

TOWN OF WEST YELLOWSTONE, MONTANA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



AMATICS
CPA GROUP

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ANNUAL FINANCIAL REPORT
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PART I

INTRODUCTORY SECTION

**TOWN OF WEST YELLOWSTONE, MONTANA
ORGANIZATION OF ENTITY
June 30, 2016**

TOWN COUNCIL

Brad Schmier
Greg Forsyth
Cole Parker
Pierre Martineau

CITY OFFICIALS

Jerry Johnson, Mayor

Daniel Sabolsky, Town Manager

Scott Newell, Chief of Police

Elizabeth Roos, Clerk

Lanie Gospodarek, Finance Director

Kathleen Brandis, Judge

Sheri Holtzen, Utility Billing/Collection Clerk

PART II

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and Town Council
Town of West Yellowstone, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of West Yellowstone, Montana (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Yellowstone, Montana, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters***Required Supplementary Information***

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2017, on our consideration of the Town of West Yellowstone, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Amatics CPA Group

Bozeman, Montana

February 14, 2017

A. Management's Discussion and Analysis

TOWN OF WEST YELLOWSTONE, MONTANA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management team for the Town of West Yellowstone, we offer readers of this financial statement this narrative overview and analysis of the financial activities of the Town for the fiscal year ending June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the attached financial statements of the Annual Financial Report for the Town of West Yellowstone.

The Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages II-12 and II-13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page II-14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way that allows us to compare our activity or Net Position to previous fiscal years. This analysis speaks to the fiscal health of the Town. While increases in Net Position establish that the financial situation of the town is improving and decreases establish a deterioration of our financial situation, consideration of other non-financial factors such as the condition of the Town's capital assets, the political impacts to other governmental agencies that our town is affected by and partners with, must be made. These statements include all assets and liabilities using the modified accrual basis of accounting, which is a combination of the cash basis and the accrual basis and revenues are recognized when they are both measurable and available. Expenditures, however, are recorded on a full accrual basis because they are always measurable when they are incurred. The measurement focus of governmental funds affects which transactions are recognized in the operating fund. If transactions are not a current resource or use, they are not reported in the operating fund of the fund financial statement (for example, capital assets or long-term liabilities). Under GASB 34, these noncurrent activities are reported on the government-wide statements only.

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

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

Reporting the Town's Most Significant Funds Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes (like the Parkway Improvement Capital Funds or the Marketing and Promotions Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the county for Community Transportation Enhancement Programs). The Town has two kinds of funds, governmental and proprietary (business-type), and each uses different accounting approaches.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Reporting the Town's Most Significant Funds
Fund Financial Statements (Continued)**

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

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

The Town as Trustee

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for other funds, including the Municipal Court Fund and the Social Services Help Fund. The guidelines for the administration of these funds are contained in applicable financial agreements and/or Town ordinances. These documents contain the rules governing the receipt, expenditure, and management of the Town's fiduciary funds. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page II-24. As the statements reflect, the financial activity during the year for these funds is nominal. We exclude these activities from the Town's other financial statements because the town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The following analysis focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the Town's governmental and business-type activities.

Net Position of the Town's governmental activities are \$7,598,377. *Unrestricted* Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements total \$2,964,085 at the end of this year. The Net Position of our business-type activities totaled \$3,959,365 and unrestricted Net Position totaled \$1,497,056. These Net Position cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The Town generally can only use the Net Position of business-type activities to finance the continuing operations of the water and sewer operations.

Combined Net Position for the Town increased this year by \$1,581,146 as compared to an increase of \$808,276 the previous year. The primary reason for this is continued increases in resort tax revenues in the governmental activities increasing operating cash and cash equivalents overall.

Net Position of the Town's governmental activities, increased by \$1,486,542. Unrestricted Net Position of governmental activities, the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased by due to more accurate reporting. The Net Position of the Town's business-type activities increased by \$94,604. These Net Position cannot be used to make up for deficits reported by governmental activities in the event such deficits were reported. The Town can only use the Net Position of business-type activities to finance the continuing operations of the water and sewer operations.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

TOWN AS A WHOLE (continued)

**Table 1
Net Position**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 2,907,020	\$ 5,161,085	\$ 1,811,701	\$ 2,010,238	\$ 4,718,721	\$ 7,171,323
Capital assets	7,663,599	8,098,669	2,226,512	2,121,574	9,890,111	10,220,243
Total assets	<u>10,570,619</u>	<u>13,259,754</u>	<u>4,038,213</u>	<u>4,131,812</u>	<u>14,608,832</u>	<u>17,391,566</u>
Deferred outflows of resources	<u>108,091</u>	<u>108,823</u>	<u>9,802</u>	<u>9,142</u>	<u>117,893</u>	<u>117,965</u>
Long-term liabilities	3,958,807	5,078,175	143,521	158,279	4,102,328	5,236,454
Other liabilities	<u>292,331</u>	<u>426,754</u>	<u>6,151</u>	<u>6,335</u>	<u>298,482</u>	<u>433,089</u>
Total liabilities	<u>4,251,138</u>	<u>5,504,929</u>	<u>149,672</u>	<u>164,614</u>	<u>4,400,810</u>	<u>5,669,543</u>
Deferred inflows of resources	<u>315,737</u>	<u>265,271</u>	<u>33,582</u>	<u>16,975</u>	<u>349,319</u>	<u>282,246</u>
Net position:						
Net investment in capital assets	4,965,291	4,212,590	2,226,512	2,121,574	7,191,803	6,334,164
Restricted - expendable	21,675	21,828	-	-	21,675	21,828
Restricted - non expendable	16,140	17,140	-	-	16,140	17,140
Restricted for construction and replacement	-	-	339,333	340,735	339,333	340,735
Restricted for debt service	168,930	354,450	-	-	168,930	354,450
Restricted for capital projects	-	-	-	-	-	-
Restricted for other purposes	92,100	28,284	-	-	92,100	28,284
Nonspendable	-	-	-	-	-	-
Unrestricted	<u>847,699</u>	<u>2,964,085</u>	<u>1,298,916</u>	<u>1,497,056</u>	<u>2,146,615</u>	<u>4,461,141</u>
Total net position	<u><u>\$ 6,111,835</u></u>	<u><u>\$ 7,598,377</u></u>	<u><u>\$ 3,864,761</u></u>	<u><u>\$ 3,959,365</u></u>	<u><u>\$ 9,976,596</u></u>	<u><u>\$ 11,557,742</u></u>

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

TOWN AS A WHOLE (continued)

An analysis of the Town's revenues (excluding special items) for Fiscal Years 2015 and 2016 is shown below. The Town was able to cover this year's costs in both governmental activities and business-type activities.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Total General Revenues	\$ 4,152,266	\$ 4,655,784	\$ 2,139	\$ 7,205	\$ 4,154,405	\$ 4,662,989
Program Revenues						
Charges for Services	391,218	431,206	719,617	680,312	1,110,835	1,111,518
Operating Grants and Contributions	201,159	362,224	-	-	201,159	362,224
Capital Grants and Contributions	77,169	250,962	-	-	77,169	250,962
Total Revenues	4,821,812	5,700,176	721,756	687,517	5,543,568	6,387,693
Expenses	4,188,676	4,213,634	546,616	592,913	4,735,292	4,806,547
Change in Net Position before PPA	633,136	1,486,542	175,140	94,604	808,276	1,581,146
Prior Period Adjustment	(1,622,315)	-	(156,542)	-	(1,778,857)	-
Change in Net Position	<u>\$ (989,179)</u>	<u>\$ 1,486,542</u>	<u>\$ 18,598</u>	<u>\$ 94,604</u>	<u>\$ (970,581)</u>	<u>\$ 1,581,146</u>

The following analysis below separately considers the operations of governmental and business-type activities

Governmental Activities

Revenues for the fiscal year 2016 for governmental activities were: General Revenues \$4,655,784 and Program Revenues \$1,044,392 while Total Expenses were \$4,213,634. The Change in Net Position was \$1,486,542. Total Government Revenues increased by \$878,364 or 18.2% in FY 16 over FY 15. The cost to provide services increased by \$24,958 or 0.6%.

Governmental General Revenues were affected by a 12.68% increase in Resort Tax Revenues over the previous year resulting in an increase over the previous year's collections. Building permit fees increased despite the fact that the Town's building inspection program still only inspects residential construction and commercial inspections are performed by the State. A moratorium has also been put in place for any type of project that would require an impact to the water system of greater than 4 single family residences. Recreation fees decreased due to decreased enrollment in recreation programs.

Operating Grants and Contributions increased. The Town sold the fire station building to what is now the Hebgen Basin Fire District for providing fire protection and ambulance services to the community. The Town also received a matching grant from the State of Montana for the purposes of doing a community needs assessment for affordable housing.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

THE TOWN AS A WHOLE (Continued)

Governmental Activities (Continued)

Capital Grants and Contributions increased in Fiscal Year 2016. The Town received a capital grants in the form of an Air Quality matching grant from the Montana Department of Transportation to purchase a sweeper. As anticipated the town received a grant from the Yellowstone Historic Center for completing the historic preservation of the Union Pacific Generator Building.

The costs to provide services for governmental services increased by \$24,958 or 0.6% this Fiscal Year. Governmental Expenses were decreased substantially in Miscellaneous Expenses due to the replacement of veteran employees with entry level employees and a vacancy savings represented by 6 months of the highest paid position unfilled for the first 6 months of the fiscal year. The police department staffing was slowly increased throughout the fiscal year but these costs were offset by the reduced need for assistance in law enforcement staff from our more expensive counterpart in the County. The Town continues to purchase equipment and complete projects in accordance with its capital improvement plan

The Change in Net Position (before prior period adjustments) is an increase of \$853,406 or 134.8%.

