to meet the City’s ongoing obligations to citizens and creditors.

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

**Changes in Net Position.** Governmental and Business-type activities increased the City’s net position by \$45,654 in 2017. The table below indicates the changes in net assets for governmental and business-type activities in 2017 and compares to prior year.

**City of Columbia Falls  
Changes in Net Position**

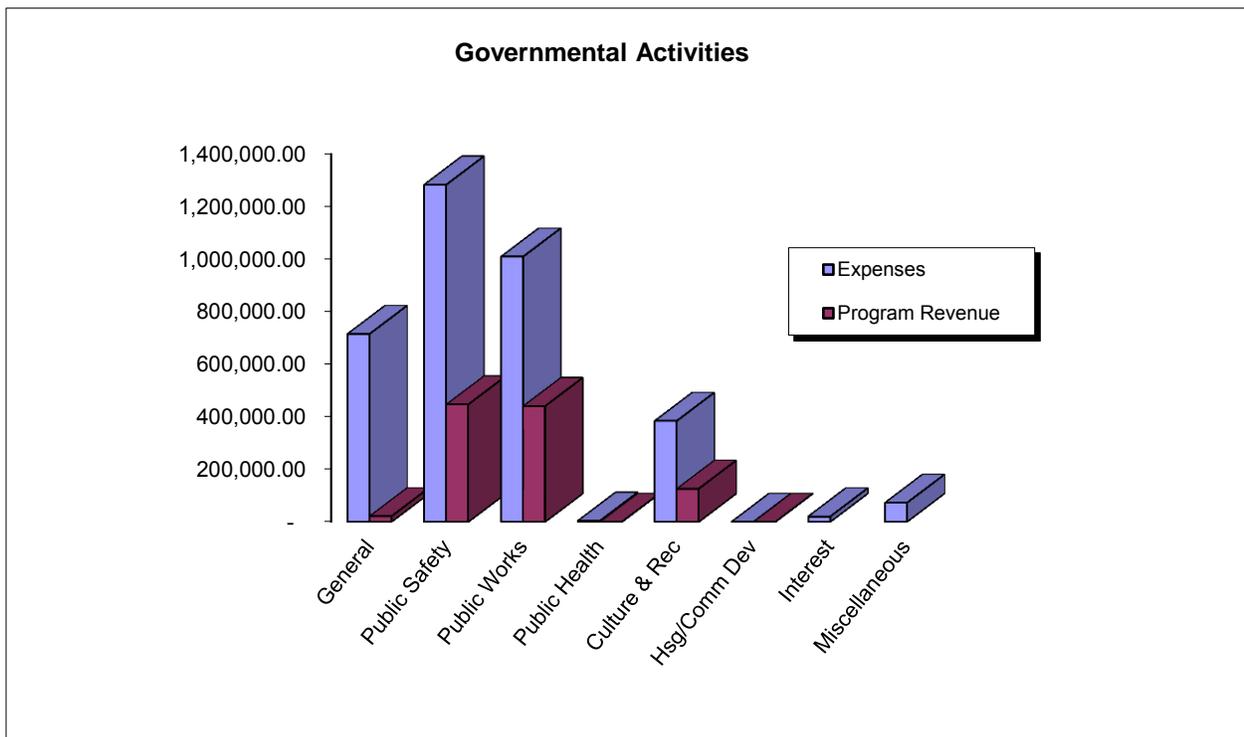
	Governmental Activities		Business-type Activities		Total	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
<b>Revenues</b>						
<u>Program revenues</u>						
Charges for services	\$ 747,899	\$ 790,746	\$ 1,738,041	\$ 1,906,791	\$ 2,485,940	\$ 2,697,537
Operating grants and contributions	287,197	269,130			287,197	269,130
Capital grants and contributions	-	-			-	-
<u>General revenues</u>						
Property taxes	1,481,752	1,255,225			1,481,752	1,255,225
Intergovernmental revenue	722,435	695,117			722,435	695,117
Other revenues	506,147	302,068	43,361	45,916	549,508	347,984
Total revenues	3,745,430	3,312,286	1,781,402	1,952,707	5,526,832	5,264,993
<b>Expenses</b>						
General government	714,709	629,718			714,709	629,718
Public safety	1,282,918	1,377,129			1,282,918	1,377,129
Public works	1,009,160	939,636			1,009,160	939,636
Public health	4,250	4,250			4,250	4,250
Culture and recreation	384,398	268,484			384,398	268,484
Interest on long term debt	20,450	21,460			20,450	21,460
Miscellaneous	72,400	71,405			72,400	71,405
Water			829,732	631,167	829,732	631,167
Sewer			1,163,161	1,119,634	1,163,161	1,119,634
Total expenses	3,488,285	3,312,082	1,992,893	1,750,801	5,481,178	5,062,883
Change in Net Position	257,145	204	(211,491)	201,906	45,654	202,110
Net Position-Beginning	11,227,508	11,232,255	13,785,341	13,578,683	25,012,849	24,810,938
Restatement	182	(4,953)	(22,075)	4,752	(21,893)	(201)
Net Position-Ending	\$ 11,484,835	\$ 11,227,506	\$ 13,551,775	\$ 13,785,341	\$ 25,036,610	\$ 25,012,847

Management's Discussion and Analysis (continued)

*Governmental Activities.* Governmental activities in fiscal year 2017 increased the City's net position by \$257,145 with revenues totaling \$3.75 million and expenditures totaling \$3.49 million. The key elements of the variance between the years are:

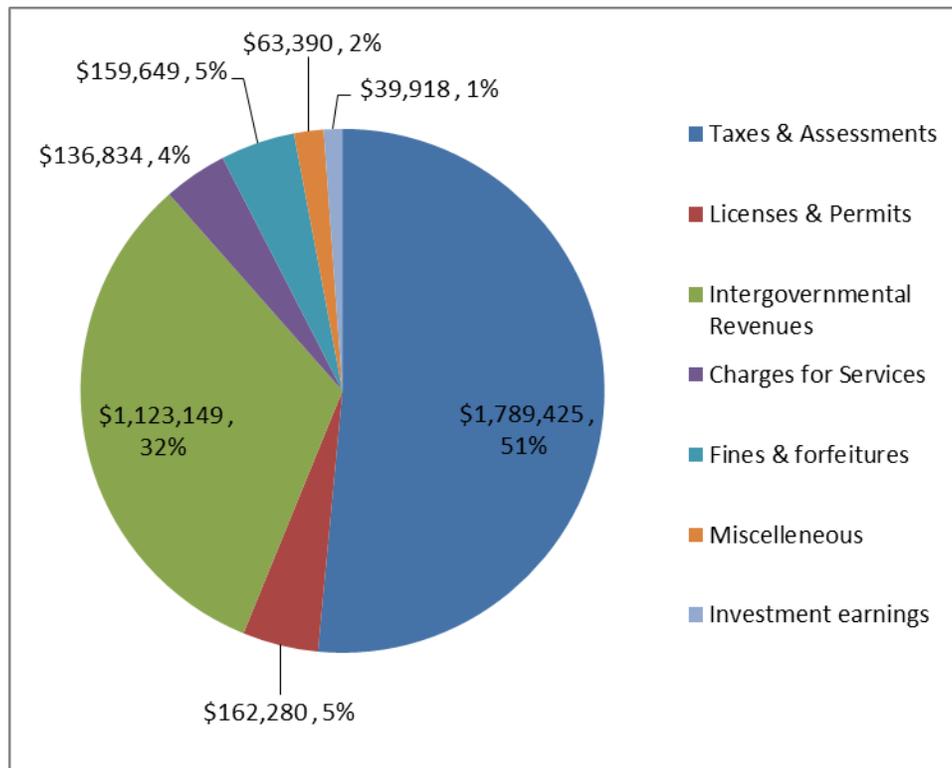
- The property tax revenue increased by \$226,527 primarily due to the new tax increment district, Fund 2310 that generated \$93,940 in new tax revenue for the 2017 FY and the City Council approved the levying of the 4 carryover mills in the 2017 FY, generating an additional \$90,000 in tax revenue.
- Other revenue includes gain on the sale of land in the amount of \$243,112 during the 2017 FY.

This chart shows the extent to which the City relies on the general revenues, such as Property Tax Revenues and Unrestricted State Revenues, to fund the governmental activities:



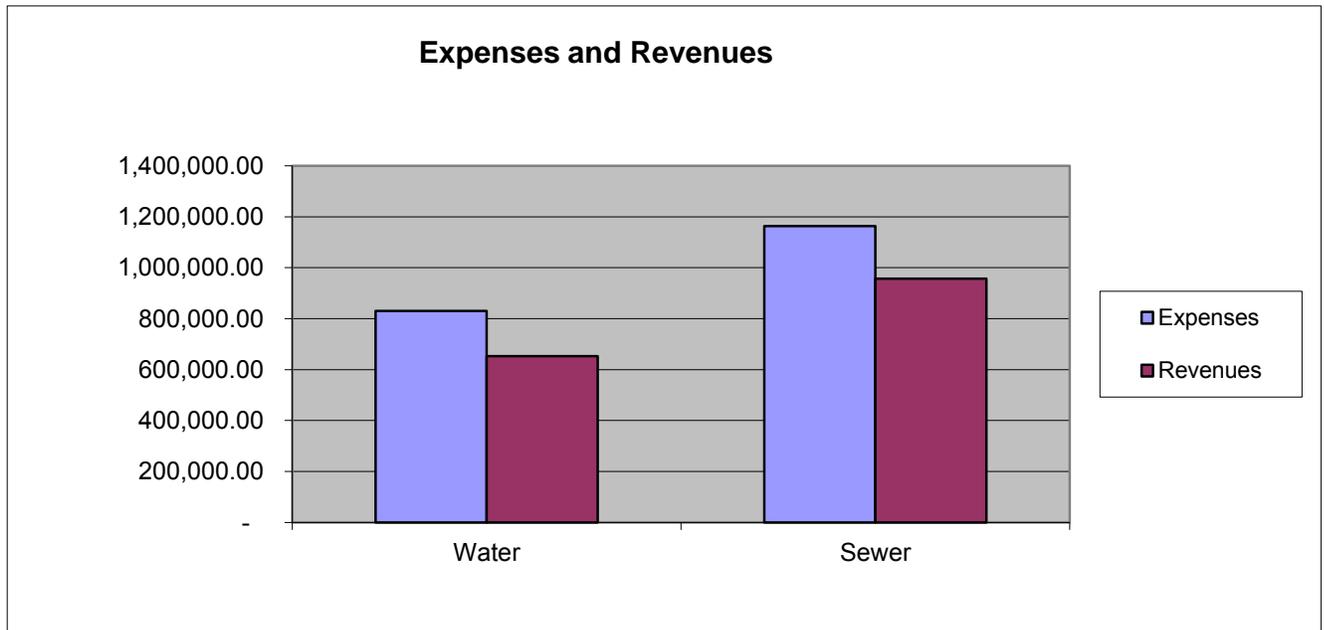
Management's Discussion and Analysis (continued)

This chart shows the Revenues by Source for the Governmental Activities:



Total Governmental activity revenues increased by \$334,107 or 10%. Taxes & Assessments revenues experienced an 11% increase over the prior year of \$181,148, as noted above. Intergovernmental Revenues increased by \$133,935 or 14%. The City's revenue fluctuations are significantly impacted by one time grants such as the 2017 FY \$88,000 Youth Recreation Grant. Revenues that decreased were Licenses and Permits by \$33,488 and Fines and Forfeitures decreased by \$6,002. Investment Earnings increased by \$16,740 due to better interest rates.

*Business-type Activities.* The City's business-type activities, Water and Sewer, decreased the City's net position in 2017 by (\$211,491.) Key elements of the decrease are the increased operational activities, including the Hwy 2 Water Main repair and the Riverwood Subdivision project.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Columbia Falls uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Governmental Funds Overview*

The focus of City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party or the City itself.

As of the end of 2017, the combined ending fund balances of City governmental funds was \$3,782,425, an increase of \$495,442 (15%) over the prior year. Of this amount, \$345,801, or 9% is not in spendable form because it represents a long-term receivable in the Cedar Creek Trust Fund. \$1,624,932, 43%, is restricted to indicate that constraints placed on the use of resources is externally imposed or imposed by law because assets are limited by specific grant agreements, assets are limited by state law or specific voter approved debt covenants. \$532,720, 14%, represents a cash reserve in the General fund to provide liquidity until tax revenue is received in December. Additionally, \$822,581, 22%, represents funds committed to future capital projects. The Cedar Creek Trust has an assigned balance of \$63,612. The unassigned fund balance is \$392,779, 10% total ending fund balance, all of which is within the General Fund.

The General Fund is the chief operating fund of the City. At June 30, the unassigned fund balance was \$392,779 committed fund balance was \$532,720 for a total fund balance of \$925,499. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures/other financing uses. Unassigned fund balance represents approximately 15% of the total General Fund expenditures and other financing uses while total fund balance represents approximately 35% of that same amount.

## Management's Discussion and Analysis (continued)

The City of Columbia Falls has three major governmental funds: the General Fund, Street Maintenance Fund and Cedar Creek Trust Fund.

1. **General Fund.** This is the primary operating fund of the City of Columbia Falls government. It accounts for many of the City's general and administrative services, such as legislative, financial, legal, police, fire and parks.
2. **Street Maintenance Fund.** This special revenue fund accounts for the special maintenance assessment charged for the direct street, alley and sidewalk operational and maintenance costs including, but not limited to, snow removal, street sweeping, and minor and major repairs. The street maintenance assessment is set each year by the City Council pursuant to state statute.
3. **Cedar Creek Trust Fund.** This special revenue fund was created by Resolution adopted by the City of Columbia Falls Council. Per the trust document, funds can be used for land or building purchases benefiting the citizens of Columbia Falls, as well as loans of the principal or interest where a benefit would be realized by the citizens. Principal can only be spent or loaned by the Council by consent of a minimum of five of the seven members.

### ***Proprietary Funds Overview***

The City's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

The City has two major enterprise-type proprietary funds, the Water Fund and Sewer Fund.

The Water Fund unrestricted net position was \$139,400 as of June 30, 2017. Investment in capital, net of related debt is \$3,858,476 or 86% of total net position. These assets are acquired through the purchase of equipment, city construction and the donation of constructed infrastructure by subdivision developers. The Water Fund received \$647,248 from customers. Total operations resulted in a cash decrease of (\$45,592.) Restricted net position accounts are maintained for future system expansion, replacement of capital assets, and one year's debt payment.

The Sewer Fund unrestricted net position was (\$222,820) as of June 30, 2017. Investment in capital, net of related debt is \$6,207,832 or 79% of total net position. These assets are typically acquired through the purchase of equipment, city construction and the donation of constructed infrastructure by subdivision developers. The Sewer Fund received \$946,349 from its customers. Total operations resulted in a cash decrease for the year of (\$23,344.) Restricted net position accounts are maintained for future system expansion, replacement of capital assets, and one year's debt payment.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's budget is prepared according to Montana Code 7-6-4020. The most significant budgeted fund is the General Fund.

In September of 2016, the City Council appropriated \$ 3,057,600 for General Fund expenditures. The budget anticipated using \$550,928 of fund balance.

## Management's Discussion and Analysis (continued)

### 2016-2017 General Fund Budget

	Final Budget	Actual
Fund Balance Carryover for appropriation	\$ 550,928	
Revenue and other financing sources	2,506,670	2,484,456
Expenditures and other financing uses	(3,057,600)	(2,632,161)
Available for fiscal year 2017-2018	0	(147,705)

Actual revenues and other financing sources came in less than 1% of anticipated with a difference of only \$22,214; and actual expenditures were \$425,439 (14%) less than anticipated, mainly due to savings on contracted services for special planning, litigation services, facility repairs, and termination pay savings and planned projects that were not completed in the 2017 FY. The operating decrease in cash was (\$227,530).

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City of Columbia Falls' investment in capital assets for its governmental and business type activities as of June 30, 2017 totals \$20,641,304 (net of accumulated depreciation). The City's capital investment includes all land, buildings, machinery and equipment, and infrastructure. The City's asset capitalization is \$5,000 for machinery and equipment and other capital improvements. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. The City of Columbia Falls depreciates its infrastructure, and the expense of depreciation is reflected in public works activities and in business activities for infrastructure associated with water and sewer lines.

Major capital asset events during the current fiscal year included the following:

- Completed the 8<sup>th</sup> St East & 1<sup>st</sup> Ave East Street reconstruction project, described above, expending a total of \$131,259.
- The Sewer Funds completed the building over the UV system at the Wastewater Treatment Plant. The cost of the building was \$87,924
- The Police Department purchased one Interceptor for \$45,124. The Water Fund purchased a 2017 Ford F-250 for a total of \$27,022.
- Completed 34% of the Riverwood Subdivision Infrastructure project for a total of \$ 431,934 in Construction In Progress at June 30, 2017.

**Long-term debt.** The City's general obligation long term debt was incurred for the construction of the municipal pool in 1999 and street improvements in 2007. Voters approved the \$1.1 million Street Construction Project to be repaid with a 20-year debt service levy. The City used all but \$33,339 of this authority through the completion of the project in 2011. The City borrowed \$364,449 from the Intercap Program to pay for the remaining Street Construction project in 2012. The City borrowed \$115,365 in 2013 to pay for the City's share of the Fire Apparatus. Revenue bond long term debt issues as of the end of the fiscal year are reflected in the Water and Sewer Fund. The Sewer Fund borrowed \$124,625 from Intercap to pay for the new Camel Jet Rodder in 2012. The Water and Sewer

## Management's Discussion and Analysis (continued)

revenue bonds were refunded in November 2012 primarily to reduce the interest rate on the outstanding issues. The City retired \$387,750 of governmental and business-type debt and issued no new debt during the 2017 FY. Additional information on The City of Columbia Falls' long-term debt can be found in the Notes to the Financial Statement.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of The City of Columbia Falls' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Susan M. Nicosia, City Manager, 130 6<sup>th</sup> Street West, Room A, Columbia Falls, MT 59912.