	FY2015	FY2016	Change
Total Cost of Gov't Services	\$ 4,188,676	\$ 4,213,634	\$ 24,958
Charges for services	391,218	431,206	39,988
Operating Grants	201,159	362,224	161,065
Capital Grants	77,169	250,962	173,793
Taxpayers Financed	\$ 3,519,130	\$ 3,169,242	\$ (349,888)

The cost of all *governmental activities* this year was \$4,213,634. The amount that our taxpayers ultimately financed for these activities through taxes was \$3,169,242.

Intergovernmental Revenues increased substantially due to an increase in allocation from the County in 911 funds and HB 124 Entitlement Share, as well as the grant funding achieved for capital purchases and improvements and a planning grant. "On-behalf" contributions made by the state for PERS and MPORS continue to be booked consistently.

Unrestricted Interest on Investments - Interest rates remained low though they improved somewhat over the course of the fiscal year and rates on the city's money market account dipped during the year and ended back at the starting rate of 0.19%. Average daily STIP yield was 0.39862 over the course of the fiscal year. The Repurchase account varied upward from 0.13% to 0.37%. There are two General Fund Certificate of Deposits, one for 24 months at a rate of .80% and one for 48 months at 1.25%.

Debt Service expenditures for principal were \$237,229 this year. Debt service on the General Obligation bond issue for the library purchase, the Povah Center construction and Save America's Treasures grant match was \$80,000. \$26,729 in principal was paid towards the 911 dispatch center remodel. This year the loader payment was made out of the General Fund in the amount of \$13,610. The Town Hall Construction project which was funded with a revenue bond from the Resort Tax Fund had principal payments of \$116,890 in fiscal year 2016.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

THE TOWN AS A WHOLE (Continued)

Business-type Activities

**Table 3
Business-type Activities**

	<u>2015</u>	<u>2016</u>	<u>Change</u>
Charges for Services			
Water	\$ 250,281	\$ 236,172	\$ (14,109)
Sewer	469,336	444,140	(25,196)
Total Revenues	<u>719,617</u>	<u>680,312</u>	<u>(39,305)</u>
Total Expenses			
Water	231,166	231,860	694
Sewer	315,450	361,053	45,603
Total Expenses	<u>546,616</u>	<u>592,913</u>	<u>46,297</u>
Unrestricted Investment Earnings	2,139	7,205	5,066
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position before PPA	175,140	94,604	(80,536)
Prior Period Adjustment	<u>(156,542)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 18,598</u>	<u>\$ 94,604</u>	<u>\$ (80,536)</u>

Revenues of the Town's business-type activities for Fiscal Year 2016 were \$680,312. Expenses were \$592,913 and the Change in Net Position for FY 2016 was \$94,604, a decrease of 45.98% over the previous fiscal year. In Business-type Activities, charges for services in both the water and sewer funds decreased from the previous fiscal year as receipts have leveled out from the spike in increased charges that were the result of a sewer inventory performed in fiscal year 2015. No additional large building projects such as the hotels built in the previous year affected connection fees and a shortage of water from the gravity fed water system brought more prospective project to a temporary halt which will have a continued effect into the next fiscal year.

Business-type activities saw an increase in expenses for water and sewer as additional transfers for replacement and depreciation were recommended by the Town's engineer. The water fund continued its town-wide curb stop improvement project and purchased a sizeable water meter for the chlorine building.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

THE TOWN'S FUNDS

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

- General Fund 1000 – The major changes in the general fund this year were the proceeds from the sale of the fire building to Hebgen Basin Fire District and the air quality matching grant received. Vacancy savings were reduced gradually over the course of the fiscal year in the police department and continued through the first six months of the fiscal year in the form of the Town Manager's position.
- Resort Tax Fund 2100 – This fund was combined with the general fund until FY 2015 when the revenue source was committed by the Town Council, which allowed for it to be reported separately under GASB 54. Resort tax revenue collections increased 12.68% over the previous year. Expenditures remained consistent. New debt was issued during the year, with the proceeds reported in this fund for the purchase of 80 acres of land. Full annual payments are being paid against the revenue bond for the town hall construction project from the resort tax fund. The 10% required reserve plus the semi-annual set-aside required by bond counsel restrict some of the resort tax fund balance.
- CDBG RLF Fund 2392 – The Town received no new applications this fiscal year and we have one loan outstanding. The Town did elect to use some of these funds towards a matching grant for a needs assessment on affordable housing in West Yellowstone. The state contributed \$30,000 and the Town was required to put in a match of \$10,000
- Street Construction Fund 4075 – This fund has met the 5% and 10% requirements to be considered a major fund. Transfers in from the resort tax fund and the general fund continue to be made so that a major road re-pavement project can either be financed or paid for from the funds transferred in to this fund.
- Water Fund 5210 – This is the enterprise fund for the Town's gravity-fed water system. Revenue has leveled off now that most if not all users are online. Applicable insurance payments are now attributed to this fund where previously these were borne in the general fund alone. The Town experienced a lack of water flow from the natural spring that supplies the town. We anticipate costs in this fund to increase as the Town seeks other water sources and works with the State on water rights issues and the like.
- Sewer Fund 5310 – This is the enterprise fund for the Town's sewer system which employs a lagoon/holding pond system. The Town has re-negotiated its lease with the state aeronautics division which has increase costs to the town substantially and has doubled in cost in the 2016 fiscal year and will continue to increase over time. The Town is currently working with the DEQ with regard to needed improvements at the lagoon.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

THE TOWN'S FUNDS (Continued)

General fund budgetary highlights

In 2010, the Town adopted a fund balance policy for the General Fund based on the recommendation of the Government Finance Officers Association (GFOA) that governments, regardless of size maintain an unassigned fund balance in the general fund of no less than two months of regular operating expenditures. The Town has been able to maintain this required fund balance. The Town's general fund balance is significantly increased again from Fiscal Year 2015 to 2016. The Town's financial policy precludes relying on reserves for on-going operations. However, the use of reserves for one-time extraordinary costs is certainly permissible.

The Town utilizes conservative budgetary practices. Conservative, yet realistic, revenue estimates, combined with departments operating within their original budgets, naturally has a favorable effect on the bottom line. Additionally, the Town enjoys flexibility in cash flow as a result of the Resort Tax revenues. Projects that need to occur when the weather is permitting, a short window for West Yellowstone, requires this kind of flexibility. Capital purchases have also been maximized by this flexibility and the Town makes every effort to continue to provide services, recreational facilities and improvements that can be utilized and enjoyed by residents and visitors alike.

The Town has a history of stable General Fund balances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2016 the Town had \$8,098,669 invested in capital assets in the governmental funds, and \$2,121,574 in the water and sewer funds for a total of \$10,220,243. This was an increase of \$330,132 from Fiscal Year 2015. These are invested in a broad range of capital assets, including equipment such as a utility pickup truck, a sweeper, a copier and an electronic speed sign. Major capital improvement projects included the remodeling of the Library and the Police Department, a town-wide slurry seal project and the purchase of 80 acres of land from the US forest service which are all still in-progress. Completed project include the historic preservation of the Union Pacific generator building, a new parking lot in Pioneer Park and a new ice skating rink.

Debt

At year-end, the Town had \$3,886,079 in bonds and notes outstanding, which includes \$1,150,000 in General Obligation debt for the library purchase, Povah Center Construction and Union Pacific Dining Lodge upgrade project, \$44,220 outstanding for a Loader purchase, a remaining balance of \$98,543 for the 911 Dispatch center remodel project, a balance of \$1,168,316 for the Town Hall Construction project, and \$1,425,000 on a note payable for the purchase of 80 acres. The debt related to the 80 acre purchase was incurred in late fiscal year 2016, with the land purchase happening in early FY 2017. Town Wide Assets Invested in Capital Assets, Net of Related Debt increased by \$857,639.

**TOWN OF WEST YELLOWSTONE, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

ECONOMIC FACTORS AND FY 16-17 BUDGET CONSIDERATIONS

The Town's annual budget continues to depend on revenue generated by the resort tax levy, which accounts for 63% of the total governmental revenues. For FY 16-17, that percentage is nearly identical. Overall visitation to Yellowstone National Park remains strong, which is reflected in a 12.68% increase in resort taxes collected in FY 15-16 over the previous fiscal year.

As Yellowstone National Park continues to experience record growth in overall visitation, the FY 16-17 budget anticipates that resort tax collections will exceed taxes collected in the previous year. Property tax receipts, once again, should remain relatively flat. Expenditures from the general fund are expected to increase approximately 5% over FY 15-16 levels, primarily due to increases in wages and personnel related costs.

During FY 16-17, the Town will continue to make purchases and improvements according to the Capital Improvement Plan approved by Town Council. In the early part of FY 16-17, the Town purchased 80 acres of land from the Forest Service on the west side of the municipal limits. In addition, Town Council allocated \$50,000 for a toilet vault at the tennis courts, \$100,000 for restroom facilities in an interior park, and \$60,000 for a pavilion in Pioneer Park. The Town also budgeted \$70,000 for a storage building at the Town's sewage treatment facility to protect the equipment from the harsh winters. In addition, the Town budgeted for two new police vehicles, a new grader, and a backhoe plow.

In FY 16-17, the Town placed \$4,000 aside to begin the Amphitheater Project, \$50,000 aside for a street light project, \$50,000 set-aside for UPDL upgrades, and \$10,000 set-aside for Frontier Trail Project. As we look ahead to the 2017 construction season, the Town has already started the planning and design process for many of the projects mentioned above. Many of the equipment purchases outlined in the Capital Budget have already been ordered.

The Town continues to partner with the neighboring Hebgen Basin Fire District to provide fire and emergency services to the Town and the Town will continue to make a significant annual contribution to the District – the FY 16-17 contribution will total \$480,950.

CONTACTING THE TOWN'S ADMINISTRATION

This financial report is designed for Town residents, visitors and others interested in the operations of the Town. The report provides a general overview of Town finances and demonstrates the Town's accountability for the funds and assets it manages. If you have questions about the report or require additional information, please contact the Finance Director, 440 Yellowstone Ave./Box 1570, West Yellowstone MT 59758 (406-646-7795).

B. Basic Financial Statements

Government-Wide Financial Statements

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,964,749	\$ 1,609,733	\$ 6,574,482
Restricted cash and investments	148,999	340,735	489,734
Receivables, net	32,283	59,770	92,053
Notes receivable	15,054	-	15,054
Capital assets			
Nondepreciable land	596,400	1,175	597,575
Construction in progress	251,698	51,124	302,822
Other capital assets, net of depreciation	<u>7,250,571</u>	<u>2,069,275</u>	<u>9,319,846</u>
Total capital assets	<u>8,098,669</u>	<u>2,121,574</u>	<u>10,220,243</u>
Total assets	<u>13,259,754</u>	<u>4,131,812</u>	<u>17,391,566</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>108,823</u>	<u>9,142</u>	<u>117,965</u>
LIABILITIES			
Accounts payable and accrued expenses	23,582	2,335	25,917
Compensated absences payable	30,500	4,000	34,500
Current portion long-term debt	372,672	-	372,672
Long-term liabilities			
Compensated absences	127,002	8,045	135,047
Other post-employment health benefits	81,514	11,161	92,675
Net pension liability	1,356,252	139,073	1,495,325
Due in more than one year	<u>3,513,407</u>	<u>-</u>	<u>3,513,407</u>
Total liabilities	<u>5,504,929</u>	<u>164,614</u>	<u>5,669,543</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>265,271</u>	<u>16,975</u>	<u>282,246</u>
NET POSITION			
Net investment in capital assets	4,212,590	2,121,574	6,334,164
Restricted:			
Restricted - expendable	21,828	-	21,828
Restricted - non expendable	17,140	-	17,140
Restricted for construction and replacement	-	340,735	340,735
Restricted for debt service	354,450	-	354,450
Restricted for other purposes	28,284	-	28,284
Unrestricted	<u>2,964,085</u>	<u>1,497,056</u>	<u>4,461,141</u>
Total net position	<u>\$ 7,598,377</u>	<u>\$ 3,959,365</u>	<u>\$ 11,557,742</u>

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 1,243,759	\$ 358,219	\$ 3,800	\$ -	\$ (881,740)	\$ -	\$ (881,740)
Public safety	1,518,899	25,786	129,677	-	(1,363,436)	-	(1,363,436)
Public works	539,975	20,656	-	250,962	(268,357)	-	(268,357)
Public health	3,213	-	-	-	(3,213)	-	(3,213)
Social and economic services	85,815	-	-	-	(85,815)	-	(85,815)
Culture and recreation	507,275	26,545	131,327	-	(349,403)	-	(349,403)
Housing and community development	40,452	-	29,999	-	(10,453)	-	(10,453)
Other	205,453	-	67,421	-	(138,032)	-	(138,032)
Interest and fiscal fees	68,793	-	-	-	(68,793)	-	(68,793)
Total governmental activities	<u>4,213,634</u>	<u>431,206</u>	<u>362,224</u>	<u>250,962</u>	<u>(3,169,242)</u>	<u>-</u>	<u>(3,169,242)</u>
Business-type activities:							
Water	231,860	236,172	-	-	-	4,312	4,312
Sewer	361,053	444,140	-	-	-	83,087	83,087
Total business-type activities	<u>592,913</u>	<u>680,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,399</u>	<u>87,399</u>
Total primary government	<u>\$ 4,806,547</u>	<u>\$ 1,111,518</u>	<u>\$ 362,224</u>	<u>\$ 250,962</u>	<u>(3,169,242)</u>	<u>87,399</u>	<u>(3,081,843)</u>
General revenues:							
Property taxes, levied for general purposes					653,377	-	653,377
Local option taxes					56,693	-	56,693
Resort taxes					3,581,355	-	3,581,355
Intergovernmental grants and contributions not restricted to specific programs					287,376	-	287,376
Unrestricted investment earnings					14,843	7,205	22,048
Miscellaneous revenues					62,140	-	62,140
Total general revenues					<u>4,655,784</u>	<u>7,205</u>	<u>4,662,989</u>
Change in net position					1,486,542	94,604	1,581,146
Net position - beginning					<u>6,111,835</u>	<u>3,864,761</u>	<u>9,976,596</u>
Net position - ending					<u>\$ 7,598,377</u>	<u>\$ 3,959,365</u>	<u>\$ 11,557,742</u>

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

Fund Financial Statements

Governmental Fund Financial Statements

TOWN OF WEST YELLOWSTONE, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Resort Tax</u>	<u>CDBG Local Source</u>	<u>Street Construction and Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 40,212	\$ 455	\$ 34,646	\$ 110,034	\$ 125,423	\$ 310,770
Investments	1,515,705	2,048,860	38,823	488,038	562,553	4,653,979
Receivables:						
Property taxes	27,999	-	-	-	-	27,999
Other receivables	90	-	-	-	-	90
Other governments	4,194	-	-	-	-	4,194
Notes receivable	-	-	15,054	-	-	15,054
Restricted cash and cash equivalents	-	148,999	-	-	-	148,999
Total assets	<u>\$ 1,588,200</u>	<u>\$ 2,198,314</u>	<u>\$ 88,523</u>	<u>\$ 598,072</u>	<u>\$ 687,976</u>	<u>\$ 5,161,085</u>

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

**TOWN OF WEST YELLOWSTONE, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General</u>	<u>Resort Tax</u>	<u>CDBG Local Source</u>	<u>Street Construction and Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Deposits payable	\$ 2,807	\$ 16,500	\$ -	\$ -	\$ 4,275	\$ 23,582
CDBG loan	-	-	15,054	-	-	15,054
Unearned ambulance revenues	90	-	-	-	-	90
Total liabilities	<u>2,897</u>	<u>16,500</u>	<u>15,054</u>	<u>-</u>	<u>4,275</u>	<u>38,726</u>
Deferred inflows of resources:						
Deferred inflows of tax revenues	27,999	-	-	-	-	27,999
Fund balances:						
Nonspendable	-	-	-	-	17,140	17,140
Restricted	-	148,999	-	-	233,735	382,734
Committed	-	2,032,815	73,469	598,072	410,998	3,115,354
Assigned	-	-	-	-	21,828	21,828
Unassigned	1,557,304	-	-	-	-	1,557,304
Total fund balances	<u>1,557,304</u>	<u>2,181,814</u>	<u>73,469</u>	<u>598,072</u>	<u>683,701</u>	<u>5,094,360</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,588,200</u>	<u>\$ 2,198,314</u>	<u>\$ 88,523</u>	<u>\$ 598,072</u>	<u>\$ 687,976</u>	<u>\$ 5,161,085</u>

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

**TOWN OF WEST YELLOWSTONE, MONTANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2016**

Fund balances - total governmental funds		\$ 5,094,360
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 11,306,929	
Less: accumulated depreciation	<u>(3,208,260)</u>	8,098,669
<p>Advances, loans, unearned revenues, and deferred inflows of tax revenues in the governmental funds are reported on the full accrual method in the entity-wide statements.</p>		
		43,143
<p>Deferred outflows related to pensions are expenditures not recognizable in the current period and therefore are not reported in the governmental funds.</p>		
		108,823
<p>Deferred inflows related to pensions are revenues not recognizable in the current period and therefore are not reported in the governmental funds.</p>		
		(265,271)
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds payable	(3,886,079)	
Net pension liability	(1,356,252)	
Other post-employment health benefits	(81,514)	
Compensated absences	<u>(157,502)</u>	<u>(5,481,347)</u>
Net position of governmental activities		<u><u>\$ 7,598,377</u></u>