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**BASIC  
FINANCIAL  
STATEMENTS**

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF NET POSITION  
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Fire Department Relief Association
<u>Assets</u>				
Current assets				
Cash and Cash Equivalents	\$ 1,071,644	\$ 321,677	\$ 1,393,321	\$ 493,334
Taxes and Assessments Receivable	148,839	-	148,839	-
Accounts/Other Receivables	-	182,651	182,651	-
Current portion of loans receivable	37,622	-	37,622	-
Internal Balances	(62,121)	62,121	-	-
Current portion of contracts receivable	68,020	-	68,020	-
Due from Other Governments	172,526	-	172,526	-
Total Current Assets	1,436,530	566,449	2,002,979	493,334
Non-current Assets				
Restricted Cash	2,317,492	3,517,663	5,835,155	-
Non-current Loan Receivable	308,179	-	308,179	-
Capital assets-land	1,802,337	17,402	1,819,739	-
Capital assets-construction in progress	59,374	372,560	431,934	-
Capital assets-net of depreciation	7,463,647	10,925,984	18,389,631	-
Total Non-current Assets	11,951,029	14,833,609	26,784,638	-
Total Assets	13,387,559	15,400,058	28,787,617	493,334
<u>Deferred Outflows of Resources</u>				
Contributions to Pension Plans	232,436	78,688	311,124	7,530
Total Assets and Deferred Outflows	13,619,995	15,478,746	29,098,741	500,864
<u>Liabilities</u>				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 119,288	\$ 115,807	\$ 235,095	\$ -
Compensated Absences due within one year	99,786	32,839	132,625	-
Current Portion of Long-Term Debt	144,652	236,638	381,290	-
Total Current Liabilities	363,726	385,284	749,010	-
Non-current Liabilities				
Deposits Payable	-	12,150	12,150	-
Compensated Absences	79,036	29,344	108,380	-
Long-Term Debt	487,275	1,013,000	1,500,275	-
Net Pension Liability	1,171,307	469,601	1,640,908	786,457
Total Non-current Liabilities	1,737,618	1,524,095	3,261,713	786,457
Total Liabilities	2,101,344	1,909,379	4,010,723	786,457
<u>Deferred Inflows of Resources</u>				
Pension Deferrals	33,816	17,592	51,408	6,324
Total Liabilities and Deferred Inflows	2,135,160	1,926,971	4,062,131	792,781
<u>Net Position</u>				
Net Investment in Capital Assets	\$ 8,631,310	\$ 10,066,308	\$ 18,697,618	\$ -
Restricted for:				
General government	1,466,309	-	1,466,309	-
Public works	303,292	2,287,444	2,590,736	-
Housing & community development	60,254	-	60,254	-
Culture & Recreation	97,685	-	97,685	-
Bond indenture requirements	-	990,084	990,084	-
Debt Service	139,764	291,359	431,123	-
Unrestricted	786,221	(83,420)	702,801	(291,917)
Total Net Position	\$ 11,484,835	\$ 13,551,775	\$ 25,036,610	\$ (291,917)

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDING JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Fire Department Relief Association
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 714,709	\$ 15,628	\$ 5,800	\$ -	\$ (693,281)		\$ (693,281)	\$ -
Public safety	1,282,918	284,001	162,887	-	(836,030)		(836,030)	-
Public works	1,009,160	421,667	18,923	-	(568,570)		(568,570)	-
Public Health	4,250	-	-	-	(4,250)		(4,250)	-
Culture and recreation	384,398	26,603	99,587	-	(258,208)		(258,208)	-
Interest expense	20,450	-	-	-	(20,450)		(20,450)	-
Miscellaneous expense	72,400	-	-	-	(72,400)		(72,400)	-
Total governmental activities	<u>3,488,285</u>	<u>747,899</u>	<u>287,197</u>	<u>-</u>	<u>(2,453,189)</u>	<u>-</u>	<u>(2,453,189)</u>	<u>-</u>
Business-type activities:								
Water	829,732	641,777	-	-	-	(187,955)	(187,955)	-
Water Capital Expansion		86,381				86,381	86,381	-
Sewer	1,163,161	939,983	-	-	-	(223,178)	(223,178)	-
Sewer Capital Expansion		69,900				69,900	69,900	-
Total business-type activities	<u>1,992,893</u>	<u>1,738,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,852)</u>	<u>(254,852)</u>	<u>-</u>
Total primary government	<u>\$ 5,481,178</u>	<u>\$ 2,485,940</u>	<u>\$ 287,197</u>	<u>\$ -</u>	<u>(2,453,189)</u>	<u>(254,852)</u>	<u>(2,708,041)</u>	<u>-</u>
Component Unit:								
Fire Department Relief Association	<u>\$ 57,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(57,300)</u>
General revenues:								
					1,481,752	-	1,481,752	82,626
					162,074	-	162,074	-
					722,435	-	722,435	17,114
					3,145	3,249	6,394	-
					12,291	36,141	48,432	3,899
					85,525	3,971	89,496	-
					243,112	-	243,112	-
					<u>2,710,334</u>	<u>43,361</u>	<u>2,753,695</u>	<u>103,639</u>
					257,145	(211,491)	45,654	46,339
					11,227,508	13,785,341	25,012,849	454,525
					182	(22,075)	(21,893)	(792,781)
					<u>\$ 11,484,835</u>	<u>\$ 13,551,775</u>	<u>\$ 25,036,610</u>	<u>\$ (291,917)</u>

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	General Fund	2500 Special Street Maintenance District	2700 Cedar Creek Trust	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Current assets:					
Cash and Cash Equivalents	\$ 344,441	\$ 32,062	\$ 63,612	\$ 631,529	\$ 1,071,644
Taxes and assessments receivable, net	52,267	11,924	-	84,648	148,839
Current portion of loans receivable	-	-	37,622	-	37,622
Current portion of contracts receivable	68,020	-	-	-	68,020
Due from other governments	118,173	18,780	-	35,573	172,526
Total Current Assets	<u>582,901</u>	<u>62,766</u>	<u>101,234</u>	<u>751,750</u>	<u>1,498,651</u>
Non-current assets:					
Restricted Cash and cash equivalents	532,720	175,995	876,405	732,372	2,317,492
Noncurrent portion of loans receivable	-	-	308,179	-	308,179
Total Noncurrent Assets	<u>532,720</u>	<u>175,995</u>	<u>1,184,584</u>	<u>732,372</u>	<u>2,625,671</u>
Total Assets	<u>\$ 1,115,621</u>	<u>\$ 238,761</u>	<u>\$ 1,285,818</u>	<u>\$ 1,484,122</u>	<u>\$ 4,124,322</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	43,283	2,058	-	48,715	94,056
Accrued payables	20,802	4,164	-	266	25,232
Total Current Liabilities	<u>64,085</u>	<u>6,222</u>	<u>-</u>	<u>48,981</u>	<u>119,288</u>
Total Liabilities	<u>64,085</u>	<u>6,222</u>	<u>-</u>	<u>48,981</u>	<u>119,288</u>
<b>Deferred Inflows of Resources</b>					
Deferred property tax/special assmt rev	52,267	11,924	-	84,648	148,839
Deferred Contracts	68,020	-	-	-	68,020
Deferred Licenses/Fees	5,750	-	-	-	5,750
Total Deferred Inflows of Resources	<u>126,037</u>	<u>11,924</u>	<u>-</u>	<u>84,648</u>	<u>222,609</u>
<b>Fund Balance</b>					
Non-Spendable loan receivable	\$ -	\$ -	\$ 345,801	\$ -	\$ 345,801
Restricted for:					
General government	-	-	876,405	230,447	1,106,852
Public Works	-	220,615	-	69,561	290,176
Housing & community development	-	-	-	60,254	60,254
Culture & Recreation	-	-	-	97,685	97,685
Debt service	-	-	-	69,965	69,965
Committed for:					
General government	532,720	-	-	-	532,720
Capital projects	-	-	-	822,581	822,581
Assigned to:					
Public Works	-	-	63,612	-	63,612
Unassigned	392,779	-	-	-	392,779
Total Fund Balance	<u>925,499</u>	<u>220,615</u>	<u>1,285,818</u>	<u>1,350,493</u>	<u>3,782,425</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 1,115,621</u>	<u>\$ 238,761</u>	<u>\$ 1,285,818</u>	<u>\$ 1,484,122</u>	<u>\$ 4,124,322</u>

See accompanying notes to the financial statements

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## RECONCILIATION OF BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Fund balance as reported in the governmental fund statement		\$ 3,782,425
Add assets not reported in the governmental funds statements:		
Capital assets (net of depreciation)		9,325,358
Less liabilities not reported in the governmental fund statements:		
Bond and notes payable	(631,927)	
Advance from other Funds	(62,121)	
Compensated absences	(178,822)	
Net Pension Liability	<u>(1,171,307)</u>	(2,044,177)
Deferred inflows for City Court contracts receivable recognized as revenue in the government-wide statements		68,020
Deferred inflows for property taxes and special assessments recognized as revenue in the government-wide statements		148,839
Deferred inflows for City licenses and fees recognized as revenue in the government-wide statements		5,750
Deferred outflows and inflows related to pension liabilities which are not receivable or payable in the current period, therefore not reported in the fund financial statements		
Deferred Outflows		232,436
Deferred Inflows		(33,816)
Net position as reported in the government-wide statement of net position		<u>\$ 11,484,835</u>

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FISCAL YEAR ENDING JUNE 30, 2017

	2500	2700			
	General Fund	Special Street Maintenance District	Cedar Creek Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes/Assessments	\$ 1,079,346	\$ 296,231	\$ -	\$ 413,848	\$ 1,789,425
License and Permits	72,295	-	-	89,985	162,280
Intergovernmental	941,876	-	-	181,273	1,123,149
Charges for Services	135,434	1,400	-	-	136,834
Fines and Forfeitures	155,515	-	-	4,134	159,649
Miscellaneous	6,365	1,413	982	54,630	63,390
Investment Earnings	7,396	1,585	21,511	9,426	39,918
<b>Total Revenues</b>	<u>\$ 2,398,227</u>	<u>\$ 300,629</u>	<u>\$ 22,493</u>	<u>\$ 753,296</u>	<u>\$ 3,474,645</u>
<b>Expenditures:</b>					
General Government	589,648	-	-	4,134	593,782
Public Safety	1,297,564	-	-	75,035	1,372,599
Public Works	16,957	297,738	-	122,661	437,356
Public Health	4,250	-	-	-	4,250
Culture and Recreation	199,554	-	-	87,989	287,543
Debt Service	11,387	-	-	138,245	149,632
Principal Interest	1,142	-	-	19,308	20,450
Capital Outlay	71,896	-	-	504	72,400
Miscellaneous	53,799	41,170	1,964	201,745	298,678
<b>Total Expenditures</b>	<u>2,246,197</u>	<u>338,908</u>	<u>1,964</u>	<u>649,621</u>	<u>3,236,690</u>
Excess (Deficiency) Revenues over Expenditures	152,030	(38,279)	20,529	103,675	237,955
<b>Other Financing Sources (Uses):</b>					
Transfers in	86,232	29,229	-	416,092	531,553
Transfers (Out)	(385,968)	-	-	(145,585)	(531,553)
Proceeds from the sale of capital assets	-	-	257,487	-	257,487
<b>Total other financing sources and (uses)</b>	<u>(299,736)</u>	<u>29,229</u>	<u>257,487</u>	<u>270,507</u>	<u>257,487</u>
Change in Fund Balance	(147,706)	(9,050)	278,016	374,182	495,442
<b>Fund Balance:</b>					
Beginning of the Year	\$ 1,073,205	\$ 229,665	\$ 1,007,802	\$ 976,311	\$ 3,286,983
Prior Period Adjustment	-	-	-	-	-
<b>End of the Year</b>	<u>\$ 925,499</u>	<u>\$ 220,615</u>	<u>\$ 1,285,818</u>	<u>\$ 1,350,493</u>	<u>\$ 3,782,425</u>

See accompanying notes to the financial statements

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDING JUNE 30, 2017

Changes in fund balances as reported in the governmental funds statement	\$	495,442
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital assets purchased		298,678
Depreciation expense		(740,175)
Gain or loss on the sale or disposal of capital assets is recognized in the Statement of Activities. The fund financial statements only recognize the proceeds from the sale of capital assets:		
Gain (loss) on the disposal of capital assets		243,112
Proceeds from the sale of capital assets		(257,487)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Taxes and assessments receivable (change in deferred revenues)		22,059
City Court contracts (change in deferred revenues)		28,988
City license fees (change in deferred revenues)		(160)
Pension contributions from State of Montana		(23,214)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
Long-term debt principal payments		149,632
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund financial statements:		
Change in accrued compensated absences		(21,253)
Change in pension accruals		61,523
Changes in net position on the statement of activities	\$	<u>257,145</u>

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2017

	Major Enterprise Funds		Nonmajor Enterprise Funds	Totals
	Water-5210	Sewer-5310		
<b>Assets</b>				
Current assets:				
Cash and Cash Equivalents	\$ 317,030	\$ 4,647	\$ -	\$ 321,677
Accounts Receivable	51,873	79,554	51,224	182,651
Current portion of loans receivable	39,100	23,021	-	62,121
Total Current Assets	<u>408,003</u>	<u>107,222</u>	<u>51,224</u>	<u>566,449</u>
Non-current assets:				
Restricted Cash and cash equivalents	511,498	1,540,571	1,465,594	3,517,663
Capital assets - land	17,402	-	-	17,402
Capital assets - construction in progress	120,058	252,502	-	372,560
Capital assets (net of accumulated depreciation)	3,948,016	6,977,968	-	10,925,984
Total Noncurrent Assets	<u>4,596,974</u>	<u>8,771,041</u>	<u>1,465,594</u>	<u>14,833,609</u>
Total Assets	<u>5,004,977</u>	<u>8,878,263</u>	<u>1,516,818</u>	<u>15,400,058</u>
<b>Deferred Outflows of Resources</b>				
Pension deferrals	35,724	42,964	-	78,688
Total Deferred Outflows of Resources	<u>35,724</u>	<u>42,964</u>	<u>-</u>	<u>78,688</u>
Total Assets and Deferred Outflows	<u>5,040,701</u>	<u>8,921,227</u>	<u>1,516,818</u>	<u>15,478,746</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	34,564	70,149	-	104,713
Accrued payables	4,833	6,261	-	11,094
Current portion of long-term liabilities	26,000	210,638	-	236,638
Current portion of compensated absences payable	16,774	16,065	-	32,839
Total Current Liabilities	<u>82,171</u>	<u>303,113</u>	<u>-</u>	<u>385,284</u>
Non-current Liabilities				
Deposits payable	12,150	-	-	12,150
Noncurrent portion of long-term liabilities	201,000	812,000	-	1,013,000
Noncurrent portion of compensated absences	14,823	14,521	-	29,344
Noncurrent portion of net pension liability	213,196	256,405	-	469,601
Total Noncurrent Liabilities	<u>441,169</u>	<u>1,082,926</u>	<u>-</u>	<u>1,524,095</u>
Total Liabilities	<u>523,340</u>	<u>1,386,039</u>	<u>-</u>	<u>1,909,379</u>
<b>Deferred Inflows of Resources</b>				
Pension deferrals	7,987	9,605	-	17,592
Total Deferred Inflows of Resources	<u>7,987</u>	<u>9,605</u>	<u>-</u>	<u>17,592</u>
<b>Net Position</b>				
Net investment in Capital Assets	\$ 3,858,476	\$ 6,207,832	\$ -	\$ 10,066,308
Restricted for Bond indenture requirements	476,190	513,894	-	990,084
Restricted for Public Works-Syst Expansion/Improv	-	770,626	1,516,818	2,287,444
Restricted for Debt Service	35,308	256,051	-	291,359
Unrestricted	139,400	(222,820)	-	(83,420)
Total Net Position	<u>\$ 4,509,374</u>	<u>\$ 7,525,583</u>	<u>\$ 1,516,818</u>	<u>\$ 13,551,775</u>

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS

FISCAL YEAR ENDING JUNE 30, 2017

	Major Enterprise Funds		Nonmajor Enterprise Funds	Totals
	Water-5210	Sewer-5310		
<b>Operating Revenues</b>				
Charges for services	\$ 641,777	\$ 939,983	\$ 156,280	\$ 1,738,040
Miscellaneous revenues	1,196	2,776	-	3,972
Special assessments	2,039	1,210	-	3,249
Total Operating Revenues	<u>645,012</u>	<u>943,969</u>	<u>156,280</u>	<u>1,745,261</u>
<b>Operating Expenses</b>				
Personal services	294,510	313,587	-	608,097
Supplies	35,892	84,758	-	120,650
Purchased services	287,001	207,480	-	494,481
Fixed charges	8,225	25,345	-	33,570
Depreciation	198,558	508,216	-	706,774
Total Operating Expenses	<u>824,186</u>	<u>1,139,386</u>	<u>-</u>	<u>1,963,572</u>
Operating Income (Loss)	<u>(179,174)</u>	<u>(195,417)</u>	<u>156,280</u>	<u>(218,311)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	7,984	13,419	14,738	36,141
Debt service interest expense	(5,546)	(23,775)	-	(29,321)
Total Nonoperating Revenues (Expenses)	<u>2,438</u>	<u>(10,356)</u>	<u>14,738</u>	<u>6,820</u>
Change in Net Position before Transfers	<u>(176,736)</u>	<u>(205,773)</u>	<u>171,018</u>	<u>(211,491)</u>
Transfers in	67,040	146,605	-	213,645
Transfer (out)	-	-	(213,645)	(213,645)
Transfers net	<u>67,040</u>	<u>146,605</u>	<u>(213,645)</u>	<u>-</u>
Change in Net Position	(109,696)	(59,168)	(42,627)	(211,491)
<b>Net Position - Beginning of the year</b>	\$ 4,636,389	\$ 7,589,507	\$ 1,559,445	\$ 13,785,341
Restatements	(17,319)	(4,756)	-	(22,075)
Total Net Position - End of the year	<u>\$ 4,509,374</u>	<u>\$ 7,525,583</u>	<u>\$ 1,516,818</u>	<u>\$ 13,551,775</u>