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General</u>	<u>Resort Tax</u>	<u>CDBG Local Source</u>	<u>Street Construction and Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes and assessments	\$ 395,492	\$ 3,581,355	\$ -	\$ -	\$ 616,924	\$ 4,593,771
Licenses and permits	50,328	-	-	-	-	50,328
Intergovernmental	684,700	-	29,999	-	185,863	900,562
Charges for services	34,953	-	-	-	3,226	38,179
Fines and forfeitures	45,315	-	-	-	-	45,315
Interest on investments	10,205	1,062	39	1,694	1,843	14,843
Loan repayment	-	-	2,100	-	-	2,100
Other	22,240	-	-	-	39,900	62,140
Total revenues	<u>1,243,233</u>	<u>3,582,417</u>	<u>32,138</u>	<u>1,694</u>	<u>847,756</u>	<u>5,707,238</u>
EXPENDITURES						
Current						
General government	737,432	10,213	-	-	392,419	1,140,064
Public safety	1,397,893	-	-	-	24,201	1,422,094
Public works	429,639	-	-	-	6,747	436,386
Public health	1,407	-	-	-	-	1,407
Social and economic services	87,170	-	-	-	1,591	88,761
Culture and recreation	231,901	-	-	-	175,956	407,857
Housing and community development	-	-	39,999	-	453	40,452
Other	203,771	-	-	-	2,161	205,932
Capital outlay	351,001	-	-	-	463,094	814,095
Debt service						
Principal payments	13,610	116,890	-	-	106,729	237,229
Interest and fiscal fees	780	15,697	-	-	52,316	68,793
Total expenditures	<u>3,454,604</u>	<u>142,800</u>	<u>39,999</u>	<u>-</u>	<u>1,225,667</u>	<u>4,863,070</u>
Excess (deficiency) of revenues over expenditures	<u>(2,211,371)</u>	<u>3,439,617</u>	<u>(7,861)</u>	<u>1,694</u>	<u>(377,911)</u>	<u>844,168</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,638,000	-	-	175,000	355,820	3,168,820
Transfers out	(49,500)	(3,119,320)	-	-	-	(3,168,820)
Proceeds of long-term debt	-	1,425,000	-	-	-	1,425,000
Total other financing sources (uses)	<u>2,588,500</u>	<u>(1,694,320)</u>	<u>-</u>	<u>175,000</u>	<u>355,820</u>	<u>1,425,000</u>
Net change in fund balances	377,129	1,745,297	(7,861)	176,694	(22,091)	2,269,168
FUND BALANCE -						
beginning of year	<u>1,180,175</u>	<u>436,517</u>	<u>81,330</u>	<u>421,378</u>	<u>705,792</u>	<u>2,825,192</u>
FUND BALANCE -						
end of year	<u>\$ 1,557,304</u>	<u>\$ 2,181,814</u>	<u>\$ 73,469</u>	<u>\$ 598,072</u>	<u>\$ 683,701</u>	<u>\$ 5,094,360</u>

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

TOWN OF WEST YELLOWSTONE, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 2,269,168

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

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of these assets is depreciated over the asset's useful life. Proceeds from sales are shown as other financing sources on the governmental funds but are adjusted for asset basis on the entity-wide.

Expenditures for capital assets	\$ 814,095	
Less: current year depreciation	<u>(379,025)</u>	435,070

The issuance of long-term debt is reported as a source of financial resources in the governmental funds, but is reported as a long-term liability in the statement of net assets. Repayment of the principal of long-term debt is an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of net assets.

Bond and loan proceeds	(1,425,000)	
Principal payments	<u>237,229</u>	
Principal payments		(1,187,771)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues and expenses in the governmental funds.

(6,583)

Some expenditures reported in governmental funds do not require the use of current financial resources and therefore are not reported as expenses in the statement of activities.

Compensated absences	(44,433)	
Net pension liability	(67,928)	
Other post-employment health benefits	<u>89,019</u>	<u>(23,342)</u>

Change in net position of governmental activities \$ 1,486,542

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

Proprietary Fund Financial Statements

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 67,097	\$ 8,970	\$ 76,067
Investments	469,307	1,064,359	1,533,666
Customers receivables, net	16,727	43,043	59,770
Total current assets	553,131	1,116,372	1,669,503
Other assets			
Restricted cash and investments	149,415	191,320	340,735
Total other assets	149,415	191,320	340,735
Property, plant and equipment			
Nondepreciable:			
Land	-	1,175	1,175
Construction work in process	51,124	-	51,124
Depreciable:			
Building	-	217,055	217,055
Improvements other than building	-	694,186	694,186
Machinery and equipment	73,654	314,974	388,628
Treatment plan	-	1,117,337	1,117,337
Source of supply	657,690	-	657,690
Pumping plant	-	76,335	76,335
Transmission and distribution	1,570,487	-	1,570,487
General plant	-	198,002	198,002
Accumulated depreciation	(1,568,400)	(1,282,045)	(2,850,445)
Net property, plant and equipment	784,555	1,337,019	2,121,574
Total assets	1,487,101	2,644,711	4,131,812
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	5,156	3,986	9,142

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
LIABILITIES			
Current liabilities:			
Compensated absences payable	\$ 2,000	\$ 2,000	\$ 4,000
Refunds payable	2,308	27	2,335
Total current liabilities	4,308	2,027	6,335
Noncurrent liabilities:			
Compensated absences payable	3,024	5,021	8,045
Other post-employment health benefits	6,241	4,920	11,161
Net pension liability	78,369	60,704	139,073
Total noncurrent liabilities	87,634	70,645	158,279
Total liabilities	91,942	72,672	164,614
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	9,628	7,347	16,975
NET POSITION			
Net investment in capital assets	784,555	1,337,019	2,121,574
Restricted for debt service	-	-	-
Restricted for construction and replacement	149,415	191,320	340,735
Unrestricted	456,717	1,040,339	1,497,056
Total net position	\$ 1,390,687	\$ 2,568,678	\$ 3,959,365

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 236,172	\$ 444,140	\$ 680,312
OPERATING EXPENSES			
Personal services	109,368	81,439	190,807
Supplies	16,168	15,929	32,097
Purchased services	34,123	147,278	181,401
Fixed charges	11,724	35,794	47,518
Depreciation	62,580	82,264	144,844
Total operating expenses	233,963	362,704	596,667
Operating income	2,209	81,436	83,645
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,647	4,558	7,205
Intergovernmental revenue	2,103	1,651	3,754
Total nonoperating revenues (expenses)	4,750	6,209	10,959
Change in net position	6,959	87,645	94,604
NET POSITION,			
beginning of year	1,383,728	2,481,033	3,864,761
NET POSITION,			
end of year	\$ 1,390,687	\$ 2,568,678	\$ 3,959,365

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operations:			
Receipts from customers	\$ 236,968	\$ 440,364	\$ 677,332
Payments to suppliers	(61,831)	(199,001)	(260,832)
Payments to employees	(110,168)	(81,829)	(191,997)
Net Cash Provided (Used) by Operating Activities	64,969	159,534	224,503
Cash Flows from Capital and Related Financing Activities			
Additions to property, plant and equipment	(39,905)	-	(39,905)
Receipts from grants	2,103	1,651	3,754
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(37,802)	1,651	(36,151)
Cash Flows from Investing Activities			
Interest on investments	2,647	4,558	7,205
Net Cash Flows Provided (Used) by Investing Activities	2,647	4,558	7,205
Net Increase (Decrease) in Cash and Cash Equivalents	29,814	165,743	195,557
Cash and Cash Equivalents at Beginning of Year	656,005	1,098,906	1,754,911
Cash and Cash Equivalents at End of Year	\$ 685,819	\$ 1,264,649	\$ 1,950,468
Classified As:			
Current Assets	\$ 536,404	\$ 1,073,329	\$ 1,609,733
Restricted Assets	149,415	191,320	340,735
Totals	\$ 685,819	\$ 1,264,649	\$ 1,950,468

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating income	\$ 2,209	\$ 81,436	\$ 83,645
Adjustments to reconcile operating income			
to net cash provided by operating activities			
Depreciation and amortization	62,580	82,264	144,844
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
(Increase) Decrease in:			
Accounts receivable	796	(3,776)	(2,980)
Deferred outflows of resources	370	290	660
Increase (Decrease) in:			
Refunds payable	184	-	184
Other post-employment health benefits	5,302	4,194	9,496
Net pension liability	5,529	4,340	9,869
Accrued employee benefits payable	(2,697)	(1,911)	(4,608)
Deferred inflows of resources	(9,304)	(7,303)	(16,607)
Total adjustments	62,760	78,098	140,858
Net cash provided by operating activities	\$ 64,969	\$ 159,534	\$ 224,503

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

Fiduciary Fund Financial Statements

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 12,535	\$ 248,823
Investments	20,027	-
Total assets	\$ 32,562	\$ 248,823
LIABILITIES		
Short term payables		\$ 239,548
Due to other funds / governments		9,275
Total liabilities		\$ 248,823
NET POSITION		
Held in trust for pension benefits	\$ 32,562	

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

TOWN OF WEST YELLOWSTONE, MONTANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2016

	Pension Trust Funds
ADDITIONS	
Contributions and donations	\$ 13,895
Interest income	48
Total additions	13,943
DEDUCTIONS	
Social and economic	6,448
Total deductions	6,448
INCREASE IN NET POSITION	7,495
NET POSITION, beginning of year	25,067
NET POSITION, end of year	\$ 32,562

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

Notes to Financial Statements

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of West Yellowstone, Montana (the Town), is an independent political entity established under Montana Law. The Town is governed by an elected Mayor and Town Council. The Town Council, by law, has the authority to adopt budgets, appropriate funds, levy taxes, employ personnel and pass ordinances. The Gallatin County Treasurer's office functions in a fiduciary capacity to the extent that it bills and collects taxes and receives certain intergovernmental revenue for The Town; however, Gallatin County does not function in an oversight capacity with regard to the Town.

The accompanying financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB issued Statement 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Town adopted the provisions of GASB 34 during the fiscal year ending June 30, 2004. With the implementation of GASB 34, the Town has prepared required supplementary information titled *Management's Discussion and Analysis* which precedes the basic financial statements.

Other GASB statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Town also implemented the following GASB statements in the year ended June 30, 2004: Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and Statement 38 *Certain Financial Statement Note Disclosures*.

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The accompanying financial statements present the financial position of the Town and the various funds and fund types, the results of operations of the Town and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2016, and for the year then ended.

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

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Town (the primary government). In accordance with GASB Statement 14 *The Financial Reporting Entity* and Statement 39 *Determining Whether Certain Organizations are Component Units*, there are no legally separate entities the Town is required to report in these statements as a component unit.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus

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

Government-Wide Financial Statements

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

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Town will not be retroactively including infrastructure in its assets.