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS  
FISCAL YEAR ENDING JUNE 30, 2017

	Major Enterprise Funds		Nonmajor Enterprise Funds	Totals
	Water-5210	Sewer-5310		
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 647,248	\$ 946,349	\$ 115,505	\$ 1,709,102
Cash paid to suppliers	(331,159)	(296,710)	-	(627,869)
Cash paid to employees	(267,259)	(321,787)	-	(589,046)
Cash received (paid) from customer deposits	1,000	-	-	1,000
Net cash provided by operating activities	<u>49,830</u>	<u>327,852</u>	<u>115,505</u>	<u>493,187</u>
<b>Cash flows from noncapital financing activities:</b>				
Advances from (to) other funds	3,933	2,334	-	6,267
Transfers from (to) other funds	67,040	146,605	(213,645)	-
Net cash (used for) provided by non capital financing activities	<u>70,973</u>	<u>148,939</u>	<u>(213,645)</u>	<u>6,267</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases/construction of capital assets	(142,833)	(271,385)	-	(414,218)
Principal paid on capital debt	(26,000)	(218,394)	-	(244,394)
Interest paid on capital debt	(5,546)	(23,775)	-	(29,321)
Net cash used for capital and related financing activities	<u>(174,379)</u>	<u>(513,554)</u>	<u>-</u>	<u>(687,933)</u>
<b>Cash flows from investing activities:</b>				
Interest earnings	7,984	13,419	14,738	36,141
Net cash provided by investing activities	<u>7,984</u>	<u>13,419</u>	<u>14,738</u>	<u>36,141</u>
Net (decrease) increase in cash and cash equivalents	(45,592)	(23,344)	(83,402)	(152,338)
Cash and cash equivalents at July 1, 2016	874,120	1,568,562	1,548,996	3,991,678
Cash and cash equivalents at June 30, 2017	<u>\$ 828,528</u>	<u>\$ 1,545,218</u>	<u>\$ 1,465,594</u>	<u>\$ 3,839,340</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (179,174)	\$ (195,417)	\$ 156,280	\$ (218,311)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	198,558	508,216	-	706,774
(Increase) Decrease in accounts receivable	2,236	2,380	(40,775)	(36,159)
Increase (decrease) in customer deposits	1,000	-	-	1,000
Increase (decrease) in warrants/accounts payable	5,314	30,437	-	35,751
Increase (decrease) in accrued payables	(5,355)	(9,564)	-	(14,919)
Increase (decrease) in compensated absences payable	5,771	(8,385)	-	(2,614)
Increase (decrease) in net pension liability	39,584	20,972	-	60,556
(Increase) Decrease in deferred outflows-pension	(18,326)	(19,369)	-	(37,695)
Increase (decrease) in deferred inflows-pension	222	(1,418)	-	(1,196)
Net cash provided (used) by operating activities	<u>\$ 49,830</u>	<u>\$ 327,852</u>	<u>\$ 115,505</u>	<u>\$ 493,187</u>

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2017

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Investments	\$ 131,832
Total Assets	<u>\$ 131,832</u>
<b>Liabilities</b>	
Warrants payable	\$ 131,832
Total Liabilities	<u>\$ 131,832</u>

See accompanying notes to the financial statements

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Introduction

The financial statements of the City of Columbia Falls, Montana (the City) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America (US GAAP). The accounting and reporting framework and the significant accounting principles and practices of the City are discussed in the sections of this Note. The remaining Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2017.

#### 2. Reporting Entity

The City is a political subdivision of the State of Montana, incorporated in 1909. On March 5, 1992, by lawful authority, the City established a Commission/Manager form of government. The City is governed by a city commission, composed of six commissioners and a mayor, elected at large by voters of the City.

The City is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria: (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by GASB. These financial statements present the City and its component unit. The discretely presented component unit is reported in separate columns in the basic financial statements to emphasize that it is legally separate from the City.

The Fire Relief Association Disability and Pension Fund is a discretely presented component unit of the City. The City is financially accountable, by law, to ensure that the Fire Relief Association and Pension Fund is properly funded based upon actuarial valuation of the liability to pay the retirement and disability benefits of the City's volunteer firefighters. The City is also responsible for the collection of taxes and intergovernmental revenues for the Fire Relief Association Disability and Pension Fund. The Fire Relief Association Disability and Pension Fund has a June 30 year end. This component unit is presented discretely in the Statement of Net Position and Statement of Activities.

#### 3. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities.

These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed primarily through taxes, assessments, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for services provided.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, assessments and charges paid by the recipients of good or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regard to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

### Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
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- c. If an individual fund has met the minimum criteria for mandatory major fund reporting in some years but not in others, the City may elect to always report it as a major fund to enhance consistency from year to year.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund, which accounts for all financial resources of the City except those required to be accounted for in other funds. It accounts for many of the City's general and administrative services, such as legislative, financial, legal, police, fire and parks.

Street Maintenance Fund. This special revenue fund accounts for the special maintenance assessment charged for the direct street, alley and sidewalk operational and maintenance costs including, but not limited to, snow removal, street sweeping, and minor and major repairs. The street maintenance assessment is set each year by the City Council pursuant to state statute.

Cedar Creek Trust Fund. This special revenue fund was created by resolution adopted by the City of Columbia Falls Council. Per the trust document, funds can be used for land or building purchases benefiting the citizens of Columbia Falls, as well as loans of the principal or interest where a benefit would be realized by the citizens. Principal can only be spent or loaned by the Council by consent of a minimum of five of the seven members.

The City reports the following major enterprise funds:

Water Fund. This fund accounts for the operating revenues and expenses of the public water utility system. This fund is maintained on the full accrual basis of accounting.

Sewer Fund. This fund accounts for the operating revenues and expenses of the public sewer system. This fund is maintained on the full accrual basis of accounting.

Additionally, the City reports the following fund type:

*Agency.* The City has three agency funds: Payroll, Claims and Flex Funds. Agency funds have no measurement focus.

4. Measurement Focus, Basis of Presentation and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

*Government-wide and Proprietary Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
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Non-exchange transactions, are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, licenses, and interest on investments are considered to be susceptible to accrual. Property taxes not meeting the revenue recognition criteria at year-end have been reported as unavailable revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under the terms of grant agreements and State law, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

In accordance with provisions of Montana statutes, the City finances both capital improvements and certain services deemed to benefit specific properties by levying special assessments against the benefited properties. Special assessments are levied against property in a manner similar to ad valorem property taxes.

Proprietary funds distinguish between operating revenues and expenses and non-operating items. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

#### 5. Cash and Investments

Cash and investments may include cash and cash items; demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); repurchase agreements, U.S. government treasury bills, notes, bonds, and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the fund meets certain conditions. Cash resources of the individual funds are combined to form a pool of cash and investments that is managed by the City Treasurer and City Manager in accordance with the City's Investment Policy. Investments of the pooled cash consist primarily of demand deposits, government backed securities and investments with STIP. Interest income earned as a result of

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pooling is distributed monthly to the appropriate funds based on the month-end balance of cash in each fund.

The City issues checks in payment of its obligations drawn on either the Claims Fund or Payroll Fund, both agency funds. No outstanding checks are reported in the governmental or proprietary funds. Investments are reported at fair value in accordance with the provisions of GASB Statement No. 72.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all funds, including restricted assets, held in the City's cash management pool to be cash equivalents.

6. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Outstanding receivables and payables are classified as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion) on the fund balance sheets. All amounts are eliminated in the Statement of Net Position other than any outstanding balances between governmental-type and business-type that are classified as "internal balances."

Long-term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not expendable, available financial resources.

All trade, taxes and assessment receivables are shown net of an allowance for uncollectibles. Receivables are reviewed prior to year-end and written off if older than 360 days and not secured by real property. Water and wastewater receivables constitute a lien on the property per City Ordinance. The lien must be paid before property is transferred to a new property owner. The only uncollectible accounts incurred in these funds are immaterial and relate to bankruptcy proceedings that are written off immediately after court proceedings are finalized. As such, the balance of the allowance as of June 30 was \$ - 0 -.

Real Property taxes are levied and collected by Flathead County and are payable in two installments due November 30 and May 31. The county assesses penalty and interest after these dates and pursues collection through the statutory tax deed process when necessary. Uncollectible taxes result from protested taxes. Decisions by the tax appeal board on protested taxes are generally made prior to fiscal year-end for that year's taxes. All remaining receivables constitute a lien on the property and are eventually collected. As of June 30, there were no taxes receivable considered a material uncollectible.

7. Inventories and Prepaid Items

Inventories of supplies and other expendable items are expensed at the time of purchase in the governmental fund types. The City does not maintain any material inventories within the enterprise funds and therefore expenses any items at the time of purchase. Prepaid expenses, if any, represent payments to vendors that benefit future reporting periods and are reported on the consumption basis.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
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8. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted assets also reflect amounts set aside by the City Council as cash reserves to fund future needs. The Cedar Creek Trust document restricts the principal portion to purchase other land or buildings with at least five (5) members approving such a purchase.

The City's policy for using restricted or unrestricted cash reflects the bond covenant restrictions, grant requirements or City Policy. Other long-term reserves are invested as allowed and are not used for any type of expenditure except as allowed by the bond covenants, Trust Document or City Policy.

9. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Additionally, on the governmental funds balance sheet, these include the net uncollected property tax and special assessment receivables, licenses/permits and court fine receivables.

10. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

11. Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets used in governmental fund types are recorded as expenditures in the governmental funds and capitalized in the Statement of Net Position. Capital assets of propriety funds are capitalized in the fund in which they are used.

All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. City policy has set the capitalization threshold for reporting capital assets at \$5,000 with a useful life of at least five years. Streets, alleys and sidewalks are capitalized by specified criteria and not by a dollar threshold. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend the assets' useful life, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
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 June 30, 2017

Depreciation of all governmental fund capital assets, except land and construction in progress, is charged as an expense to the proper function in the Statement of Activity, but not in the governmental fund statements in accordance with generally accepted accounting principles. Depreciation of all capital assets, except land, easements and construction in progress, used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary funds' Statement of Net Position. However, it is shown net of asset's installed cost on the Statement of Net Position for all fund types presented.

Depreciation on assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Buildings .....	50-75 years
Building Improvements .....	50-75 years
Equipment other than Vehicles .....	20-30 years
Public Domain Infrastructure .....	20 years
System Infrastructure .....	40 years
Vehicles .....	6-10 years
Heavy Equipment.....	10-20 years
Office/computer Equipment .....	5 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which required governments to make retroactive reporting of infrastructure at its historical cost for all assets or just those acquired after June 30, 2008. The City of Columbia Falls recorded the estimated historical value of infrastructure as of June 30, 2007. GASB Statement 51 required governments to record the value of easements it owns for fiscal year 2010. Based on Montana statute, the City concluded that the estimated historical value of easements which the City would own, are not material and accordingly, did not record the value of easements. In most instances, the easements are recorded on the property without transfer of ownership.

12. Compensated Absences

It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carryover a maximum of two times their annual accumulation of vacation. Any excess over the maximum must be used by 90 days into the new calendar year. State law and City policy allows excess vacation hours to be carried until the end of the calendar year under certain circumstances. There is no restriction of the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability for compensated absences is reported in the government-wide and proprietary Statements of Net Position.

Compensated absences liability and expense are reported in the governmental funds only if they have matured. This would occur if an employee had terminated their employment with the City and there was unused reimbursable leave that was unpaid at June 30.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
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13. Long-term Obligations

In the Statement of Net Position and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

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

14. Pensions

The City participates in three cost-sharing defined benefit pension plans administered by the Public Employees Retirement Board (PERB). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS), Municipal Police Officers Retirement System (MPORS), Firefighters Unified Retirement System (FURS) and additions to/deductions from PERB's fiduciary net position have been determined on the same basis as they are reported by PERB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City also participates in a defined contribution plan offered by PERB. There is no liability associated with this type of pension plan unless the City fails to pay the required contributions. The City has paid all required contributions.

15. Postemployment Benefits

The City accounts for postemployment benefit obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The City allows retirees, their dependents and spouses to pay similar rates for insurance as current employees. Statement 45 states this provides an "implied rate subsidy" since retirees generally have higher health costs and should pay higher premiums. Even though the City has consistently collected more premiums than it has paid in expenses for retiree insurance, the actuary is not allowed to take this into account since our insurance pool is not large enough for their statistical calculations. The City feels this is not a legal liability since nothing in State law or other contracts requires us to provide the same rate and we can change it at any time. Rates are actuarially established for the entire group and therefore the costs are covered. The City will continue to fund this imposed liability on a pay-as-you-go basis as City staff feel it would be irresponsible to set aside taxpayer funds in an irrevocable trust fund that will never be used and probably continue to increase.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
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16. Net Position/Fund Balance

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

GASB Statement 54 requires governmental fund balances to be allocated to categories as follows:

- Nonspendable – funds that are not in spendable form (i.e. inventory);
- Restricted – externally enforceable legal restrictions exist, such as state law or bond covenants;
- Committed – constraint formally imposed by the City Council by the end of the reporting period;
- Assigned – constrained imposed by the City Administration by the reporting date;
- Unassigned – remaining balance.

The Governmental Accounting Standards Board adopted Statement 54, Fund Balance Reporting and Governmental Type Fund Type Definitions effective for fiscal years beginning after June 15, 2010. As required by GASB 54, the City adopted Resolution 1614 setting the fund balance policy including the order of spending and designating authority.

17. Grant Revenue

The City recognizes grant income on governmental-mandated and voluntary non-exchange transactions when all eligibility requirements have been met. Cash or other assets provided in advance are reported as unearned grant revenue until all eligibility requirements have been met.

18. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used are reported as transfers.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Data

The State of Montana’s budget law stipulates that money, other than payments from agency funds, may not be drawn from the treasury of a municipality except pursuant to an appropriation. Therefore, a legally adopted budget is required for all funds, with the exception of agency funds. The City legally adopts a budget for the required funds.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
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2. Budget Process

The City Manager is responsible for preparation of the preliminary annual budget. The City Council approves and/or modifies the budget. The City Council must meet prior to the budget adoption for the purpose of holding a public hearing on the final budget. This hearing can be continued until the budget is finally approved and adopted on or before the first Thursday after the first Tuesday in September or within 30 calendar days after receiving certified taxable values from the State Department of Revenue. The total value of property within the City as determined by the County Assessor is the assessed valuation.

The City Council modified the 2017 budget in November 2016 for the purpose of adopting a budget for the Tax Increment District Fund, Fund 2310, with the adoption of Resolution #1740. The City Council gave public notice and held a public hearing for the purpose of taking public comment on the proposed Tax Increment District Fund budget. The City had created the Tax Increment District in 2015 in compliance with state statutes. The 2016 certified value provided the initial incremental value which the county-wide levies had been set and the MT Department of Revenue and Flathead County applied the levies to incremental value. The Council adopted budget appropriations in the amount of \$50,000 pursuant to activities designated in the Urban Renewal Plan adopted for the Tax Increment District.

In April 2017, the City Council adopted Resolution #1747 amending the 2017 FY Water, Water Expansion, Sewer and Sewer Expansion Fund budgets for the Riverwood Subdivision Infrastructure Project. The project was in the initial planning stages in fall 2016 and the engineering and construction costs were not known when the original budget was adopted.

Additionally in compliance with the City's Budget Resolution #1733, the City Council adopted Resolution #1750 in June 2017 amending the General Fund, Gas Tax, Capital Outlay General Equipment and Capital Outlay Street Construction budgets, amending budgeted Capital Outlay expenditures in the General Fund and Gas Tax to Transfers Out and adding the funds to the applicable Capital Outlay fund.

The City's assessed valuation and mill value as certified by the MT Department of Revenue in August 2016 were \$391,255,650 and \$6,412 respectively. The City's mill levy totaled 225.003 mills including a 170.354 all-purpose levy, 11.729 mills for the Fire Relief Pension Fund, 19.463 for the Permissive Medical Levy and 23.457 mills for the two voted levies for general obligation bonds: 1999 Swimming Pool Bond and 2007 Street Improvements Bond.

The City Clerk forwards a copy of the final budget to the State Department of Administration no later than October 1<sup>st</sup> of each year. A copy of the final budget is available for review in the City Clerk's office located at 130 6<sup>th</sup> Street West, Columbia Falls, Montana and on the City's website at [cityofcolumbiafalls.org](http://cityofcolumbiafalls.org). The tax levies and special assessments are forwarded to the County Treasurer for collection.

All appropriations lapse at the end of the year.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
 NOTES TO THE FINANCIAL STATEMENTS  
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3. Negative Fund and Net Position Balances

The City had no major funds with negative fund or net position balances. Additionally, the City had no non-major funds with negative fund or net position balances.