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

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

Governmental Fund Financial Statements

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund. The Town has no nonmajor proprietary funds. There is no column representing internal service funds presented in the statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and Statement of Changes in Net Position for the Pension Trust Fund. The Town’s Fiduciary Funds represent Agency and Pension Trust Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds do not have a measurement focus. These funds are accounted for using the accrual basis of accounting. The following Fiduciary Funds are included in the Fiduciary Fund financial statements:

Pension Trust Fund – Accounts for the activities of a local retirement plan which accumulates resources for pension benefit payments to qualified employees.

Agency Funds – Account for resources legally held in trust for use by another government, individual, or organization as identified by the donor. The use of these funds may be restricted to only the interest earned on the investment of the principal or the entire amount may be used in accordance with the terms of the donor.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

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

Governmental Funds

1. General Fund: The General Fund is the primary operating unit of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
2. Resort Tax Special Revenue Fund: Special revenue funds are to be used to account for proceeds from a specific revenue source, in this case a tax imposed on tourism-related items and services.
3. CDBG Local Source Special Revenue Fund: The CDBG Local Source Special Revenue Fund accounts for the revenues received and expenditures relative to loans made in accordance with the Community Development Block Grant Program, for economic development purposes. This fund accounts for the administration of low interest loans to local entities that can provide jobs and stimulate the economy or provide housing.
4. Street Construction and Maintenance Capital Projects Fund: This fund is used to account for projects related to construction and maintenance of the Town's streets.

Proprietary Funds

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

Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for all governmental and proprietary funds. The budgets are prepared in accordance with the basis of accounting used by that fund and on a line item basis. Revenues are budgeted by source and expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations. The Town Council may amend the budget by adopting a budget amendment resolution. The budget for the enterprise funds is adopted under a basis consistent with generally accepted accounting principles, except that depreciation, certain capital expenditures, and nonoperating income and expense items are not considered.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Town's assets are capitalized at historical cost or estimated historical cost. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net Position, net of applicable accumulated depreciation. Capital assets which are not depreciable, such as land and construction in progress are reported separately. Depreciation expense is reported in Statement of Activities and is calculated using the straight-line method based on the assets estimated useful life.

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

Building and structures	50 years
Improvements	10 to 15 years
Infrastructure	40 years
Machinery and equipment	5 to 15 years
Water system	5 to 50 years
Sewer system	5 to 50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. According to GASB 34, the Town must record infrastructure assets prospectively from the date of implementation.

The Town defines infrastructure as the basic physical assets that allow the Town to function. The assets to be recorded will include the street system, water purification and distribution system, sewer collection treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas; and streets, sidewalks, curbs, and street lights.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The Town capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use.

Assessments

Unpaid special improvement district assessments are reflected as special assessments receivable and deferred inflows in the various funds. Revenue is not recognized until collection of these fees.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained as all balances are considered to be fully collectible with respect to materiality.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Compensated Absences Payable

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

Cash and Cash Equivalents

To facilitate cash management, the operating cash of certain funds is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds. For the purposes of the statement of cash flows, the Town considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. In accordance with GASB Statement 72, investments are reported at fair value.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those short-term loans related to goods and services type transactions are classified as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances to and from other funds”. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

On-Behalf Payments for Fringe Benefits

On-behalf payments for fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions. The State’s pension contributions are recorded as intergovernmental revenue with offsetting expenditures.

Use of Estimates

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance/Net Position

Fund Balance

The Town has implemented Governmental Accounting Standards Board Statement 54. As a result, the classifications for fund balance now used for governmental fund are reported in two general classifications, nonspendable and spendable.

Nonspendable represents the portion of fund balance that is not in spendable form such as inventories, and, in the general fund, long term notes and loans receivable. Nonspendable also includes the portion of fund balance that is legally required to be maintained intact (perpetual care funds). Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

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

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

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

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

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

Minimum General Fund – Fund Balance

The Town does not maintain a stabilization fund. However, the Town adopted a General Fund – Fund Balance Policy to maintain an unassigned fund balance in the General Fund that is no less than two months of regular operating expenditures or revenues, or 16% of the General Fund Expenditures.

Net Position

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

GASB Statement No. 65 requires that a deferred inflow of resources be reported in the Governmental Fund financial statements when an asset is recorded for which the revenue is not available; therefore, the Governmental Fund financial statements report deferred inflows of tax revenues and deferred inflows of special assessment revenues.

GASB Statement No. 68 requires that the Town record and report its proportionate share of the collective net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources associated with pensions.

Pension Plans

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

2. CASH AND INVESTMENTS

Cash and investments may include cash, demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); direct obligations of the United States government and securities issued by agencies of the United States; repurchase agreements; and registered warrants. The Town's cash, cash equivalents and investments are reported as follows:

	Unrestricted	Restricted	Total
Governmental activities	\$ 4,964,749	\$ 148,999	\$ 5,113,748
Business-type activities	1,609,733	340,735	1,950,468
Fiduciary funds	281,385	-	281,385
	\$ 6,855,867	\$ 489,734	\$ 7,345,601

Custodial Credit Risk—Deposits. Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Town's deposits may not be returned or the Town will not be able to recover the collateral securities in the possession of the outside party. The Town does not have deposit policy for custodial credit risk. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The uninsured portion of the bank balance was fully secured by pledged securities held by the financial institutions or by their trust departments or agents, but not in the Town's name (class 3 collateral).

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

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

2. CASH AND INVESTMENTS (Continued)

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

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

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

	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value</u>
Repurchase agreements	< 1 year	S&P AA+	N/A	\$ 659,855
State Short-Term Investment Pool	N/A	N/A	Level 2	5,856,887
Demand deposits	N/A	FDIC	N/A	342
Petty cash	N/A	N/A	N/A	350
Certificates of deposit	N/A	FDIC	N/A	221,512
Money market accounts	N/A	FDIC	N/A	606,655
				<u>\$ 7,345,601</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3. TAXES AND ASSESSMENTS RECEIVABLE

All property taxes are collected by the Treasurer of Gallatin County, Montana, and remitted to the Town of West Yellowstone on a monthly basis. However, the revenues are reduced at year end by the amount of the current delinquent receivables, and are increased by the amount of the delinquent collections from prior fiscal years. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the second Monday in August. They are due in two equal installments on November 30th and May 31st following the levy date.

The Town is permitted by state statutes to levy taxes up to certain fixed limits for various purposes. The taxes levied by the Town for the fiscal year ended June 30, 2016, were within legal limits. The tax levies were based upon a taxable valuation of \$5,498,791.

4. CAPITAL ASSETS

All capital assets of the Town are depreciable with the exceptions of land and construction in progress. Capital assets of the Town for the year ended June 30, 2016, consisted of the following:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers/ Reclassifications</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Governmental Activities:					
Non-depreciable					
Land	\$ 596,400	\$ -	\$ -	\$ -	\$ 596,400
Construction in progress	461,412	236,024	(445,738)	-	251,698
Depreciable					
Buildings	6,003,462	-	-	-	6,003,462
Improvements	1,495,514	250,768	445,738	(70,713)	2,121,307
Machinery and equipment	2,082,036	327,301	-	(75,277)	2,334,060
Total	10,638,824	814,093	-	(145,990)	11,306,927
Accumulated depreciation	(2,975,225)	(379,025)	-	145,990	(3,208,260)
Total governmental activities	<u>\$ 7,663,599</u>	<u>\$ 435,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,098,667</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4. CAPITAL ASSETS (Continued)

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers/ Reclassifications</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Business-type Activities:					
Water					
Non-depreciable					
Construction in progress	\$ 11,219	\$ 39,905	\$ -	\$ -	\$ 51,124
Depreciable					
Machinery and equipment	73,654	-	-	-	73,654
Source of supply	657,690	-	-	-	657,690
Transmission and distribution	1,570,487	-	-	-	1,570,487
Total	2,313,050	39,905	-	-	2,352,955
Accumulated depreciation	(1,505,820)	(62,580)	-	-	(1,568,400)
Total water activities	807,230	(22,675)	-	-	784,555
Sewer					
Non-depreciable					
Land	1,175	-	-	-	1,175
Depreciable					
Buildings	217,055	-	-	-	217,055
Improvements	694,186	-	-	-	694,186
Machinery and equipment	314,974	-	-	-	314,974
Pumping plant	76,335	-	-	-	76,335
General plant	198,002	-	-	-	198,002
Treatment plant	1,117,337	-	-	-	1,117,337
Total	2,619,064	-	-	-	2,619,064
Accumulated depreciation	(1,199,781)	(82,264)	-	-	(1,282,045)
Total sewer activities	1,419,283	(82,264)	-	-	1,337,019
Total business-type activities	\$ 2,226,513	\$ (104,939)	\$ -	\$ -	\$ 2,121,574

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4. CAPITAL ASSETS (Continued)

Changes in accumulated depreciation are as follows for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Governmental Activities:				
Buildings	\$ (961,907)	\$ (130,294)	\$ -	\$ (1,092,201)
Improvements	(493,098)	(88,927)	70,713	(511,312)
Machinery and equipment	(1,520,220)	(159,804)	75,277	(1,604,747)
Total governmental activities	<u>\$ (2,975,225)</u>	<u>\$ (379,025)</u>	<u>\$ 145,990</u>	<u>\$ (3,208,260)</u>
Business-type Activities:				
Buildings	(124,288)	(1,995)	-	(126,283)
Improvements	(248,216)	(24,044)	-	(272,260)
Source of supply	(442,845)	(16,442)	-	(459,287)
Transmission and distribution	(1,041,206)	(40,535)	-	(1,081,741)
Machinery and equipment	(157,055)	(26,528)	-	(183,583)
Pumping plant	(41,046)	(2,823)	-	(43,869)
General plant	(147,445)	(4,880)	-	(152,325)
Treatment plant	(503,500)	(27,597)	-	(531,097)
Total business-type activities	<u>\$ (2,705,601)</u>	<u>\$ (144,844)</u>	<u>\$ -</u>	<u>\$ (2,850,445)</u>
Total accumulated depreciation	<u>\$ (5,680,826)</u>	<u>\$ (523,869)</u>	<u>\$ 145,990</u>	<u>\$ (6,058,705)</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4. CAPITAL ASSETS (Continued)