**NOTE C - CASH AND INVESTMENTS**

A summary of cash and investments at June 30, 2017 was as follows:

	<u>Total</u>
Cash on Hand	\$ 525
Flex Advance	5,890
Demand Deposits	1,984,469
Government Backed Securities	2,095,000
State Short-term Investment Pool	<u>3,274,424</u>
Total	<u>\$ 7,360,308</u>

Cash and Investment Policies

*Deposits*

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s policy requires all deposits be insured by an agency of the United States Government and deposits in excess of insurance require pledged securities in compliance with section 7-6-207 of the Montana Code Annotated (MCA), which requires the City obtain securities for the uninsured portion of the deposits equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total asset ratio of 6% or more or securities equal to 100% of uninsured deposits if the institution in which the deposits are made has a net worth to total asset ratio of less than 6%. State statute does not specify in whose custody or name the collateral is to be held. Third party safekeeping of collateral is mandatory and pledged securities are valued at market rather than face value. The amount of collateral held for the City’s pooled deposits as of June 30, 2017 was \$7,852,622 which exceeds the amount required by statute. At June 30, 2017, 100% of the City’s deposits were insured or collateralized.

*Investments*

Credit Risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by City Council complying with State Statutes and any applicable Attorney General, County Attorney and the City’s retained counsel’s opinions. The City’s policy to minimize credit risk is to:

- Limit investing to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business;
- Diversify the investment portfolio so that potential losses on individual securities will be minimized.

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Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy to minimize interest rate risk is to:

- Structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City's investment policy requires that investments be diversified in instruments, institutions and maturity dates.

*External Investment Pool*

The City invests in the Short-Term Investment Pool (STIP) managed by the State of Montana Board of Investments. The Board was created by the Legislature to invest and manage Montana's Unified Investment Program. Local Governments may voluntarily participate in STIP. The City elected to participate in STIP effective July 1, 1994.

The pool invests in short-term, highly liquid investments, and as such, the City has reported these investments as cash equivalents. Amounts invested by the City in STIP may be redeemed at any date at the carrying value on that date. Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive, 3<sup>rd</sup> Floor, Helena, MT 59620.

Investments in the pool are reported at fair value. The fair value of pooled investments is determined annually and is based on year-end market prices. The unit value of the pool is fixed at \$1 for both participant redemptions and purchases. Investments in STIP are carried at amortized cost or "book" value. STIP is managed to closely align fair value with amortized cost. STIP income is automatically reinvested in additional units. STIP is not rated by a national rating agency.

The City's investment in STIP amounts to 0.109% of total STIP assets. The investments managed by the City were 45% invested in STIP. For the year ended June 30, 2017, STIP's average rate of return was 0.81737%.

The investments managed by the City were 27% invested in an interest bearing account secured as noted above with Glacier Bank. For the year ended June 30, 2017, the average investment return on this account was 0.25%. The remaining 28% of the investment portfolio, \$2,095,000, is invested through Multi-Bank Securities, Inc. in government backed Certificates of Deposit and US Government Bonds with interest rates ranging from 1.2% - 1.80%.

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 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.

The City has the following recurring fair value measurements as of June 30, 2017:

- U.S. Government Bonds of \$1,575,070 are valued using a matrix pricing model (Level 2 inputs).

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**NOTE D - CAPITAL ASSETS**

Changes in general capital assets were as follows:

	Balance June 30, 2016	Debits	Credits	Adjustments	Balance June 30, 2017
Cost:					
<u>Capital assets not depreciated:</u>					
Land	\$ 1,802,337	\$ -	\$ -	\$ -	\$ 1,802,337
Construction in progress	14,246	59,374	(14,246)		59,374
<u>Capital assets depreciated:</u>					
Buildings	2,643,573	-	-	-	2,643,573
Improvements	972,436	53,799	-	-	1,026,235
Machinery and equipment	2,456,211	55,596	(14,375)	13,142	2,510,574
Infrastructure	9,714,625	138,281	-	-	9,852,906
Total	17,603,428	307,050	(28,621)	13,142	17,894,999
Less: Accumulated Depreciation:	(7,822,380)	14,375	(754,550)	(7,086)	(8,569,641)
Net Capital Assets	\$ 9,781,048	\$ 321,425	\$ (783,171)	\$ 6,056	\$ 9,325,358

Changes in proprietary fund capital assets were as follows:

	Balance June 30, 2016	Debits	Credits	Adjustments	Balance June 30, 2017
Cost:					
<u>Capital assets not depreciated:</u>					
Land	\$ 17,402	\$ -	\$ -	\$ -	\$ 17,402
Construction Work in Progress	71,134	372,560	(71,134)	-	372,560
<u>Capital assets depreciated:</u>					
Source of Supply	1,758,428	-	-	-	1,758,428
Pumping Plant	559,889	-	-	-	559,889
Treatment Plant	8,198,341	87,924	-	-	8,286,265
Transmission and Distribution	11,836,502	-	-	-	11,836,502
General Plant	2,540,618	31,209	(30,346)	(19,146)	2,522,335
Total	24,982,314	491,693	(101,480)	(19,146)	25,353,381
Less: Accumulated Depreciation	(13,351,738)	24,006	(706,774)	(2,929)	(14,037,435)
Net Capital Assets	\$ 11,630,576	\$ 515,699	\$ (808,254)	\$ (22,075)	\$ 11,315,946

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 43,100
Public Safety	72,049
Public Works	554,073
Culture and Recreation	85,328
Total governmental activities depreciation	<u>\$ 754,550</u>

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**NOTE E - LONG-TERM DEBT**

*Long-term Debt Supporting Government Activities*

General obligation bonds in the amount of \$857,000 were issued by the City in 1999 to provide funds for the construction of the municipal pool, as approved by the voters and repaid with property taxes recorded in the Debt Service Fund. These bonds are required to be paid within twenty years from the date of issue and are backed by the full faith and credit of the City. The City redeemed \$55,000 in bonds during the 2017 fiscal year, leaving an outstanding balance of \$125,000.

General obligation debt, in the form of a loan from Cedar Creek Trust, was issued by the City to provide funds for the improvement of City streets, as approved by the voters in June 2007 and repaid with property taxes recorded in the Debt Service Funds. The loan is required to be paid within twenty years from the date of issue and is backed by the full faith and credit of the City. As of June 30, 2017, the City had drawn down a total of \$703,287 from the Trust, and repaid \$40,586 during the 2017 fiscal year, leaving an outstanding balance of \$269,197. As of August 2011, the City closed on a State of MT Intercap Loan in the amount of \$364,449 to cover the final Street Improvement expenditures, repaying \$36,393 during 2017, leaving an outstanding balance of \$172,568 as of June 30, 2017. The City will use the Debt Service authorization to repay the Cedar Creek Trust and the Intercap Loan.

The loan from the Cedar Creek Trust is treated as an external debt borrowing pursuant to generally accepted accounting principles. The loan by the Trust was approved by at least five (5) members of the City Council and then submitted to the electorate for approval. Pursuant to the Trust Document, loans of the principal must be secured and the loan agreement and security approved by the City Attorney and an independent financial consultant. The City Council approved loaning the City up to \$1.1 million for specific street improvements from the Cedar Creek Trust to save interest, closing and bond costs. To provide the required security, the City Council called for an election approving the debt for up to \$1.1 million. The electorate approved the debt obligation in June 2007. The City Council approved setting the annual interest rate based on the current rates earned by the City's investment pool.

After beginning the Street Improvement Project, the City Council had the opportunity to purchase approximately 28 acres of parkland, including 900 ft of river frontage for \$951,072. Upon the vote of at least five (5) City Council members, the purchase of the land was approved in the fall of 2007. Unfortunately shortly after the purchase, sales of lots halted due to the declining economy and the Trust did not have the available cash to fund the entire \$1.1 million street improvement project along with the land purchase. City Council approved an Intercap Loan with the State of MT to fund any potential shortfall after all of the street projects were completed. In June 2011, the City applied for an Intercap Loan in the amount of \$ 364,449 to cover the final street construction costs and in August 2011 closed on the loan. The City has drawn down funds as available in the Cedar Creek Trust. Due to the favorable Intercap Loan terms, the Council will review annually paying the loan early or paying the Intercap Loan in accordance with the loan agreement. As of June 30, 2017, the Cedar Creek Trust had a total cash balance of \$940,017, consisting of \$63,612 unrestricted and \$876,405 restricted funds.

The City purchased a new fire apparatus in July 2012 for a total cost of \$322,762. This purchase was made cooperatively with the Columbia Falls Rural Fire District pursuant to an interlocal agreement with the Rural District contributing \$205,763 or 64%. The City borrowed \$115,365 from

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the State of MT Intercap Loan program to pay for the City's share of the truck purchase. The City received the \$115,365 in proceeds in August 2012 and repaid \$11,387 during the 2017 Fiscal year, leaving a balance of \$65,162 as of June 30, 2017.

General obligation bonds and debt outstanding as of June 30, 2017, were as follows:

Purpose:	Issue Date	Interest Rate	Bond Term	Maturity Date	Annual Payment	Bonds/Debt Issued	Balance June 30, 2017
Swimming Pool	6/27/1999	4-6.5%	20 yrs	7/1/2019	Varies	\$ 857,000	\$ 125,000
Street Improvements	6/26/2007	Var	20 yrs	7/1/2027	Varies	\$ 703,287	\$ 269,197
Street Improvements-Intercap	8/26/2011	1.0-1.25%	10 yrs	8/15/2021	Varies	\$ 364,449	\$ 172,568
Fire Apparatus-Intercap	8/31/2012	1.0-1.25%	10 yrs	8/15/2022	Varies	\$ 115,365	\$ 65,162
							<u>\$ 631,927</u>

Changes in long-term debt were as follows:

	Balance June 30, 2016	Change	Balance June 30, 2017	Amount due in 2018
General Obligation Bonds	\$ 180,000	\$ (55,000)	\$ 125,000	\$ 60,000
General Obligation Debt	595,291	(88,364)	506,927	84,652
Compensated Absences	157,569	21,253	178,822	99,786
Total	<u>\$ 932,860</u>	<u>\$ (122,111)</u>	<u>\$ 810,749</u>	<u>\$ 244,438</u>

Annual requirement to amortize general obligation debt:

Annual requirement to amortize general obligation debt:

	Principal	Interest
2018	\$ 144,652	\$ 15,010
2019	150,958	10,416
2020	87,284	5,484
2021	88,631	3,781
2022	69,616	2,040
Thereafter	90,786	1,967
Total	<u>\$ 631,927</u>	<u>\$ 38,698</u>

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Legal Debt Margin:

At June 30 the general obligation debt issued by the City did not exceed its legal debt margin as demonstrated by the following computation:

Total Assessed value of taxable property (market value)	\$ 391,255,650
General limitation percentage	<u>2.50%</u>
General limit of indebtedness	\$ 9,781,391
Outstanding general obligation bonds at June 30	125,000
Outstanding loans subject to limitation	<u>506,927</u>
Total Debt subject to limit	<u>631,927</u>
Remaining Legal Debt Margin	<u><u>\$ 9,149,464</u></u>

*Long-term Debt Supporting Business-type Activities*

Changes in long-term debt were as follows:

	Balance June 30, 2016	Change	Balance June 30, 2017	Amount due in 2018
Revenue Bonds	\$1,456,000	\$(219,000)	\$1,237,000	\$224,000
Inter-cap Loan	38,032	(25,394)	12,638	12,638
Compensated Absences	64,797	(2,614)	62,183	32,839
Total	<u>\$1,558,829</u>	<u>\$(247,008)</u>	<u>\$1,311,821</u>	<u>\$269,477</u>

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service.

Revenue bonds outstanding at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance 30-Jun-17</u>
Water System Revenue Refunding Bond	2005	2.25%	12 yrs	7/1/2025	\$ 350,000	Varies	\$ 227,000
Sewer System Revenue Refunding Bond	2001	2.25%	7 yrs	7/1/2020	1,248,000	Varies	491,000
Sewer System Revenue Bond	2009B	0.75%	20 yrs	7/1/2029	359,300	Varies	221,000
Sewer System Revenue Refunding Bond	2009C	3.00%	18 yrs	7/1/2030	<u>385,000</u>	Varies	<u>298,000</u>
Total					<u>\$ 2,342,300</u>		<u>\$ 1,237,000</u>

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In November 2012, the City issued Water System Revenue Refunding and Sewer System Revenue Refunding Bonds through the State of Montana, Department of Natural Resources, Drinking Water Revolving Fund Loan Program and the Wastewater Revolving Fund Loan Program to take advantage of current interest rates. The City's Series 2005 Water system bonds with an outstanding amount of \$350,000 were refunded and the interest rate reduced from 4.0% to 2.25%, resulting in a savings of \$43,907. The City's Series 2001 Sewer system bonds with an outstanding balance of \$1,248,000 were refunded and the interest rate reduced from 4.0% to 2.25%. Additionally, the Series 2009C Sewer system bonds with an outstanding amount of \$385,000 were refunded and the interest rate reduced from 3.75% to 3.0%. The Sewer system bond refunding's resulted in a savings of \$156,285.

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2017, as indicated below:

Debt Service Coverage:	<u>Water</u>	<u>Sewer</u>
Operating Revenues	\$ 731,393	\$1,013,867
Operating Expenses	<u>623,769</u>	<u>619,687</u>
Net Revenue	<u>107,624</u>	<u>394,180</u>
Max Debt Service	\$ 35,994	\$ 234,056
Percent Coverage	299.01%	168.41%

The Sewer Fund borrowed \$124,625 from the MT Board of Investments Program on June 15, 2012. The Sewer Fund used these funds to pay for the new Camel Hydro excavator/Jet Rodder. The loan is for a five-year term, expiring on August 15, 2017. The current interest rate is 2.5%. The Board sets the rate each February. The City repaid \$25,394 leaving an amount outstanding at June 30, 2017 of \$12,638.

Annual requirement to amortize revenue bond and loan debt:

For Fiscal Year	Principal	Interest
2018	\$ 236,638	\$ 24,567
2019	227,000	19,875
2020	233,000	15,264
2021	66,000	11,389
2022	68,000	10,009
Thereafter	419,000	33,543
Total	<u>\$ 1,249,638</u>	<u>\$ 114,647</u>

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**NOTE F - EMPLOYEE BENEFIT PLANS**

Pension Plans

General Information:

All full-time, qualifying part-time and elective City employees are covered by one of the following retirement plans: Montana Public Employees Retirement System (PERS), Municipal Police Officers' Retirement System (MPORS), and Firefighter Unified Retirement System (FURS). The plans are established by State law and administered by the State of Montana Public Employees' Retirement Board (PERB). The authority to establish or amend contribution requirements for all plans, and provide cost of living adjustments for defined benefit plans is assigned to the State legislature. PERB issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for these plans. It is available from the Montana Public Employees' Retirement Administration (MPERA) at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, MT, 59620-0131 or at their website, <http://mpera.mt.gov>. The Plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries with amounts determined by the State. PERS also has a defined contribution option.

The Montana Public Employees Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pension, pension expense, information about the fiduciary net position and additions to, and deductions from, fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized 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 measureable. Benefits payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Contributions to pension plans are as required by state statute. Information about each plan follows:

Public Employee Retirement Systems (PERS):

Plan Description:

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945 and governed by Title 19, chapters 2 & 3 Montana Code Annotated (MCA).

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

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The PERS-DBRP provides retirement, disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Employees with 5 years of service are eligible to retire at ages shown below. Vested (5 years of service) employees are eligible for disability benefits. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits generally equal the balance in the member's vested account or continuing payments under an annuity contract.

Summary of Benefits:

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months.
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit:

Service retirement:

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service;
  - Age 65, regardless of membership service; or
  - Any age, 30 years of membership service
- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service;
  - Age 70, regardless of membership service

Early retirement, actuarially reduced:

- Hired prior to July 1, 2011:
  - Age 50, 5 years of membership service; or
  - Any age, 25 years of membership service
- Hired on or after July 1, 2011:
  - Age 55, 5 years of membership service

Vesting:

5 years of membership service.

Monthly benefit formula:

Members hired prior to July 1, 2011;

- Less than 25 years of membership service: 1.7857% 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% HAC per year of service credit.
- 10 years or more, but less than 30 years of membership service: 1.7857% of HAC per year of service credit.
- 30 years or more of membership service: 2% of HAC per year of service credit.

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**Service Credit**

A full month of service credit is earned when 160 hours or more is reported to PERB by the City during any given month. Proportional service credit is awarded unless at least 2080 hours is worked in a year.

**Guaranteed Annual Benefit Adjustment (GABA)**

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
- Members hired on or after July 1, 2013:
  - (a) 1.5% for 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.

PERS-DCRP is a multiple-employer plan established July 1, 2002. A percentage of employer contributions are used to fund various PERS member education programs and a long-term disability plan fund. PERS-DCRP provides for retirement, disability, and death benefits to plan members and their beneficiaries based on the balance in the member's account.

**Municipal Police Officers' Retirement System (MPORS):**

**Plan Description:**

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

**Summary of Benefits:**

**Member's final average compensation (FAC)**

- Hired prior to July 1, 1977 – average monthly compensation of final year of service.
- Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's final average compensation.

**Eligibility for benefit:**

20 years of membership service, regardless of age.

**Early retirement:**

Age 50, 5 years of membership service.

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Vesting:

5 years of membership service.

Monthly benefit formula:

2.5% of FAC per year of service credit.

Service Credit

A full month of service credit is earned when at least 160 hours is worked. Proportional service credit is awarded for less than 160 hours.

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.