In accordance with GASB 34, The Town has reported all capital assets, with the exception of pre-July 1, 2003 infrastructure in the Government-Wide Statement of Net Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2016, depreciation expense on capital assets was charged to the governmental functions/programs as follows:

Governmental Activities:

General Government	\$	85,468
Public Safety		73,964
Public Works		109,799
Public Health		1,805
Culture and Recreation		107,989
Total depreciation expense - governmental activities	\$	379,025

Business-type Activities:

Water	\$	62,580
Sewer		82,264
Total depreciation expense - business-type activities	\$	144,844

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

5. COMPENSATED ABSENCES

The Town's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of the debt, amounting to \$127,002 for governmental activities and \$8,045 for business-type activities at June 30, 2016, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amounts outstanding at June 30, 2016, were \$157,502 for governmental activities and \$12,045 for business-type activities.

	Balance June 30, 2015	Incurred	Satisfied	Balance June 30, 2016
Compensated absences				
Governmental Activities	\$ 113,069	\$ 74,897	\$ (30,464)	\$ 157,502
Business-type Activities	16,652	1,410	(6,017)	12,045
Total compensated absences	<u>\$ 129,721</u>	<u>\$ 76,307</u>	<u>\$ (36,481)</u>	<u>\$ 169,547</u>

	Due within one year	Due after one year	Total
Compensated absences			
Governmental Activities	\$ 30,500	\$ 127,002	\$ 157,502
Business-type Activities	4,000	8,045	12,045
Total compensated absences	<u>\$ 34,500</u>	<u>\$ 135,047</u>	<u>\$ 169,547</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT

The following is a summary of the Town's governmental fund long-term debt transactions for the year ended June 30, 2016:

	Balance June 30, 2015	Issuances	Repayments	Balance June 30, 2016
General obligation bonds	\$ 1,230,000	\$ -	\$ (80,000)	\$ 1,150,000
Contracts, notes, and loans				
911 Dispatch Center Intercap	125,272	-	(26,729)	98,543
Caterpillar Wheel Loader	57,830	-	(13,610)	44,220
Town Hall Construction Intercap	1,285,206	-	(116,890)	1,168,316
80 Acre Purchase	-	1,425,000	-	1,425,000
	<u>\$ 2,698,308</u>	<u>\$ 1,425,000</u>	<u>\$ (237,229)</u>	<u>\$ 3,886,079</u>

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

	Current Portion (Due within one year)	Long Term Portion (Due after one year)	Total Long Term Debt
General obligation bonds	\$ 85,000	\$ 1,065,000	\$ 1,150,000
Notes payable	287,672	2,448,407	2,736,079
	<u>\$ 372,672</u>	<u>\$ 3,513,407</u>	<u>\$ 3,886,079</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT (Continued)

a. Notes Payable

The Town has an Intercap loan payable to Montana Board of Investments for funds borrowed to purchase a Caterpillar Wheel Loader in 2009. The original note was for \$128,624 with interest of 4.25% through February 15, 2009, with variable interest rates after that. The note is fully collateralized by the related loader. Variable semi-annual payments, including principal and interest, are required until February 15, 2019.

The Town has an Intercap loan payable to Montana Board of Investments for funds borrowed to remodel the 911 dispatch center in 2009. The original note was for \$490,502, with interest of 3.25% through February 15, 2010, with variable interest rates after that. The note is fully collateralized by the related dispatch center project. Variable semi-annual payments including principal and interest are required until August 15, 2019.

The Town has an Intercap loan payable to Montana Board of Investments for funds borrowed for the Town Hall construction in 2012. The original note was for \$1,304,726, with interest of 1.25% through February 16, 2013, with variable interest rates after that. This is a revenue bond using the Resort Tax revenue. Variable semi-annual payments including principal and interest are required until December 15, 2025.

The Town has a note payable to First Security Bank for funds borrowed for the purchase of 80 acres of land in 2016. The original note was for \$1,425,000, with interest of 2.19% originally, then indexed based on the prime rate after that. Variable semi-annual payments including principal and interest are required through February 15, 2036.

	Due within one year	Due after one year	Total
Intercap note payable - 911 Dispatch Center	\$ 27,604	\$ 70,939	\$ 98,543
Intercap note payable - Caterpillar Wheel Loader	14,194	30,026	44,220
Intercap note payable - Town Hall Construction	116,890	1,051,426	1,168,316
Note payable - 80 Acre Land Purchase	128,984	1,296,016	1,425,000
	\$ 287,672	\$ 2,448,407	\$ 2,736,079

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

6. LONG-TERM DEBT (Continued)

b. General Obligation Bonds

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

	Interest Rate	Amount	Due within one year
General Obligation Bonds			
serial maturities through 2027	3.80-4.25%	\$ 1,150,000	\$ 85,000

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

	Principal	Interest	Total
Year ending June 30,			
2017	\$ 85,000	\$ 47,282	\$ 132,282
2018	90,000	43,882	133,882
2019	90,000	40,462	130,462
2020	95,000	36,862	131,862
2021	100,000	33,062	133,062
2022-2026	565,000	99,824	664,824
2027	125,000	5,312	130,312
	\$ 1,150,000	\$ 306,686	\$ 1,456,686

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

7. DEFERRED COMPENSATION PLAN

Until December 31, 2009, the Town offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permitted them to defer a portion of their salary until future years. The duties of the trustee and administration of the plan were carried out by a third party. Participation in the plan was optional and participants elected how their salary deferrals are invested. Investment options included: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are solely the property and rights of the participants and their beneficiaries.

8. TAX SHELTERED ANNUITY

The Town has a tax sheltered annuity program established under Section 403(b) of the Internal Revenue Code covering all eligible employees. The program allows the Town to make discretionary contributions to the programs, subject to certain limitations. Section 403(b) was established by Congress to allow organizations that qualify for tax-exempt status under 501(c)(3) to establish retirement plans for employees. Section 501(c)(3) encompasses nonprofit and nonpolitical, religious, charitable and other public interest oriented organizations. The Town is not an eligible employer under 403(b). The Town has entered into an agreement with the Internal Revenue Service which will allow the Town to maintain the assets in the program without penalty. The Town will not be allowed to make future contributions to the program.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The plan is funded by the Town and plan members receiving benefits. The Town contributes 75% of the monthly premium for employees working a minimum of 20 hours or more, and plan members contribute the remaining balance. Retirees are allowed to stay on the plan but contribute the entire monthly premium. For fiscal year ended June 30, 2016, the Town has no retired members receiving benefits.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Annual OPEB Cost and Net OPEC Obligation. The Town’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

MMIA, as the plan administrator for many Montana cities and towns, engaged an actuary to assist members, including the Town of West Yellowstone, with the alternative measurement method for June 30, 2016.

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

Annual required contribution/Annual OPEB cost (expense)	\$	58,994
Interest on net OPEB obligation		361
Adjustment to annual required contribution (amortization)		18,069
Annual OPEB cost (expense)		77,424
Contributions made		-
Increase in net OPEB obligation		77,424
Net OPEB obligation - beginning of year		15,251
Net OPEB obligation - end of year	\$	92,675

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current and two preceding fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2014	\$ -	0.00%	\$ -
June 30, 2015	\$ 15,251	0.00%	\$ 15,251
June 30, 2016	\$ 77,424	0.00%	\$ 92,675

Funded Status and Funding Progress. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Town’s OPEB is presented as required supplementary information, which presents multiyear trend information.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial Methods and Assumptions. For the actuarial valuation as of June 30, 2016, the following key assumptions were chosen by the actuary of MMIA and agreed to by the Town:

1. Discount Rate: 2.0% utilized by MMIA financials
2. Investment Rate of Return: 2.0%
3. Premium increases: 5.1% for 2017, 6.0% for 2018, 6.1% for 2019, 6.1% for 2020, 6.2% for 2021 and 2022, and 6.1% for 2023 and later from the Centers for Medicare and Medicaid Services as published in *National Health Care Expenditures Projections: 2011-2021*
4. Average salary increase: 1.7%
5. Rate for single plus spouse is double the single rate
6. Average life expectancy: 79 years

The June 30, 2016 year end OPEB obligation is reported in the Town's funds as follows:

Functions/Programs	FY 2016 Expense	Net OPEB Obligation at Year End
Primary Government:		
Governmental activities:		
General government	\$ 18,525	\$ 22,985
Public safety	20,616	23,864
Public works	10,087	12,863
Social and economic	4,782	6,085
Culture and recreation	13,918	15,717
Total governmental activities	67,928	81,514
Business-type activities:		
Water	5,302	6,241
Waste water	4,194	4,920
Total business-type activities	9,496	11,161
Total primary government	\$ 77,424	\$ 92,675

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

11. CLASSIFICATION OF NET POSITION

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

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

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and specific projects and programs established by the Town Council.

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

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

12. RESORT TAX REVENUE

The Town, pursuant to an election in 1985, established a resort tax on the retail value of all goods and services sold within the Town. Businesses subject to the tax shall collect a three percent tax on the retail value of all goods and services sold, as set forth by the statute. The monies derived from the resort tax may be appropriated by the Town Council for any activity, undertaking, or administrative service in which the Town is authorized by law to perform. Annually anticipated receipts from the resort tax must be applied to reduce the municipal property tax levy for the fiscal year in an amount equal to five percent of the resort tax revenues derived during the preceding fiscal year.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

13. OPERATING LEASES

On May 1, 2010, the Town (Lessor) entered into a 10-year lease with West Yellowstone Foundation (Lessee), a nonprofit organization, for a bus storage facility for \$100 per year.

14. RISK MANAGEMENT

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

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

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

In 1986, the Town joined together with other Montana cities to form the Montana Municipal Interlocal Authority (MMIA), which established a workers' compensation plan and a tort liability plan, both public entity risk pools currently operating as common risk management and insurance programs for the member governments. The liability limits are \$750,000 per person and \$1.5 million per accident, except if any one occurrence is not subject to government liability limitations in which case the limits are \$12.5 million per occurrence for any claim that is not subject to the limitations on government liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with a \$1,500 deductible per occurrence. State tort law limits the Town's liability to \$1.5 million. The Town has no excess policy coverage. The Town pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total budgeted salaries and wages and an annual premium for tort liability. This amount is allocated between the Town's enterprise funds and the liability insurance fund based on total appropriations. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued \$4.41 million and \$6.155 million, respectively, of bonds to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service. The principal amount of the note was based on the Town's weighted payroll of participating cities for the same period, provided the note does not exceed 3% of the taxable valuation of the taxable property within the boundaries of the Town. This debt was retired in 2011.

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2016 follows:

		Transfers From		
		Governmental Funds		
Transfers To		General Fund	Resort Tax	Total
	General Fund	\$ -	\$ 2,638,000	\$ 2,638,000
	Street Construction and Maint	-	175,000	175,000
	Nonmajor Governmental	49,500	306,320	355,820
		\$ 49,500	\$ 3,119,320	\$ 3,168,820

Transfers are used to (1) move revenues from the fund that statute or budgets require to collect them to the fund that statute or budgets require to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations, and (3) to transfer non-restricted interest income from a permanent fund to the general fund.

16. INTERLOCAL AGREEMENTS

The Town entered into a revised 20-year Interlocal agreement with the Hebgen Basin Fire District for fire protection, fire suppression, fire prevention and emergency medical services with the boundary of the District on November 3, 2015. Under the agreement, the Town paid \$530,000 to the district for these services, the year ended June 30, 2016. Beginning with fiscal year 2016-2017 and continuing for the next nine years, the payment shall increase annually by an amount equal to 1-1/2% (one and one-half percent) of the previous year's payment. This payment schedule shall be re-assessed at the end of every ten years. Built into the payment schedule are up and/or down "triggers" based on resort tax collections. In fiscal year 2016, the Town sold the fire building located at 10 S. Faithful, West Yellowstone, Montana, to the fire district for \$533,000.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

17. MAJOR PURPOSE PRESENTATION

The table presented below displays the Town's fund balances by major purpose as displayed on page II-15 of the governmental funds balance sheet. Statement 54 requires the disclosure of the purpose of each Major Fund.

	General Fund	Resort Tax	CDBG Local Source	Street Constr and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 17,140	\$ 17,140
Total nonspendable	-	-	-	-	17,140	17,140
Restricted						
Public works	-	-	-	-	20,709	20,709
Culture and recreation	-	-	-	-	7,575	7,575
Debt service	-	148,999	-	-	205,451	354,450
Total restricted	-	148,999	-	-	233,735	382,734
Committed						
General government	-	2,032,815	-	-	113,006	2,145,821
Public safety	-	-	-	-	42,682	42,682
Public works	-	-	-	-	84,839	84,839
Social and economic services	-	-	-	-	6,455	6,455
Culture and recreation	-	-	-	-	15,995	15,995
Housing and community development	-	-	73,469	-	-	73,469
Other	-	-	-	-	55,335	55,335
Capital projects	-	-	-	598,072	92,686	690,758
Total committed	-	2,032,815	73,469	598,072	410,998	3,115,354
Assigned						
Public works	-	-	-	-	21,828	21,828
Total assigned	-	-	-	-	21,828	21,828
Unassigned						
	1,557,304	-	-	-	-	1,557,304
Total fund balances	<u>\$ 1,557,304</u>	<u>\$ 2,181,814</u>	<u>\$ 73,469</u>	<u>\$ 598,072</u>	<u>\$ 683,701</u>	<u>\$ 5,094,360</u>

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Pension Amount Totals

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

Net Pension Liability

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

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district’s collective NPL that is associated with the non-State employer.

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

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

	Net Pension Liability as of 6/30/2016	Net Pension Liability as of 6/30/2015	Percent of Collective NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2015	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,265,875	\$ 1,183,464	0.090557%	0.094980%	-0.004423%
State of Montana Proportionate Share associated with Employer	15,549	14,452	0.001112%	0.001160%	-0.000048%
Total	\$ 1,281,424	\$ 1,197,916	0.091669%	0.096140%	-0.004471%

The Table above displays the employer proportionate share of the NPL and the employer’s proportion of NPL for June 30, 2015 and 2016. The employer’s proportion of the NPL was based on the employer’s contributions received by PERS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS’ participating employers. As of the employer’s reporting date the employer recorded a liability of \$1,265,875 and the employer’s proportionate share was 0.090557%.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

Pension Expense

	Pension Expense as of 6/30/2016	Pension Expense as of 6/30/2015
Employer Proportionate Share of PERS	\$ 64,503	\$ 89,562
State of Montana Proportionate Share associated with Employer	966	1,088
Total	\$ 65,469	\$ 90,650

At June 30, 2016, the employer recognized its proportionate share of the PERS’ pension expense of \$64,469. The employer also recognized grant revenue of \$966 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer, and grant revenue of \$30,380 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. Expected Experience	\$ -	\$ 7,659
Actual vs. Expected Investment Earnings	-	107,170
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	54,091
Employer contributions subsequent to the measurement date - FY 2016 Contributions	84,840	-
Total	\$ 84,840	\$ 168,920

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Recognition of Deferred Inflows and Outflows (Continued)

\$84,840 reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017.

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

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$ (65,794)
2018	(65,794)
2019	(65,203)
2020	27,871
2021	-
Thereafter	-
	\$ (168,920)

Plan Description

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

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Summary of Benefits

Eligibility for benefit

Service retirement:

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

Early retirement, actuarially reduced:

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

Vesting

5 years of membership service

Member’s highest average compensation (HAC)

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

*Guaranteed Annual Benefit Adjustment (GABA)**

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Overview of Contributions

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the PCR are included in the employers’ reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members’ compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members’ compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust Fund.

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the Town are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during the years ended June 30, 2014, 2015, and 2016 were equal to the required contribution for each year. Total covered payroll for the Town and total contributions to the plan for the year ended June 30, 2016 and the two previous years is presented in the following table.

<u>Year Ended June 30</u>	<u>Covered Payroll</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>State Contributions</u>
2016	\$ 1,087,483	\$ 85,911	\$ 89,935	\$ 1,087
2015	\$ 1,143,326	\$ 90,323	\$ 93,410	\$ 1,143
2014	\$ 1,127,472	\$ 89,070	\$ 90,987	\$ 1,127

Stand-Alone Statements

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

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

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

Actuarial Assumptions

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial Assumptions (Continued)

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table below are the best estimates of the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2015.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate 7.75%	1.0% Increase (8.75%)
Employer's Net Pension Liability	\$ 1,951,706	\$ 1,265,875	\$ 686,707

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

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

Pension Amount Totals

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

Net Pension Liability

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

MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government’s NPL that is associated with the non-State employer.

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Net Pension Liability (Continued)

	Net Pension Liability as of 6/30/2016	Net Pension Liability as of 6/30/2015	Percent of Collective NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2015	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 229,450	\$ 339,813	0.138707%	0.216254%	-0.077547%
State of Montana Proportionate Share associated with Employer	464,888	686,463	0.281033%	0.436860%	-0.155827%
Total	\$ 694,338	\$ 1,026,276	0.419740%	0.653114%	-0.233374%

The Table above displays the employer proportionate share of the NPL and the employer’s proportion of NPL for June 30, 2015 and 2016. The employer’s proportion of the NPL was based on the employer’s contributions received by MPORS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of MPORS’ participating employers. As of the employer’s reporting date the employer recorded a liability of \$229,450 and the employer’s proportionate share was 0.138707%.

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

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

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

Pension Expense

	Pension Expense as of 6/30/2016	Pension Expense as of 6/30/2015
Employer Proportionate Share of MPORS	\$ (10,928)	\$ 36,552
State of Montana Proportionate Share associated with Employer	47,280	73,839
Total	\$ 36,352	\$ 110,391

At June 30, 2016, the employer recognized its proportionate share of the MPORS’ pension expense of \$36,352. The employer also recognized grant revenue of \$47,280 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Recognition of Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. Expected Experience	\$ -	\$ 2,095
Actual vs. Expected Investment Earnings	-	8,620
Changes in Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	102,611
Employer contributions subsequent to the measurement date - FY 2016 Contributions	33,125	-
Total	\$ 33,125	\$ 113,326

\$33,125 reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability beginning in the year ended June 30, 2017.

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

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$ (38,730)
2018	(38,730)
2019	(38,730)
2020	2,864
2021	-
Thereafter	-
	\$ (113,326)

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Plan Description

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

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member’s DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member’s DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. The balance held by MPERA for MPORS DROP participants as of June 30, 2016 was approximately \$7 million.