Deferred Retirement Option Plan (DROP):

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

Firefighters' Unified Retirement System (FURS):

Plan Description:

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan

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members and their beneficiaries. Benefits are based on eligibility, years of service, and either final monthly compensation or final average compensation. Effective July 1, 2005, the benefits are based on highest average compensation and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

Summary of Benefits:

Member's highest monthly compensation (HMC)

- Hired prior to July 1, 1981 and not electing GABA - highest monthly compensation (HMC).
- Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Eligibility for benefit:

20 years of membership service, regardless of age.

Early Retirement:

Age 50, 5 years of membership service

Vesting:

5 years of membership service.

Monthly benefit formula:

1) Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service, OR

i). if less than 20 years of service – 2% of HMC for each year of service;

ii). if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years

2) Members hired on or after July 1, 1981 and those electing GABA:

2.5% of HAC per year of service

Service Credit

A full month of service credit is earned when at least 160 hours is worked. Proportional service credit awarded for less than 160 hours.

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 of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service). If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient.

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Contribution Rates and Amounts

	Employee	Employer	State
PERS	7.90%	8.37%	0.10% <sup>1</sup>
MPORS	9.00%	14.41%	29.37%
FURS	10.70%	14.36%	32.61%

	City			State
	2017	2016	2015	2017
PERS	\$ 71,001	\$ 65,481	\$ 66,853	\$ 848
MPORS	70,326	61,851	58,979	144,202
FURS	9,238	8,991	8,724	27,301

<sup>1</sup> The State also contributes from the Coal Tax Severance fund.  
 One hundred percent of contributions were paid.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of net pension liability that was associated with the City were as follows:

	PERS	MPORS	FURS	Total
City's proportionate share of the net pension liability	\$1,042,789	\$ 547,337	\$ 50,782	\$ 1,640,908
State's proportionate share of the net pension liability associated with the City	12,742	1,086,487	115,056	1,214,285
Total	\$1,055,531	\$ 1,633,824	\$ 165,838	\$ 2,855,193

The net pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward to the measurement date of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, including the State, actuarially determined.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	PERS	MPORS	FURS
Proportionate share of plan's net pension liability	0.0612%	0.3041%	0.0445%

For the year ended June 30, 2017, the City recognized pension expenses of \$134,032 and revenue of \$150,676 for support provided by the State. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>				
	PERS	MPORS	FURS	Total
Expected vs Actual Experience	\$ 5,627	\$ -	\$ -	\$ 5,627
Projected Investment Earnings vs Actual	98,106	35,490	5,316	138,912
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	16,020	-	16,020
City contributions subsequent to the measurement date	71,001	70,326	9,238	150,565
<b>Total</b>	<b>\$ 174,734</b>	<b>\$ 121,836</b>	<b>\$ 14,554</b>	<b>\$ 311,124</b>

<b>Deferred Inflows of Resources</b>				
	PERS	MPORS	FURS	Total
Expected vs Actual Experience	\$ 3,452	\$ 11,151	\$ 478	\$ 15,081
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	35,613	-	714	36,327
<b>Total</b>	<b>\$ 39,065</b>	<b>\$ 11,151</b>	<b>\$ 1,192</b>	<b>\$ 51,408</b>

The \$150,565 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Fiscal Year Ending June 30	PERS	MPORS	FURS	Total
2018	\$ 4,750	\$ (1,118)	\$ 386	\$ 4,018
2019	4,750	(1,118)	386	4,018
2020	55,750	15,077	2,541	73,368
2021	35,031	11,499	1,612	48,142
2022	-	-	(86)	(86)
Thereafter	-	-	-	-
<b>Total</b>	<b>\$ 100,281</b>	<b>\$ 24,340</b>	<b>\$ 4,839</b>	<b>\$ 129,460</b>

*Actuarial Assumptions*

The total pension liabilities (TPL) used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study, dated June 30, 2010 for the six year period July 1, 2003 to June 30, 2009.

Among these assumptions were the following:

Inflation	3% percent
Salary Increases	4% percent, average, including inflation
Investment rate of return	7.75% percent, net of pension plan investment expense, including inflation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 are combined to produce the long-term expected rate of return by weighing the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%	0.104%
Domestic Equity	36.00%	4.55%	1.638%
Foreign Equity	18.00%	6.35%	1.143%
Fixed Income	23.40%	1.00%	0.234%
Private Equity	12.00%	7.75%	0.930%
Real Estate	8.00%	4.00%	0.320%
Total	<u>100.00%</u>		<u>4.37%</u>
Inflation			3.00%
Portfolio Return Expectation			7.37%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate* - The following present the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

<u>City's proportionate share of the net pension liability</u>	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PERS	\$ 1,513,162	\$ 1,042,789	\$ 637,606
MPORS	736,960	547,337	340,491
FURS	79,961	50,782	26,791
	<u>\$ 2,330,083</u>	<u>\$ 1,640,908</u>	<u>\$ 1,004,888</u>

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*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERB financial report.

Local Retirement Plans

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available to all full-time and part-time City employees, permits them to defer a portion of their salary until future years. Additionally, for qualifying employees not participating in the City's Health Insurance Benefit program due to having other health insurance coverage, the City contributes up to \$416 per month into the deferred compensation plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency pursuant to Internal Revenue Service requirements.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employee (without being restricted to the provisions of benefits under the plan).

Investments are managed by the plan's trustee, Nationwide Retirement Solutions, based on the participant's selected investment options. For the 2017 fiscal year, 8 active employees had elected deferred compensation benefits in lieu of health insurance benefits and 11 active employees elected to defer a portion of their compensation under the provisions of the 457(b) plan. The City contributed \$24,472.12 on the employees' behalf during the 2017 FY to the 457(b) plan. The City does not manage or control the plan assets.

Fire Relief Association Pension Plan (Discretely Presented Component Unit)

The Columbia Falls Firefighters Relief Association Pension Plan is a single-employer defined benefit pension plan. Montana State law (MCA 19-18-503) requires the City to soundly fund the pension plan for non-paid volunteer firefighters, who are considered employees of the City. The City contributes to the plan annually meeting all the state funding requirements. The discretely presented component unit of the City, Fire Department Relief Association, has been established to administer pension payouts and hold the funded assets. The Relief Association is governed by a separate board of directors made up of active and retired members of the volunteer fire department.

The City implemented GASB 73 –*Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. One objective of this Statement is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements. An additional objective is to improve the information provided in government financial reports about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement 68. In order to meet these objectives and comply with paragraph 115 and 116 of this Statement, the City has determined it appropriate to show the pension liability within the Fire Relief Association financials. The assets of the Relief Association (non-employer entity) represent the City's contributions made toward pension obligations. The cash is expected to offset the liabilities of the pension plan. The assets and related liability are reported within the discretely presented component unit of the City.

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Summary of Benefits:

The eligibility for normal retirement requires 20 years of service with no option for early retirement. The plan also provides a disability pension after 10 years of service (prorated) and eligible surviving spouse benefit for the death of an active member with at least 10 years of service. The normal retirement benefit is \$150 per month with 20 years of service, increased by 10% for each additional year, up to the statutory maximum payment of \$300.

Actuarial Assumptions:

The actuarial method used is the Projected Unit Credit. Under this method the benefit payable at the assumed retirement age is determined. The accrued benefit used for the accrued liability is the projected benefit multiplied by the ratio of service to date divided by service projected to the retirement date.

Interest rates used were segment rates as published by the IRS for funding under PPA '06 as modified by the Bipartisan Budget Act of 2015 for plan year beginning 07/01/2016.

Mortality tables utilized were tables as published by the IRS for funding under PPA '06 for plan years beginning in 2016 (combined basis).

Spousal age for active participants was assumed to be 3 years younger than participant.

All other assumptions in a group of this size were not considered statistically valid.

Covered Employees:

There are 25 inactive employees currently receiving benefit payments.

Post-Employment Benefits Other than Pensions

The City accounts for postemployment benefit obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45 "Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions." Accordingly, the City reported the "implied rate subsidy" liability as required by GASB Statement No. 45 for the first time in fiscal year 2010. As required by state law, the City provides employees who retire and their spouses and dependents the option to continue to participate in the City's group health insurance plan. 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). To continue coverage, retirees are required to pay the full cost of the benefits. State law requires the City to offer insurance to retirees but it does not require the City to offer it at the same rate as all participants. Furthermore, there are no legal or contractual agreements requiring the City to pay any portion of a retiree's insurance or to offer the insurance at a specified rate. Rates are charged according to the annual actuarial valuation provided by the City's insurer, Montana Municipal Interlocal Authority.

Plan Description: In 2017, the City of Columbia Falls provided employee medical insurance through a cost-sharing, multiple-employer plan administered by the Montana Municipal Interlocal Authority.

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**Funding Policy:** The City of Columbia Falls provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the actuarially determined health insurance premium. Eligible retirees must be enrolled in the City's medical insurance prior to retiring and must elect to continue coverage within 30 days of retirement. As of June 30, 2017, the City had one retired employee electing to participate in the City's medical insurance plan entirely at their own cost. There were no former employees under COBRA insurance coverage. In 2017, retirees paid \$7,824 in actuarially determined medical premiums.

**Annual OPEB Cost Obligation:** The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule. It is important to note that the accrued liability and the annual required contribution (ARC) are highly sensitive to the participation rate assumption. For the City of Columbia Falls, based on historical data, the City used a 10% participation rate, which matches the thirty-year trend for the City's retirees' participation. Additionally, the calculation is also sensitive to the age of the City's employees.

**Funded Status and Funding Progress:** As calculated using the alternative method for smaller governments effective June 30, 2017, the actuarial accrued liability (AAL) for benefits was \$ 0. The City will continue to fund benefit costs on a pay-as-you-go basis. Based on the City's thirty-year participation rate, this liability will not be material with respect to the City's financial statements.

**Methods and Assumptions:** The Montana Municipal Interlocal Authority (MMIA) contracted with Leif Associates, Inc. to calculate the actual cost of retiree medical coverage and subsequently calculated the pre-age 65 (not Medicare eligible) and age 65 and older (Medicare eligible) per individual premium subsidy as of June 30, 2017. Leif Associates used the following assumptions in calculating the subsidy rate:

- Health Care Trend – 8%
- Out-of-network claims percentage – 10%
- Member to employee ratio: 2.04
- Blended (menu) rates based on enrollment distribution as of 6/30/2017
- HDHP plan enrollment included in Menu blended rates (Rx no copay)
- Retiree costs are 35% greater than an active's cost of the same age
- Medicare assumed to cover 55% of retiree medical costs (65+)

**City Implementation of GASB 45:** As a phase III government, the City was required to implement the GASB 45 provisions in FY 2010. Accordingly, GASB 45 was implemented prospectively; the City began the 2010 fiscal year with a Net OPEB obligation of – 0 – and is amortizing the Actuarial Accrued Liability (AAL) over a period of 30 years. The City calculated the AAL and ARC using the Leif Associates, Inc. report and the subsidy calculation and Alternative Method Worksheets provided by MMIA for the express purpose of complying with GASB 45 requirements. Pursuant to the Alternative Method, the calculation and assumptions are recalculated every three years. As of

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June 30, 2017, in accordance with GASB 45 requirements, the City calculated the AAL and ARC using the updated Leif Associates, Inc. report and the subsidy calculation and Alternative Method Worksheets provided by MMIA for the 2017 FY recalculation. Due to a reduction in the employees receiving benefits, the City’s actuarial accrued liability (AAL) as of June 30, 2017 was \$-0-. The City recognizes this AAL for the next fiscal year, 2018 until the City is required to recalculate the AAL.

**NOTE G - INTERFUND TRANSFERS**

The following is an analysis of governmental operating transfers in and out during fiscal year 2017:

Purpose	Transfer From	Transfer To	Amount
Street Construction	1000-General Fund (Major)	4040-Capital Projects Street Construction (Non-Major)	\$ 385,968
Permissive Medical Levy	2372-Permissive Medical Levy (Non-Major)	1000-General Fund (Major)	\$ 86,232
		2500-Street Maintenance (Major)	\$ 29,229
Capital	2820-Gas Tax Fund (Non-Major)	4020-Capital Projects Equipment (Non-Major)	\$ 30,124

The following is an analysis of enterprise fund transfers in and out during fiscal year 2017:

Purpose	Transfer From	Transfer To	Amount
Infrastructure expansion	5211-Water Capital Expansion (Non-Major)	5210-Water Fund (Major)	\$ 67,040
Infrastructure expansion	5311-Sewer Capital Expansion (Non-Major)	5310-Sewer Fund (Major)	\$ 146,605

**NOTE H - INTERFUND LOANS**

Special Improvement Districts 34 and 36 - During fiscal year 2006 the City’s Water and Sewer Enterprise Funds loaned funds for construction costs for the upgrade and expansion of water and sewer lines and appurtenances for 4<sup>th</sup> Avenue and 5<sup>th</sup> Avenue within the City. The City Council approved the formation of Special Improvement Districts 34 and 36 and the homeowners are assessed annually on the tax bill to pay back the City for construction costs for a period of twenty (20) years. The payments are due in equal installments on November 30 and May 30.

Long-term interfund loans receivable have been recorded in the Water and Sewer Enterprise Funds and at June 30, 2017, the combined balance of the interfund loans was \$62,121, which is the same amount owed to the City by homeowners within the special improvement districts. The City’s special improvement funds 34 and 36 are debt service funds and these funds record the special assessments receivable and receipts and pay back the interfund loans to the Water and Sewer

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Enterprise Funds. The interfund loan payable is reported as long-term debt in the general long-term debt account group in the fund financial statements and is eliminated in the government-wide financial statements as interfund activity.

Annual maturity of the long-term special assessment receivable for the 2017 FY is \$6,266, subject to interest at 4.75%.

Cedar Creek Trust Fund – During fiscal year 2008, general obligation debt, in the form of a loan from Cedar Creek Trust was issued by the City to provide funds for the improvement of city streets, as approved by the voters and repaid with property taxes levied and recorded in a Debt Service Fund. This loan is accurately reported as an external debt borrowing pursuant to generally accepted accounting principles. Accordingly, the debt is not reported as an Advance to/from other fund, long-term portion, or as a Due to/from other fund, short-term portion. The loan is recorded and reported in the general long-term debt account group within the fund financial statements and as general obligation debt within the government-wide financial statements. See Note E for further disclosure and debt maturity schedule.

**NOTE I - RESTRICTED CASH AND INVESTMENTS**

In compliance with the City’s policies, debt covenants and Cedar Creek Trust, the governmental and enterprise funds restricted cash and investments at June 30, 2017 are as follows:

Fund	Fund Type	Description	Amount
1000-General	Major	Reserved by Council/cash flow	\$ 532,720
2372-Permissive Medical Levy	Non-Major	Reserved by Council/cash flow	33,279
2394-Building Code Enforcement	Non-Major	Reserved by Council/cash flow	79,688
2400-Special Lighting District	Non-Major	Reserved by Council/cash flow	20,000
2500-Special Street Maint District	Major	Reserved by Council/cash flow	175,995
2700-Cedar Creek Trust	Major	Reserved by Trust Document	876,405
3010-GO Pool Debt Service	Non-Major	Reserved by Council for debt payments	19,082
3020-GO Street Debt Service	Non-Major	Reserved by Council for debt payments	38,275
4000-Capital Projects-Bldg Improv	Non-Major	Reserved by Council for building improv	24,197
4010-Capital Projects-Park Impr	Non-Major	Reserved by Council for improv/cash in lieu	284,199
4020-Capital Projects-Gen EQPT	Non-Major	Reserved by Council for future eqpt	68,528
4020-Capital Projects-Gen EQPT	Non-Major	Reserved by Council for road eqpt	30,124
4040-Capital Projects-Street Const	Non-Major	Reserved by Council for Street construction	135,000
5210-Water	Major	Replacement/Depreciation	246,754
5210-Water	Major	Reserved for Future Debt Service	35,308
5210-Water	Major	Reserved for new projects	229,436
5211-Water Expansion	Non-Major	System Expansion	995,802
5310-Sewer	Major	Replacement/Depreciation	200,000
5310-Sewer	Major	Reserved for Future Debt Service	256,051
5310-Sewer	Major	Reserved for new projects	313,894
5310-Sewer	Major	Reserved for WWTP Project/Debt	770,626
5311-Sewer Expansion	Non-Major	System Expansion	469,792
			\$ 5,835,155

**NOTE J - GOVERNMENT FUND BALANCE REPORTING**

The City implemented Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions during 2011, and therefore required to classify fund balances into specifically defined classifications (see Note A). The City spends

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restricted amounts first. When expenditure is incurred for purposes for which committed, assigned or unassigned funds are available, the City spends first committed, then assigned and finally unassigned funds.

Fund Balance	General	Cedar Creek Trust	Street Maintenance	Other Governmental	Total Governmental Funds
<b>Non-Spendable:</b>					
Long-Term receivable		\$345,801			\$345,801
<b>Restricted:</b>					
Trust Agreement		876,405			876,405
Grantor or contributors				\$ 60,254	60,254
State statute			\$ 220,615	467,658	688,273
<b>Committed:</b>					
Designated by City Mgr/Fi	\$532,720				532,720
Restricted by state law & grantors				822,581	822,581
<b>Assigned</b>					
Designated by City Mgr/Finance Dir		63,612			63,612
<b>Un-Assigned</b>	392,779				392,779
<b>Total Fund Balance</b>	<b>\$925,499</b>	<b>\$1,285,818</b>	<b>\$220,615</b>	<b>\$1,350,493</b>	<b>\$3,782,425</b>

The Council is the City’s highest level of decision-making authority, and they adopted a resolution authorizing the City Administration to define and utilize the fund types in accordance with GASB 54 pursuant to actions authorized by the commission, such as budget adoption and letting of contracts. Assigned fund balances include funds committed by the council to spend interest earnings of the Cedar Creek Trust Fund. By resolution, the City will apply restricted and unrestricted resources within the City’s Governmental fund-types in the following order: restricted, committed, assigned and unassigned.

The City maintains two major special revenue funds, the Street Maintenance Fund and the Cedar Creek Trust Fund. The purpose of the Street Maintenance Fund is to finance street repair, maintenance, snow removal and street signage. The purpose of the Cedar Creek Trust Fund is to account for the sale of City-owned land. GASB 54 requires disclosure of revenues for each major special revenue fund. Revenues are as follows:

<b>Street Maintenance:</b>	
Special assessments	\$296,231
Charges for service	1,400
Interest earnings	1,585
Miscellaneous	1,413
	<u>\$300,629</u>
<b>Cedar Creek Trust:</b>	
Gain on Sale of Land	\$257,487
Intergovernmental Revenue	982
Interest earnings	21,511
	<u>\$279,980</u>

**NOTE K - RISK MANAGEMENT**

The City faces a number of risks of loss including damage to and loss of property and contents, employee torts, professional liability, (i.e. errors and omission), environmental damage, worker’s

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compensation, and medical insurance costs of employees. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for commercial property and boiler insurance. The City participates in a statewide public risk pool operated by the Montana Municipal Interlocal Authority (MMIA) for property and contents, business auto, contractors' equipment, bonding of public officials, workers' compensation and for tort liability coverage. In addition, the City contracts with the Montana Municipal Insurance Authority for the City employee medical, dental and vision benefit plans. MMIA provides an environmental damages fund of \$10 million each year, with maximum coverage of \$2 Million per incident. The City has no coverage for potential losses from environmental damages once the \$10 million is expended.

Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the governmental General Fund and the business-type Water and Sewer Funds based upon the insurance needs of the funds. Settled claims resulting from these risks did not exceed commercial insurance coverage for the past three years.

In 1986, the City joined 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 operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort actions are \$750,000 per individual and \$1.5 million per occurrence with a \$1,500 deductible per incident. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member contributions.

The City offers employees health benefits for medical, vision, and dental through the MMIA's multiple-employer health insurance plan. MMIA provides four medical plans with varying rates, benefits and deductibles from which City employees can select. The purpose of these plans is to pay medical claims of the City employees, retirees, participating elected officials and other enrolled family members. Rates are actuarially determined and approved by MMIA's Board each spring for the next fiscal year. The City pays a monthly premium.

**NOTE L - LEASING ARRANGEMENTS**

The City of Columbia Falls leases property to Weyerhaeuser under two lease agreements:

1. There is a 99-year lease for Tract 7E in 8-30-20 (Land) with a minimum annual payment of \$10 plus street maintenance assessments. (This lease was cancelled in September 2017 when the City granted title to this tract of land to Weyerhaeuser).
2. There is a 15-year lease for Tract 13 in 8-30-20 (Land) with no minimum annual payment outstanding commencing March 1994. The lease automatically renews for a period of one year until the landfill is complete and closure is approved by the State.

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**NOTE M - COMMITMENTS**

City Park Commitment - The City is committed to construct a City park on land leased from the City to Plum Creek Manufacturing using Plum Creek Manufacturing lease funds. Currently Plum Creek Manufacturing is using the land as a Class III landfill for wood chips and related products. The land is scheduled for reclamation upon completion of the Class III landfill and closure of the landfill has been approved by the Montana Solid Waste Bureau. The landfill is not expected to be completed in the upcoming fiscal year.

Pursuant to the terms of the lease agreement, Plum Creek Manufacturing paid \$100,000 in prior fiscal years to be used for the park. During fiscal year 2003, Plum Creek Manufacturing approved the use of the funds for general recreation purpose and the City elected to use \$69,100 of the funds to construct a bike path. The balance of \$30,900 was transferred to the Park Improvement Fund for future development of the park. The City is obligated to provide the funding for the development of the park.

**NOTE N - INTERLOCAL AGREEMENTS**

Building Code Enforcement Program

The City of Columbia Falls and the City of Whitefish signed an interlocal agreement to provide for plan review, site review, and site inspection relating to the enforcement of State and City of Columbia Falls technical, building, and plumbing codes within the extended jurisdictional limits of Columbia Falls. Plan review, site review, and site inspection is provided by Whitefish through its Building Department. In consideration of the services provided, the City of Columbia Falls has agreed to pay the City of Whitefish a sum equal to 65% of the permitting fees paid by the permit applicant, or a minimum of \$2,000 per month, on the project inspected payable on a monthly basis according to Columbia Falls' standard procedure.

911 Dispatch Services

Effective July 1, 2010, the City of Columbia Falls began receiving emergency dispatch services through an Interlocal agreement between the City and Flathead County, City of Kalispell, and the City of Whitefish. Pursuant to an April 2009 Interlocal Agreement, the entities established the Flathead Emergency Communications Center Governing Board. The Board adopts an annual budget that is presented for approval to the four parties. The costs of operating the center are prorated amongst the parties based on the latest US census population. The City's proportionate share of the 2017 FY operating budget is \$115,183 and for 2018 FY the share is \$119,214.

**NOTE O - SERVICES PROVIDED FROM OTHER GOVERNMENTS**

Flathead County provides various financial services to the City. The County serves as cashier and treasurer for the City for tax and assessment collections and other revenues received by the County. The collections made by the County on behalf of the City are accounted for in an agency fund in the City's name and are periodically remitted to the City by the County Treasurer. No service charges have been recorded by either the City or the County.

Flathead County and the City of Columbia Falls have also signed interlocal agreements whereby the County provides Animal Control and Transit Service to the City. Columbia Falls has agreed to pay \$4,250 for Animal Control and \$5,500 for Transit Services.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

The City of Columbia Falls has entered into an agreement with Flathead County to provide recreational programs. The City has agreed to pay \$6,000 for those services.

**NOTE P – PRIOR PERIOD ADJUSTMENTS**

The City recorded a prior period adjustment in the Water Fund (Major) in the amount of (\$17,319) to correct prior year errors relating to capital assets. Additionally, the Sewer Fund (Major) also posted a prior period adjustment in the amount of (\$4,756) to correct the posting of capital assets.

The Fire Department Relief Association, (a discretely presented component unit of the City) recorded a prior period adjustment of (\$792,781) as a result of implementing GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68*.

**NOTE Q – SUBSEQUENT EVENTS**

On October 16, 2017 the City of Columbia Falls City Council adopted Resolution #1762 approving issuance of Tax Exempt bonds in the amount of \$340,000. These bonds were issued for Riverwood SID#38. The proceeds of the tax exempt bonds will be used to finance certain local improvements for the benefit of the properties located within the district.

**NOTE R – RECENT ACCOUNTING PRONOUNCEMENTS**

The Government Accounting Standards Board (GASB) has issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) which is effective for the City beginning in FY 2018. The objective of this statement is to improve the usefulness of information about OPEB included in the financial reports of state and local governments for making decisions and assessing accountability.

GASB has issued Statement No. 81, Irrevocable Split-Interest Agreements, which is effective for the City beginning in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting by providing recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement.

GASB has issued Statement No. 82, Pension Issues, an amendment of GASB Statements No 67, 68 and 73, which is effective for the City beginning in fiscal year 2018. However, the City implemented this statement for fiscal year 2016. The objective of this statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the election of assumptions and the treatment of deviations from guidance in an actuarial Standard of Practice for reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB has issued Statement No. 83, Certain Asset Retirement Obligations which is effective for the City beginning in FY 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations.

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

GASB has issued Statement No. 84, Fiduciary Activities which is effective for the City beginning in FY 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB has issued Statement No. 85 Omnibus 2017 which is effective for the City starting in FY2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB has issued Statement No. 86, Certain Debt Extinguishment Issues, which is effective FY 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB has issued Statement No 87, Leases, which is effective for the City beginning in FY 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The City has not fully assessed the impact of Statements No. 74, 81, 83, 84, 85, 86 and 87 on its financial position and results of operations, but does not believe the adoption of these statements will have a material effect on its basic financial statements.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**City of Columbia Falls**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED**  
**June 30, 2017**

**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

	FY2017	FY2016	FY2015	FY2014	FY2013
Actuarial Valuation Date	6/30/2016	6/30/2016	6/30/2013	6/30/2013	6/30/2013
Actuarial Value of Assets					
Actuarial Accrued Liability					
Unfunded Actuarial Accrued Liability (UAAL)					
Funded Ratio					
Annual Covered Payroll	\$1,498,832	\$1,370,440	\$1,356,071	\$1,217,443	\$1,196,978
Ratio of UAAL to Annual Covered Payroll					

**Note:** An actuarial valuation was completed effective 6/30/16. The City of Columbia Falls' actuarial accrued liability is \$0.00 as calculated pursuant to the Alternative Measurement Method. The notes to the Financial Statements provide detailed information on this calculation. The City is required to have a triennial actuarial valuation.

City of Columbia Falls, Flathead County, Montana  
Statement of Revenue, Expenditures and Changes in Fund Balance  
General Fund (1000) - Budget and Actual  
For Fiscal Year Ended June 30, 2017

Description	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ 1,094,346	\$ 1,094,346	\$ 1,079,346	\$ (15,000)
Licenses and Permits	65,800	65,800	72,295	6,495
Intergovernmental	949,935	949,935	941,876	(8,059)
Charges for services	131,060	131,060	135,434	4,374
Fines and forfeitures	159,600	159,600	155,515	(4,085)
Miscellaneous	1,189	1,189	6,365	5,176
Investment Earnings	5,000	5,000	7,396	2,396
<b>Total Revenue</b>	<b>2,406,930</b>	<b>2,406,930</b>	<b>2,398,227</b>	<b>(8,703)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General Government</b>				
Personal services	351,815	351,815	343,700	(8,115)
Supplies/services/materials,etc	399,593	399,593	245,948	(153,645)
Capital outlay	18,000	18,000	16,979	(1,021)
<b>Total General Government</b>	<b>769,408</b>	<b>769,408</b>	<b>606,627</b>	<b>(162,781)</b>
<b>Public Safety</b>				
Personal services	1,069,355	1,069,355	997,072	(72,283)
Supplies/services/materials,etc	316,590	316,590	300,492	(16,098)
Capital outlay	-	-	-	-
<b>Total Public Safety</b>	<b>1,385,945</b>	<b>1,385,945</b>	<b>1,297,564</b>	<b>(88,381)</b>
<b>Public Works</b>				
Personal services	2,895	2,895	2,902	7
Supplies/services/materials,etc	31,700	31,700	14,055	(17,645)
Capital outlay	142,500	7,500	-	(7,500)
<b>Total Public Works</b>	<b>177,095</b>	<b>42,095</b>	<b>16,957</b>	<b>(25,138)</b>
<b>Public Health</b>				
Personal services	-	-	-	-
Supplies/services/materials,etc	4,250	4,250	4,250	-
Capital outlay	-	-	-	-
<b>Total Public Health</b>	<b>4,250</b>	<b>4,250</b>	<b>4,250</b>	<b>-</b>
<b>Culture and Recreation</b>				
Personal services	111,741	111,741	86,595	(25,146)
Supplies/services/materials,etc	194,385	194,385	112,959	(81,426)
Capital outlay	9,277	9,277	36,820	27,543
<b>Total Culture and Recreation</b>	<b>315,403</b>	<b>315,403</b>	<b>236,374</b>	<b>(79,029)</b>
<b>Debt Service</b>				
Principal	11,388	11,388	11,387	(1)
Interest and fiscal charges	1,143	1,143	1,142	(1)
<b>Total Debt service</b>	<b>12,531</b>	<b>12,531</b>	<b>12,529</b>	<b>(2)</b>
Miscellaneous	142,000	142,000	71,896	(70,104)
<b>Total Expenditures</b>	<b>2,806,632</b>	<b>2,671,632</b>	<b>2,246,197</b>	<b>(425,435)</b>

(continued)

City of Columbia Falls, Flathead County, Montana  
Statement of Revenue, Expenditures and Changes in Fund Balance  
General Fund (1000) - Budget and Actual  
For Fiscal Year Ended June 30, 2017

Description	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
Excess (deficiency) of revenue over expenditures	<u>(399,702)</u>	<u>(264,702)</u>	<u>152,030</u>	<u>416,732</u>
Other financing sources (uses)				
Transfers in	99,740	99,740	86,232	(13,508)
Transfers (out)	(250,968)	(385,968)	(385,968)	-
Proceeds on sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(151,228)</u>	<u>(286,228)</u>	<u>(299,736)</u>	<u>(13,508)</u>
Net change in fund balances	<u>\$ (550,930)</u>	<u>\$ (550,930)</u>	<u>(147,706)</u>	<u>\$ 403,224</u>
Fund balances				
Beginning of year			<u>1,073,205</u>	
End of year			<u>\$ 925,499</u>	

See accompanying notes to the financial statements

City of Columbia Falls, Flathead County, Montana  
Statement of Revenue, Expenditures and Changes in Fund Balance  
Special Street Maintenance (2500) - Major Special Revenue Fund - Budget and Actual  
For Fiscal Year Ended June 30, 2017

Description	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ 301,700	\$ 301,700	\$ 296,231	\$ (5,469)
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	800	800	1,400	600
Fines and forfeitures	-	-	1,413	1,413
Miscellaneous	-	-	-	-
Investment Earnings	900	900	1,585	685
<b>Total Revenue</b>	<b>303,400</b>	<b>303,400</b>	<b>300,629</b>	<b>(2,771)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public Works</b>				
Personal services	237,050	237,050	212,210	(24,840)
Supplies/services/materials,etc	125,680	125,680	85,528	(40,152)
Capital outlay	27,500	27,500	41,170	13,670
<b>Total Public Works</b>	<b>390,230</b>	<b>390,230</b>	<b>338,908</b>	<b>(51,322)</b>
Miscellaneous	-	-	-	-
<b>Total Expenditures</b>	<b>390,230</b>	<b>390,230</b>	<b>338,908</b>	<b>(51,322)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(86,830)</b>	<b>(86,830)</b>	<b>(38,279)</b>	<b>48,551</b>
<b>Other financing sources (uses)</b>				
Transfers in	33,160	33,160	29,229	(3,931)
Transfers (out)	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>33,160</b>	<b>33,160</b>	<b>29,229</b>	<b>(3,931)</b>
<b>Net change in fund balances</b>	<b>\$ (53,670)</b>	<b>\$ (53,670)</b>	<b>(9,050)</b>	<b>\$ 44,620</b>
<b>Fund balances</b>				
Beginning of year			229,665	
End of year			<u>\$ 220,615</u>	

See accompanying notes to the financial statements

City of Columbia Falls, Flathead County, Montana  
Statement of Revenue, Expenditures and Changes in Fund Balance  
Cedar Creek Trust (2700) - Major Special Revenue Fund - Budget and Actual  
For Fiscal Year Ended June 30, 2017

Description	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	982	982
Investment Earnings	67,695	67,695	21,511	(46,184)
<b>Total Revenue</b>	<b>67,695</b>	<b>67,695</b>	<b>22,493</b>	<b>(45,202)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public Works</b>				
Personal services	-	-	-	-
Supplies/services/materials,etc	-	-	-	-
Capital outlay	45,000	45,000	1,964	(43,036)
<b>Total Public Works</b>	<b>45,000</b>	<b>45,000</b>	<b>1,964</b>	<b>(43,036)</b>
Miscellaneous	-	-	-	-
<b>Total Expenditures</b>	<b>45,000</b>	<b>45,000</b>	<b>1,964</b>	<b>(43,036)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>22,695</b>	<b>22,695</b>	<b>20,529</b>	<b>(2,166)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Proceeds on sale of capital assets	102,000	102,000	257,487	155,487
<b>Total other financing sources (uses)</b>	<b>102,000</b>	<b>102,000</b>	<b>257,487</b>	<b>155,487</b>
<b>Net change in fund balances</b>	<b>\$ 124,695</b>	<b>\$ 124,695</b>	<b>278,016</b>	<b>\$ 153,321</b>
<b>Fund balances</b>				
Beginning of year			1,007,802	
End of year			<u>\$ 1,285,818</u>	

See accompanying notes to the financial statements

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

NOTES TO THE BUDGET AND ACTUAL SCHEDULES

JUNE 30, 2017

Budget Process – The State of Montana’s budget law stipulates that money, other than payments from agency funds, may not be drawn from the treasury of a municipality except pursuant to an appropriation. Therefore, a legally adopted budget is required for all funds, with the exception of agency funds. The City legally adopts a budget for the required funds.

Budgets are prepared on the modified accrual basis of accounting. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. Amendments to the budget can be made for unanticipated revenue with the approval of the City Council.

The City Council must meet prior to the budget adoption for the purpose of holding a public hearing on the final budget. This hearing can be continued until the budget is finally approved and adopted, and tax levies set, on or before the first Thursday after the first Tuesday in September or within 30 calendar days after receiving certified taxable values from the State Department of Revenue. The total value of the property within the City as determined by the County Assessor is the assessed valuation.

The City budgets may also include encumbrances, which represent commitments to expend funds under current budget appropriations. All appropriations lapse at the end of the fiscal year except for accounts payable and encumbrances. There were no encumbrances in 2017.

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**CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

FOR YEAR ENDED JUNE 30, 2017

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
As of measurement date:			
City's proportion of the net pension liability (percentage)	0.0612%	0.0650%	0.6389%
Employer's net pension liability	\$ 1,042,789	\$ 908,287	\$ 796,071
State's net pension liability	12,742	11,157	9,721
<b>Total</b>	<b>\$ 1,055,531</b>	<b>\$ 919,444</b>	<b>\$ 805,792</b>
Employer's covered payroll	\$ 733,308	\$ 758,285	\$ 723,229
Employer's proportionate share as a percentage of covered payroll	142.20%	119.78%	110.07%
Plan fiduciary net position as a percentage of total pension liability	74.71%	78.40%	79.90%

**SCHEDULE OF CONTRIBUTIONS**

Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
As of reporting date:			
Contractually required contributions	\$ 71,001	\$ 61,294	\$ 62,486
Contributions in relation to the contractually required contribution	71,001	62,634	64,626
Contribution deficiency (excess)	\$ -	\$ (1,340)	\$ (2,140)
Employer's covered payroll	\$ 848,282	\$ 733,308	\$ 758,285
Contributions as a percentage of covered payroll	8.37%	8.54%	8.52%

\* The requirement is to illustrate information for 10 years. However, until a full 10-year trend is compiled, the schedule(s) present information for those year(s) for which information is available.

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

### PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR 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
  - 1.5% each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and,
  - 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:
  - a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
  - b. No service credit for second employment;
  - c. Start same benefit amount the month following termination; and
  - d. 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:
  - a. Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
  - b. GABA starts in the January after receiving recalculated benefit for 12 months.

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

### PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR YEAR ENDED JUNE 30, 2017

**Second Retirement Benefit** – for PERS (continued)

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:
  - a. Refund of member’s contributions from second employment plus regular interest (currently 0.25%);
  - b. No service credit for second employment;
  - c. Start same benefit amount the month following termination; and,
  - d. 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:
  - a. Member receives same retirement benefit as prior to return to service;
  - b. Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
  - c. GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

**Employer Contributions and the Defined Contribution Plan** – for PERS

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

## Changes in Actuarial Assumptions and Methods

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

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

Admin Expense as % of Payroll	0.27%
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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*	4.00%
*Includes inflation at	3%
Merit increase	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

FOR YEAR ENDED JUNE 30, 2017

**MUNICIPAL POLICE OFFICERS RETIREMENT SYSTEM (MPORS)**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years\*

As of measurement date:	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (percentage)	0.3041%	0.2957%	0.2898%
Employer's net pension liability	\$ 547,337	\$ 489,194	\$ 455,416
State's net pension liability	1,086,487	991,153	919,994
<b>Total</b>	<b>\$ 1,633,824</b>	<b>\$ 1,480,347</b>	<b>\$ 1,375,410</b>
Employer's covered payroll	\$ 429,223	\$ 409,292	\$ 388,866
Employer's proportionate share as a percentage of covered payroll	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of total pension liability	65.62%	66.90%	67.00%

**SCHEDULE OF CONTRIBUTIONS**

Last 10 Fiscal Years\*

As of reporting date:	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 70,326	\$ 62,876	\$ 59,331
Contributions in relation to the contractually required contribution	70,326	62,876	59,331
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 490,985	\$ 429,223	\$ 409,292
Contributions as a percentage of covered payroll	14.32%	14.65%	14.50%

\* The requirement is to illustrate information for 10 years. However, until a full 10-year trend is compiled, the schedule(s) present information for those year(s) for which information is available.

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

### MUNICIPAL POLICE OFFICERS RETIREMENT SYSTEM (MPORS)

FOR 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 or a lump sum payment. MCA 19-9-1206(1)

#### **Changes in Actuarial Assumptions and Methods**

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

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

Admin Expense as % of Payroll	0.20%
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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*	4.00%
*Includes inflation at	3%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

FOR YEAR ENDED JUNE 30, 2017

**FIREFIGHTERS UNIFIED RETIREMENT SYSTEM (FURS)**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
As of measurement date:			
City's proportion of the net pension liability (percentage)	0.0445%	0.0452%	0.0452%
Employer's net pension liability	\$ 50,782	\$ 46,238	\$ 44,179
State's net pension liability	115,056	102,984	99,666
<b>Total</b>	<b>\$ 165,838</b>	<b>\$ 149,222</b>	<b>\$ 143,845</b>
Employer's covered payroll	\$ 62,611	\$ 60,753	\$ 58,789
Employer's proportionate share as a percentage of covered payroll	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of total pension liability	75.48%	76.90%	76.70%

**SCHEDULE OF CONTRIBUTIONS**

Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
As of reporting date:			
Contractually required contributions	\$ 9,238	\$ 8,952	\$ 8,894
Contributions in relation to the contractually required contribution	9,238	8,952	8,894
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 83,721	\$ 62,611	\$ 60,753
Contributions as a percentage of covered payroll	11.03%	14.30%	14.64%

\* The requirement is to illustrate information for 10 years. However, until a full 10-year trend is compiled, the schedule(s) present information for those year(s) for which information is available.

# CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

### FIREFIGHTERS UNIFIED RETIREMENT SYSTEM (FURS)

FOR YEAR ENDED JUNE 30, 2017

#### **Changes of Benefit Terms**

The following changes to the plan provision were made as identified:

##### 2015 Legislative Changes

If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

#### **Changes in Actuarial Assumptions and Methods**

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

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

Admin Expense as % of Payroll	0.19%
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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*	4.00%
*Includes inflation at	3%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

**COLUMBIA FALLS FIREFIGHTERS RELIEF ASSOCIATION PENSION PLAN**

A component unit of the City of Columbia Falls

FOR YEAR ENDED JUNE 30, 2017

Ten Year Trends:

The following schedules are presented using the City’s reporting date. These schedules represent a 10 year trend, however, until a full 10-year trend is compiled, the schedules present information for those years for which information is available.

**Schedule of Total Pension Liability**

As of Reporting Date:	2017
Total pension liability	\$ 786,457
Covered-Employee payroll	-
Total pension liability as a % of covered-employee payroll	N/A

**Schedule of Changes in Total Pension Liability**

As of Reporting Date:	2017
Beginning balance of Total Pension Liability (TPL)	\$ 830,221
Service cost	13,484
Interest on total pension liability	(3,899)
Difference between expected and actual experience in measurement of TPL	1,206
Benefit payments	(54,555)
Net change in Total Pension Liability	\$ (43,764)

**Schedule of Contributions to Non-Governmental Pension Plans**

As of Reporting Date:	2017
Required contributions per prior year actuary	\$ 91,790

There were no changes in assumptions, benefit terms or other inputs affecting the total pension liability since the measurement date.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

COMBINING BALANCE SHEET  
ALL NON-MAJOR SPECIAL REVENUE FUNDS  
June 30, 2017

	2310	2372	2394	2400	2805	2820	2917	2940	Total Non-Major
	Tax Increment District	Permissive Medical Levy	Building Code Enforcement	Special Lighting District	Youth Recreation Grant	Gas Tax Fund	Crime Victims Assistance	CDBG_HOME Investment Partnership Program	Special Revenue Funds
<b>Assets</b>									
Current assets:									
Cash and Cash Equivalents	\$ 83,746	\$ 9,929	\$ 7,658	\$ 18,078	\$ (1,539)	\$ 31,913	\$ 622	\$ 60,254	\$ 210,661
Taxes and assessments receivable, net	7,701	5,956	-	1,192	-	-	-	-	14,849
Due from other governments	10,467	9,950	-	2,227	1,539	-	-	-	24,183
Total Current Assets	<u>101,914</u>	<u>25,835</u>	<u>7,658</u>	<u>21,497</u>	<u>-</u>	<u>31,913</u>	<u>622</u>	<u>60,254</u>	<u>249,693</u>
Non-current assets:									
Restricted Cash and cash equivalents	-	33,279	79,688	20,000	-	-	-	-	132,967
Total Noncurrent Assets	-	33,279	79,688	20,000	-	-	-	-	132,967
Total Assets	<u>\$ 101,914</u>	<u>\$ 59,114</u>	<u>\$ 87,346</u>	<u>\$ 41,497</u>	<u>\$ -</u>	<u>\$ 31,913</u>	<u>\$ 622</u>	<u>\$ 60,254</u>	<u>\$ 382,660</u>
<b>Liabilities</b>									
Current Liabilities:									
Accounts payable	-	-	4,004	2,657	-	-	622	-	7,283
Accrued payables	-	-	266	-	-	-	-	-	266
Total Current Liabilities	-	-	4,270	2,657	-	-	622	-	7,549
Total Liabilities	-	-	4,270	2,657	-	-	622	-	7,549
<b>Deferred Inflows of Resources</b>									
Deferred property tax/special assmt rev	7,701	5,956	-	1,192	-	-	-	-	14,849
Total Deferred Inflows of Resources	<u>7,701</u>	<u>5,956</u>	<u>-</u>	<u>1,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,849</u>
<b>Fund Balance</b>									
Restricted for:									
General government	94,213	53,158	83,076	-	-	-	-	-	230,447
Public Works	-	-	-	37,648	-	31,913	-	-	69,561
Housing & community development	-	-	-	-	-	-	-	60,254	60,254
Total Fund Balance	<u>94,213</u>	<u>53,158</u>	<u>83,076</u>	<u>37,648</u>	<u>-</u>	<u>31,913</u>	<u>-</u>	<u>60,254</u>	<u>360,262</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 101,914</u>	<u>\$ 59,114</u>	<u>\$ 87,346</u>	<u>\$ 41,497</u>	<u>\$ -</u>	<u>\$ 31,913</u>	<u>\$ 622</u>	<u>\$ 60,254</u>	<u>\$ 382,660</u>

City of Columbia Falls, Flathead County, Montana  
 Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
 Non-Major Special Revenue Funds - Budget and Actual  
 For Fiscal Year Ended June 30, 2017

	Tax Increment District (2310)				Permissive Medical Levy (2372)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
Revenue								
Taxes and Assessments		\$ 96,960	\$ 93,940	\$ (3,020)	\$ 124,789	\$ 124,789	\$ 124,771	\$ (18)
Intergovernmental	-	-	-	-	-	-	1,999	1,999
Other revenue								
Investment Earnings	-	-	273	273	-	-	458	458
Total Revenue	-	96,960	94,213	(2,747)	124,789	124,789	127,228	2,439
Expenditures								
Current								
Housing and Community Development				-				-
Personal Services	-	-	-	-	-	-	-	-
Operations	-	50,000	-	(50,000)	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Internal Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Expenditures	-	50,000	-	(50,000)	-	-	-	-
Excess (deficiency) of revenue over expenditures	-	46,960	94,213	47,253	124,789	124,789	127,228	2,439
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(132,900)	(132,900)	(115,461)	17,439
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(132,900)	(132,900)	(115,461)	17,439
Net change in fund balances	\$ -	\$ 46,960	94,213	\$ 47,253	\$ (8,111)	\$ (8,111)	11,767	\$ 19,878
Fund balances								
Beginning of year			-				41,391	
End of year			\$ 94,213				\$ 53,158	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Special Revenue Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Building Code Enforcement (2394)				Special Lighting District (2400)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
<b>Revenue</b>								
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ 34,003	\$ 34,003	\$ 33,500	\$ (503)
Licenses and Permits	114,400	114,400	89,985	(24,415)	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	1,003	1,003
Investment Earnings	200	200	675	475	180	180	303	123
<b>Total Revenue</b>	<b>114,600</b>	<b>114,600</b>	<b>90,660</b>	<b>(23,940)</b>	<b>34,183</b>	<b>34,183</b>	<b>34,806</b>	<b>623</b>
<b>Expenditures</b>								
<b>Current</b>								
Public Safety								
Personal Services	16,828	16,828	16,823	(5)	-	-	-	-
Operations	85,535	85,535	58,212	(27,323)	-	-	-	-
Public Works								
Personal Services	-	-	-	-	-	-	-	-
Operations	-	-	-	-	54,255	54,255	37,231	(17,024)
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Internal Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Miscellaneous	504	504	504	-	-	-	-	-
<b>Total Expenditures</b>	<b>102,867</b>	<b>102,867</b>	<b>75,539</b>	<b>(27,328)</b>	<b>54,255</b>	<b>54,255</b>	<b>37,231</b>	<b>(17,024)</b>
Excess (deficiency) of revenue over expenditures	11,733	11,733	15,121	3,388	(20,072)	(20,072)	(2,425)	17,647
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 11,733</b>	<b>\$ 11,733</b>	<b>15,121</b>	<b>\$ 3,388</b>	<b>\$ (20,072)</b>	<b>\$ (20,072)</b>	<b>(2,425)</b>	<b>\$ 17,647</b>
<b>Fund balances</b>								
Beginning of year			67,955				40,073	
End of year			<u>\$ 83,076</u>				<u>\$ 37,648</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Special Revenue Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Youth Recreation Grant (2805)				Gas Tax Fund (2820)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
<b>Revenue</b>								
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	88,000	88,000	87,989	(11)	91,285	91,285	91,285	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	-	-
Investment Earnings	-	-	-	-	300	300	661	361
<b>Total Revenue</b>	<b>88,000</b>	<b>88,000</b>	<b>87,989</b>	<b>(11)</b>	<b>91,585</b>	<b>91,585</b>	<b>91,946</b>	<b>361</b>
<b>Expenditures</b>								
<b>Current</b>								
Public Works								
Personal Services	-	-	-	-	-	-	-	-
Operations	-	-	-	-	116,982	116,982	85,430	(31,552)
Culture and Recreation								
Personal Services	-	-	-	-	-	-	-	-
Operations	88,000	88,000	87,989	(11)	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Internal Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	30,124	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>88,000</b>	<b>88,000</b>	<b>87,989</b>	<b>(11)</b>	<b>147,106</b>	<b>116,982</b>	<b>85,430</b>	<b>(31,552)</b>
Excess (deficiency) of revenue over expenditures	-	-	-	-	(55,521)	(25,397)	6,516	31,913
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	(30,124)	(30,124)	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,124)</b>	<b>(30,124)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (55,521)</b>	<b>\$ (55,521)</b>	<b>(23,608)</b>	<b>\$ 31,913</b>
<b>Fund balances</b>								
Beginning of year			-				55,521	
End of year			<u>\$ -</u>				<u>\$ 31,913</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Special Revenue Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Crime Victims Assistance (2917)				CDBG-HOME Investment Partnership Program (2940)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
<b>Revenue</b>								
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	4,600	4,600	4,134	(466)	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	52,627	52,627
Investment Earnings	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>4,600</b>	<b>4,600</b>	<b>4,134</b>	<b>(466)</b>	<b>-</b>	<b>-</b>	<b>52,627</b>	<b>52,627</b>
<b>Expenditures</b>								
<b>Current</b>								
<b>General Government</b>								
Personal Services	-	-	-	-	-	-	-	-
Operations	4,600	4,600	4,134	(466)	-	-	-	-
<b>Housing and Community Development</b>								
Personal Services	-	-	-	-	-	-	-	-
Operations	-	-	-	-	7,627	7,627	-	(7,627)
<b>Debt Service</b>								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
<b>Internal Services</b>								
Capital Outlay	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,600</b>	<b>4,600</b>	<b>4,134</b>	<b>(466)</b>	<b>7,627</b>	<b>7,627</b>	<b>-</b>	<b>(7,627)</b>
Excess (deficiency) of revenue over expenditures	-	-	-	-	(7,627)	(7,627)	52,627	60,254
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (7,627)</b>	<b>\$ (7,627)</b>	<b>52,627</b>	<b>\$ 60,254</b>
<b>Fund balances</b>								
Beginning of year			-				7,627	
End of year			<u>\$ -</u>				<u>\$ 60,254</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Special Revenue Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Total of all Non-major Special Revenue Funds			
	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
<b>Revenue</b>				
Taxes and Assessments	\$ 158,792	\$ 255,752	\$ 252,211	\$ (3,541)
Licenses and Permits	114,400	114,400	89,985	(24,415)
Intergovernmental	179,285	179,285	181,273	1,988
Charges for services	-	-	-	-
Fines and forfeitures	4,600	4,600	4,134	(466)
Other revenue				
Miscellaneous	-	-	53,630	53,630
Investment Earnings	680	680	2,370	1,690
<b>Total Revenue</b>	<b>457,757</b>	<b>554,717</b>	<b>583,603</b>	<b>28,886</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government				
Personal Services	-	-	-	-
Operations	4,600	4,600	4,134	(466)
Public Safety				
Personal Services	16,828	16,828	16,823	(5)
Operations	85,535	85,535	58,212	(27,323)
Public Works				
Personal Services	-	-	-	-
Operations	171,237	171,237	122,661	(48,576)
Culture and Recreation				
Personal Services	-	-	-	-
Operations	88,000	88,000	87,989	(11)
Housing and Community Development				
Personal Services	-	-	-	-
Operations	7,627	57,627	-	(57,627)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Internal Services	-	-	-	-
Capital Outlay	30,124	-	-	-
Miscellaneous	504	504	504	-
<b>Total Expenditures</b>	<b>404,455</b>	<b>424,331</b>	<b>290,323</b>	<b>(134,008)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>53,302</b>	<b>130,386</b>	<b>293,280</b>	<b>162,894</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	(132,900)	(163,024)	(145,585)	17,439
Proceeds of general long term debt	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(132,900)</b>	<b>(163,024)</b>	<b>(145,585)</b>	<b>17,439</b>
<b>Net change in fund balances</b>	<b>\$ (79,598)</b>	<b>\$ (32,638)</b>	<b>147,695</b>	<b>\$ 180,333</b>
<b>Fund balances</b>				
Beginning of year			212,567	
End of year			<u>\$ 360,262</u>	

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

COMBINING BALANCE SHEET  
 ALL NON-MAJOR DEBT SERVICE FUNDS  
 June 30, 2017

	3010	3020	3534	3536	Total Non-Major Debt Service Funds
	GO Bond Pool	GO Street Improvements	SID 34	SID 36	
<b>Assets</b>					
Current assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ 133	\$ 1,085	\$ 1,218
Taxes and assessments receivable, net	3,067	4,115	37,417	25,200	69,799
Due from other governments	4,863	6,527	-	-	11,390
Total Current Assets	<u>7,930</u>	<u>10,642</u>	<u>37,550</u>	<u>26,285</u>	<u>82,407</u>
Non-current assets:					
Restricted Cash and cash equivalents	19,082	38,275	-	-	57,357
Total Noncurrent Assets	<u>19,082</u>	<u>38,275</u>	<u>-</u>	<u>-</u>	<u>57,357</u>
Total Assets	<u>\$ 27,012</u>	<u>\$ 48,917</u>	<u>\$ 37,550</u>	<u>\$ 26,285</u>	<u>\$ 139,764</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	-	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Deferred property tax/special assmt rev	<u>3,067</u>	<u>4,115</u>	<u>37,417</u>	<u>25,200</u>	<u>69,799</u>
Total Deferred Inflows of Resources	<u>3,067</u>	<u>4,115</u>	<u>37,417</u>	<u>25,200</u>	<u>69,799</u>
<b>Fund Balance</b>					
Restricted for:					
Debt Service	<u>23,945</u>	<u>44,802</u>	<u>133</u>	<u>1,085</u>	<u>69,965</u>
Total Fund Balance	<u>23,945</u>	<u>44,802</u>	<u>133</u>	<u>1,085</u>	<u>69,965</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 27,012</u>	<u>\$ 48,917</u>	<u>\$ 37,550</u>	<u>\$ 26,285</u>	<u>\$ 139,764</u>

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Debt Service Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	GO Bond Pool (3010)				GO Street Improvements (3020)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
<b>Revenue</b>								
Taxes and Assessments	\$ 64,363	\$ 64,363	\$ 65,175	\$ 812	\$ 86,338	\$ 86,388	\$ 87,049	\$ 661
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	-	-
Investment Earnings	200	200	332	132	175	175	264	89
Total Revenue	<u>64,563</u>	<u>64,563</u>	<u>65,507</u>	<u>944</u>	<u>86,513</u>	<u>86,563</u>	<u>87,313</u>	<u>750</u>
<b>Expenditures</b>								
Current								
Debt Service								
Principal	55,000	55,000	55,000	-	77,981	77,981	76,979	(1,002)
Interest	8,650	8,650	9,350	700	6,709	6,709	6,709	-
Internal Services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>63,650</u>	<u>63,650</u>	<u>64,350</u>	<u>700</u>	<u>84,690</u>	<u>84,690</u>	<u>83,688</u>	<u>(1,002)</u>
Excess (deficiency) of revenue over expenditures	913	913	1,157	1,644	1,823	1,873	3,625	(252)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 913</u>	<u>\$ 913</u>	1,157	<u>\$ 244</u>	<u>\$ 1,823</u>	<u>\$ 1,873</u>	3,625	<u>\$ 1,752</u>
<b>Fund balances</b>								
Beginning of year			22,788				41,177	
End of year			<u>\$ 23,945</u>				<u>\$ 44,802</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
 Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
 Non-Major Debt Service Funds - Budget and Actual  
 For Fiscal Year Ended June 30, 2017

	SID 34 (3534)				SID 36 (3536)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
Revenue								
Taxes and Assessments	\$ 5,715	\$ 5,715	\$ 5,602	\$ -	\$ 3,802	\$ 3,802	\$ 3,811	\$ 9
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	-	-
Investment Earnings	-	-	17	17	-	-	21	21
Total Revenue	<u>5,715</u>	<u>5,715</u>	<u>5,619</u>	<u>17</u>	<u>3,802</u>	<u>3,802</u>	<u>3,832</u>	<u>30</u>
Expenditures								
Current								
Debt Service								
Principal	3,764	3,764	3,763	(1)	2,504	2,504	2,503	(1)
Interest	1,951	1,951	1,951	-	1,298	1,298	1,298	-
Internal Services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>5,715</u>	<u>5,715</u>	<u>5,714</u>	<u>(1)</u>	<u>3,802</u>	<u>3,802</u>	<u>3,801</u>	<u>(1)</u>
Excess (deficiency) of revenue over expenditures	-	-	(95)	16	-	-	31	29
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(95)</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>31</u>	<u>\$ 31</u>
Fund balances								
Beginning of year			228				1,054	
End of year			<u>\$ 133</u>				<u>\$ 1,085</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Debt Service Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Total of All Non-Major Debt Service Funds			
	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final		
Revenue				
Taxes and Assessments	\$ 156,416	\$ 160,268	\$ 161,637	\$ 1,482
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Other revenue				
Miscellaneous	-	-	-	-
Investment Earnings	375	375	634	259
Total Revenue	<u>156,791</u>	<u>160,643</u>	<u>162,271</u>	<u>1,741</u>
Expenditures				
Current				
Debt Service				
Principal	139,249	139,249	138,245	(1,004)
Interest	18,608	18,608	19,308	700
Internal Services	-	-	-	-
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>157,857</u>	<u>157,857</u>	<u>157,553</u>	<u>(304)</u>
Excess (deficiency) of revenue over expenditures	2,736	2,786	4,718	1,437
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Proceeds of general long term debt	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,066)</u>	<u>\$ 2,786</u>	4,718	<u>\$ 2,045</u>
Fund balances				
Beginning of year			65,247	
End of year			<u>\$ 69,965</u>	

CITY OF COLUMBIA FALLS, FLATHEAD COUNTY, MONTANA

COMBINING BALANCE SHEET  
ALL NON-MAJOR CAPITAL PROJECT FUNDS

June 30, 2017

	4000	4010	4020	4040	Total Non-Major
	Capital Project- Building Improv	Capital Project- Parks Improv	Capital Project- General Eqpt	Capital Project- Street Construction	Capital Project Funds
<b>Assets</b>					
Current assets:					
Cash and Cash Equivalents	\$ 30,151	\$ 88,645	\$ 5,801	\$ 295,053	\$ 419,650
Total Current Assets	<u>30,151</u>	<u>88,645</u>	<u>5,801</u>	<u>295,053</u>	<u>419,650</u>
Non-current assets:					
Restricted Cash and cash equivalents	24,197	284,199	98,652	135,000	542,048
Total Noncurrent Assets	<u>24,197</u>	<u>284,199</u>	<u>98,652</u>	<u>135,000</u>	<u>542,048</u>
Total Assets	<u>\$ 54,348</u>	<u>\$ 372,844</u>	<u>\$ 104,453</u>	<u>\$ 430,053</u>	<u>\$ 961,698</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	-	-	-	41,432	41,432
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,432</u>	<u>41,432</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,432</u>	<u>41,432</u>
<b>Fund Balance</b>					
Restricted for:					
Culture & Recreation		97,685			97,685
Committed for					
Capital Projects	<u>54,348</u>	<u>275,159</u>	<u>104,453</u>	<u>388,621</u>	<u>822,581</u>
Total Fund Balance	<u>54,348</u>	<u>372,844</u>	<u>104,453</u>	<u>388,621</u>	<u>920,266</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 54,348</u>	<u>\$ 372,844</u>	<u>\$ 104,453</u>	<u>\$ 430,053</u>	<u>\$ 961,698</u>

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Capital Project Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Capital Project-Building Improvements (4000)				Capital Project-Park Improvements (4010)			
	Budgeted Amounts		Actual	Over (under) Final Budget	Budgeted Amounts		Actual	Over (under) Final Budget
	Original	Final			Original	Final		
<b>Revenue</b>								
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	3,000	3,000	1,000	(2,000)
Investment Earnings	300	300	451	151	2,500	2,500	3,145	645
<b>Total Revenue</b>	<u>300</u>	<u>300</u>	<u>451</u>	<u>151</u>	<u>5,500</u>	<u>5,500</u>	<u>4,145</u>	<u>(1,355)</u>
<b>Expenditures</b>								
Debt Service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Internal Services	-	-	-	-	-	-	-	-
Capital Outlay	30,000	30,000	-	(30,000)	90,000	90,000	-	(90,000)
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
Excess (deficiency) of revenue over expenditures	(29,700)	(29,700)	451	(29,849)	(84,500)	(84,500)	4,145	(91,355)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (29,700)</u>	<u>\$ (29,700)</u>	451	<u>\$ 30,151</u>	<u>\$ (84,500)</u>	<u>\$ (84,500)</u>	4,145	<u>\$ 88,645</u>
<b>Fund balances</b>								
Beginning of year			53,897				368,699	
End of year			<u>\$ 54,348</u>				<u>\$ 372,844</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Capital Project Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Capital Project-General Equipment (4020)				Capital Project-Street Construction (4040)			
	Budgeted Amounts		Actual	Over (under)	Budgeted Amounts		Actual	Over (under)
	Original	Final		Final Budget	Original	Final		Final Budget
<b>Revenue</b>								
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue								
Miscellaneous	-	-	-	-	-	-	-	-
Investment Earnings	900	900	848	(52)	1,000	1,000	1,978	978
Total Revenue	<u>900</u>	<u>900</u>	<u>848</u>	<u>(52)</u>	<u>1,000</u>	<u>1,000</u>	<u>1,978</u>	<u>978</u>
<b>Expenditures</b>								
<b>Debt Service</b>								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
<b>Internal Services</b>								
Capital Outlay	51,000	51,000	49,310	(1,690)	405,078	405,078	152,435	(252,643)
Miscellaneous	-	-	-	-	-	-	-	-
Total Expenditures	<u>51,000</u>	<u>51,000</u>	<u>49,310</u>	<u>(1,690)</u>	<u>405,078</u>	<u>405,078</u>	<u>152,435</u>	<u>(252,643)</u>
Excess (deficiency) of revenue over expenditures	(50,100)	(50,100)	(48,462)	(1,742)	(404,078)	(404,078)	(150,457)	(251,665)
<b>Other financing sources (uses)</b>								
Transfers in	-	30,124	30,124	-	250,968	385,968	385,968	-
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds of general long term debt	-	-	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>30,124</u>	<u>30,124</u>	<u>-</u>	<u>250,968</u>	<u>385,968</u>	<u>385,968</u>	<u>-</u>
Net change in fund balances	<u>\$ (50,100)</u>	<u>\$ (19,976)</u>	<u>(18,338)</u>	<u>\$ 1,638</u>	<u>\$ (153,110)</u>	<u>\$ (18,110)</u>	<u>235,511</u>	<u>\$ 253,621</u>
<b>Fund balances</b>								
Beginning of year			<u>122,791</u>				<u>153,110</u>	
End of year			<u>\$ 104,453</u>				<u>\$ 388,621</u>	

(continued)

City of Columbia Falls, Flathead County, Montana  
Combining Schedule of Revenue, Expenditures and Changes in Fund Balance  
Non-Major Capital Project Funds - Budget and Actual  
For Fiscal Year Ended June 30, 2017

	Total of All Non-Major Capital Project Funds			
	Budgeted Amounts		Actual	Over (under)
	Original	Final		Final Budget
<b>Revenue</b>				
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other revenue				
Miscellaneous	3,000	3,000	1,000	(2,000)
Investment Earnings	4,700	4,700	6,422	1,722
Total Revenue	<u>7,700</u>	<u>7,700</u>	<u>7,422</u>	<u>(278)</u>
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Internal Services	-	-	-	-
Capital Outlay	576,078	576,078	201,745	(374,333)
Miscellaneous	-	-	-	-
Total Expenditures	<u>576,078</u>	<u>576,078</u>	<u>201,745</u>	<u>(374,333)</u>
Excess (deficiency) of revenue over expenditures	(568,378)	(568,378)	(194,323)	(374,611)
<b>Other financing sources (uses)</b>				
Transfers in	250,968	416,092	416,092	-
Transfers (out)	-	-	-	-
Proceeds of general long term debt	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>250,968</u>	<u>416,092</u>	<u>416,092</u>	<u>-</u>
Net change in fund balances	<u>\$ (317,410)</u>	<u>\$ (152,286)</u>	221,769	<u>\$ 374,055</u>
<b>Fund balances</b>				
Beginning of year			698,497	
Restatments			-	
End of year			<u>\$ 920,266</u>	

**City of Columbia Falls, Flathead County, Montana**  
**Statement of Net Position**  
**Non-Major Proprietary Funds**  
**June 30, 2017**

	<b>5211</b>	<b>5311</b>	
	<b>Water Capital</b>	<b>Sewer Capital</b>	
	<b>Expansion</b>	<b>Expansion</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 995,802	\$ 469,792	\$ 1,465,594
Accounts receivable - net	29,362	21,862	51,224
Interest receivable	-	-	-
Total Current Assets	<u>1,025,164</u>	<u>491,654</u>	<u>1,516,818</u>
Total Assets	<u>\$ 1,025,164</u>	<u>\$ 491,654</u>	<u>\$ 1,516,818</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted for public works expansion	1,025,164	491,654	1,516,818
Unrestricted	-	-	-
Total Net Position	<u>1,025,164</u>	<u>491,654</u>	<u>1,516,818</u>
Total liabilities and net position	<u>\$ 1,025,164</u>	<u>\$ 491,654</u>	<u>\$ 1,516,818</u>

**City of Columbia Falls, Flathead County, Montana**  
**Statement of Revenue, Expenses and Changes in Fund Net Position**  
**Non-Major Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<b>5211</b>	<b>5311</b>	
	<b>Water Capital</b>	<b>Sewer Capital</b>	<b>Total</b>
	<b>Expansion</b>	<b>Expansion</b>	
<b>Operating Revenues:</b>			
Charges for services	\$ 86,381	\$ 69,899	\$ 156,280
Total Operating Revenues	<u>86,381</u>	<u>69,899</u>	<u>156,280</u>
<b>Operating Expenses:</b>			
Supplies	-	-	-
Purchased Services	-	-	-
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income	<u>86,381</u>	<u>69,899</u>	<u>156,280</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	9,294	5,444	14,738
Total Nonoperating Revenues (Expenses)	<u>9,294</u>	<u>5,444</u>	<u>14,738</u>
Net Income before Transfers	<u>95,675</u>	<u>75,343</u>	<u>171,018</u>
Transfers Out	<u>(67,040)</u>	<u>(146,605)</u>	<u>(213,645)</u>
Change in net position	<u>28,635</u>	<u>(71,262)</u>	<u>(42,627)</u>
Total Net Position - Beginning of Year	996,529	562,916	1,559,445
Total Net Position - End of Year	<u>\$ 1,025,164</u>	<u>\$ 491,654</u>	<u>\$ 1,516,818</u>

**City of Columbia Falls, Flathead County, Montana**  
**Statement of Cash Flows**  
**Non-Major Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<b>5211 Water Capital Expansion</b>	<b>5311 Sewer Capital Expansion</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 61,029	\$ 54,476	\$ 115,505
Cash payments to vendors	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>61,029</u>	<u>54,476</u>	<u>115,505</u>
<b>Cash Flows from Non-capital financing Activities:</b>			
Transfers from (to) other funds	(67,040)	(146,605)	(213,645)
Intergovernmental operating grants	-	-	-
Net Cash Provided by Non-capital Financing Activities	<u>(67,040)</u>	<u>(146,605)</u>	<u>(213,645)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Interest paid on debt	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	9,294	5,444	14,738
Net Cash Provided by Investing Activities	<u>9,294</u>	<u>5,444</u>	<u>14,738</u>
Net Increase in Cash and Cash Equivalents	3,283	(86,685)	(83,402)
<b>Cash and Cash Equivalents at Beginning of Year</b>	992,519	556,477	1,548,996
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 995,802</u>	<u>\$ 469,792</u>	<u>\$ 1,465,594</u>
<b>Reconciliation of Income from Operations to Cash from Operations</b>			
Operating Loss	\$ 86,381	\$ 69,899	\$ 156,280
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) in accounts receivable, net	(25,352)	(15,423)	(40,775)
(Decrease) in accounts payable	-	-	-
Net Cash provided (used) by operating activities	<u>\$ 61,029</u>	<u>\$ 54,476</u>	<u>\$ 115,505</u>





**City of Columbia Falls**  
**ALL FUNDS**  
**CASH RECONCILIATION**  
**June 30, 2017**

Description	BANK NAME				Cash in all depositories
	Glacier Bank	STIP	MBS	Glacier Bank Flex	
<b>BALANCE PER STATEMENTS</b>	1,964,804.00				1,964,804.00
<b>ADD</b>					
Deposits in transit	32,371.00				32,371.00
Service charges					0.00
Other					0.00
					0.00
					0.00
<b>Total to add</b>	32,371.00	0.00	0.00	0.00	32,371.00
<b>SUBTRACT</b>					
Outstanding checks	10,872.00				10,872.00
Other					0.00
					0.00
					0.00
					0.00
<b>Total to subtract</b>	10,872.00	0.00	0.00	0.00	10,872.00
<b>TOTAL CASH IN DEPOSITS</b>	1,986,303.00	0.00	0.00	0.00	1,986,303.00
<b>ADD</b>					
Investments			2,095,000.00		2,095,000.00
STIP		3,274,424.00			3,274,424.00
Glacier Bank Flexiible Spending				5,890.00	5,890.00
					0.00
					0.00
					0.00
<b>Total to add</b>	0.00	3,274,424.00	2,095,000.00	5,890.00	5,375,314.00
<b>TOTAL IN DEPOSITORIES</b>	1,986,303.00	3,274,424.00	2,095,000.00	5,890.00	7,361,617.00
<b>ADD</b>					
Cash and cash items on hand	525.00				525.00
					0.00
					0.00
					0.00
					0.00
					0.00
<b>Total to add</b>	525.00	0.00	0.00	0.00	525.00
<b>**TOTAL ACCOUNTED FOR</b>	1,986,828.00	3,274,424.00	2,095,000.00	5,890.00	7,362,142.00
*Must agree with total of prior page					

**GENERAL  
INFORMATION  
SECTION**