Summary of Benefits

Eligibility for benefit

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

Vesting

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

Member’s final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;
Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months

Compensation Cap

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

Monthly benefit formula

2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Summary of Benefits (Continued)

Minimum benefit adjustment (non-GABA)

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

Overview of Contributions

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

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

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the Town are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during the years ended June 30, 2014, 2015, and 2016 were equal to the required contribution for each year. Total covered payroll for the Town and total contributions to the plan for the year ended June 30, 2016 and the two previous years is presented in the following table.

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2016	\$ 225,856	\$ 20,049	\$ 32,101	\$ 66,334
2015	\$ 195,058	\$ 17,555	\$ 28,108	\$ 57,289
2014	\$ 290,156	\$ 26,114	\$ 41,811	\$ 85,219

Stand-Alone Statements

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

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial Assumptions

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

- If hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor’s benefit may not be less than ½ the compensation of a newly confirmed officer in the town that the member was last employed.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 29.37% of salaries pensionable payroll paid by employers. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table above are the best estimates of the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2015.

Sensitivity Analysis

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate 7.75%</u>	<u>1.0% Increase (8.75%)</u>
Employer's Net Pension Liability	\$ 323,949	\$ 229,450	\$ 145,559

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

20. CONTINGENT LIABILITIES

The Town is occasionally named as the defendant in litigated claims against the Town which arise out of the normal course of operations by the Town. Management of the Town intends to vigorously defend each claim and believes no material losses will be incurred on such claims. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's management and counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Berger v. Town of West Yellowstone

This is a claim for wrongful discharge and various other claims of wrongdoing by the Town in the termination of this employee's position. The Complaint has been filed and served and the parties are in the discovery phase of litigation. Berger's damage demands total \$397,424 for his claims. The claims are covered by insurance and the insurer (MMIA) is providing defense.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2017, the date on which the financial statements were available to be issued.

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

TOWN OF WEST YELLOWSTONE, MONTANA
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
Year Ended June 30, 2016

The annual other post-employment benefits (OPEB) costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retiree Health Plan	6/30/2014	\$ -	0.00%	\$ -
	6/30/2015	\$ 15,251	0.00%	\$ 15,251
	6/30/2016	\$ 77,424	0.00%	\$ 92,675

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 74,286
(b) Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL) [(a) - (b)]	\$ 74,286
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 1,143,326
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll {[(a) - (b)] / (c)}	6.5%

SCHEDULE OF FUNDING PROGRESS							
	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Retiree Medical Plan	6/30/2015	\$ -	\$ 74,286	\$ 74,286	0.0%	\$ 1,143,326	6.5%

**TOWN OF WEST YELLOWSTONE, MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
Last Three Fiscal Years**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
	2016	2015	2014
Employer's proportionate share of the net pension liability	\$ 1,265,875	\$ 1,183,464	\$ 1,522,936
Employer's proportionate share of the net pension liability associated with the employer	0.090557%	0.094980%	0.094980%
State of MT proportionate share of the net pension liability associated with the employer	\$ 15,549	\$ 14,452	\$ 18,597
Total	\$ 1,281,424	\$ 1,197,916	\$ 1,541,533
Employer's covered-employee payroll	\$ 1,056,822	\$ 1,075,174	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	119.781%	110.072%	Not available
Plan fiduciary net position the total pension liability	78.400%	79.900%	Not available

SCHEDULE OF CONTRIBUTIONS			
	2016	2015	2014
Contractually required contributions	\$ 84,840	\$ 89,786	\$ 89,489
Contributions in relation to the contractually required contributions	\$ 84,840	\$ 89,786	\$ 89,489
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 986,860	\$ 1,056,822	\$ 1,075,174
Contributions of covered-employee payroll	8.597%	8.496%	8.323%

TOWN OF WEST YELLOWSTONE, MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)
Last Three Fiscal Years

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
	2016	2015	2014
Employer's proportionate share of the net pension liability	\$ 229,450	\$ 339,813	\$ 387,169
Employer's proportionate share of the net pension liability associated with the employer	0.138707%	0.216254%	0.216254%
State of MT proportionate share of the net pension liability associated with the employer	\$ 464,888	\$ 686,463	\$ 782,127
Total	\$ 694,338	\$ 1,026,276	\$ 1,169,296
Employer's covered-employee payroll	\$ 191,973	\$ 290,156	Not available
Employer's proportionate share of the net pension liability as of its covered-employee payroll	119.522%	117.114%	Not available
Plan fiduciary net position the total pension liability	66.900%	67.000%	Not available

SCHEDULE OF CONTRIBUTIONS			
	2016	2015	2014
Contractually required contributions	\$ 33,125	\$ 28,108	\$ 42,188
Contributions in relation to the contractually required contributions	\$ 33,125	\$ 28,108	\$ 42,188
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 225,856	\$ 195,058	\$ 290,156
Contributions of covered-employee payroll	14.666%	14.410%	14.540%

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

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

2013 Legislative Changes:

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes:

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

Second Retirement Benefit - for PERS

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

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

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

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

TOWN OF WEST YELLOWSTONE, MONTANA
NOTE A TO RSI (Continued)
Notes to Required Supplementary Information - Public Employees' Retirement System (PERS)
Year Ended June 30, 2016

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

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

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

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

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

TOWN OF WEST YELLOWSTONE, MONTANA

NOTE B TO RSI

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

Year Ended June 30, 2016

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

2013 Legislative Changes:

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

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

2015 Legislative Changes:

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

MPORS DROP Survivor Benefits - for MPORS

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

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

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

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

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

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

Budget to Actual Comparison – Major Funds
General Fund
Resort Tax Special Revenue Fund
CDBG Local Source Special Revenue Fund

TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,180,175	\$ 1,180,175	\$ 1,180,175	\$ -
Resources (inflows):				
Taxes and assessments	321,362	321,362	395,492	74,130
Licenses and permits	40,900	40,900	50,328	9,428
Intergovernmental	288,376	288,376	684,700	396,324
Charges for services	26,400	26,400	34,953	8,553
Fines and forfeitures	16,020	16,020	45,315	29,295
Proceeds from long-term debt	-	-	-	-
Interest on investments	3,000	3,000	10,205	7,205
Loan repayment	-	-	-	-
Transfers from other funds	2,662,696	2,662,696	2,638,000	(24,696)
Other	15,900	15,900	22,240	6,340
Amounts available for appropriation	<u>4,554,829</u>	<u>4,554,829</u>	<u>5,061,408</u>	<u>506,579</u>
Charges to appropriations (outflows):				
Current				
General government	920,914	920,914	737,432	183,482
Public safety	1,685,402	1,685,402	1,397,893	287,509
Public works	514,678	514,678	429,639	85,039
Public health	4,500	4,500	1,407	3,093
Social and economic services	136,392	136,392	87,170	49,222
Culture and recreation	343,896	343,896	231,901	111,995
Housing and community development	-	-	-	-
Other	264,455	264,455	203,771	60,684
Capital outlay	111,000	111,000	351,001	(240,001)
Debt service	131,310	131,310	14,390	116,920
Transfers to other funds	425,824	425,824	49,500	376,324
Total charges to appropriations	<u>4,538,371</u>	<u>4,538,371</u>	<u>3,504,104</u>	<u>1,034,267</u>
Budgetary fund balance, June 30	<u>\$ 16,458</u>	<u>\$ 16,458</u>	<u>\$ 1,557,304</u>	<u>\$ 1,540,846</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE - RESORT TAX SPECIAL REVENUE FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 436,517	\$ 436,517	\$ 436,517	\$ -
Resources (inflows):				
Taxes and assessments	3,500,000	3,500,000	3,581,355	81,355
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Proceeds from long-term debt	-	-	1,425,000	1,425,000
Interest on investments	200	200	1,062	862
Loan repayment	-	-	-	-
Transfers from other funds	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>3,936,717</u>	<u>3,936,717</u>	<u>5,443,934</u>	<u>1,507,217</u>
Charges to appropriations (outflows):				
Current				
General government	18,325	18,325	10,213	8,112
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	132,600	132,600	132,587	13
Transfers to other funds	<u>3,644,016</u>	<u>3,644,016</u>	<u>3,119,320</u>	<u>524,696</u>
Total charges to appropriations	<u>3,794,941</u>	<u>3,794,941</u>	<u>3,262,120</u>	<u>532,821</u>
Budgetary fund balance, June 30	<u>\$ 141,776</u>	<u>\$ 141,776</u>	<u>\$ 2,181,814</u>	<u>\$ 2,040,038</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE - CDBG LOCAL SOURCE SPECIAL REVENUE FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 81,330	\$ 81,330	\$ 81,330	\$ -
Resources (inflows):				
Taxes and assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	30,000	30,000	29,999	(1)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Interest on investments	-	-	39	39
Loan repayment	-	-	2,100	2,100
Transfers from other funds	-	-	-	-
Other	-	-	-	-
	<u>111,330</u>	<u>111,330</u>	<u>113,468</u>	<u>2,138</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Public health	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	65,000	65,000	39,999	25,001
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>65,000</u>	<u>65,000</u>	<u>39,999</u>	<u>25,001</u>
Total charges to appropriations				
Budgetary fund balance, June 30	<u>\$ 46,330</u>	<u>\$ 46,330</u>	<u>\$ 73,469</u>	<u>\$ 27,139</u>

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE
NOTE C TO RSI**

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

	General Fund	Resort Tax	CDBG Local Source
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,061,408	\$ 5,443,934	\$ 113,468
Differences - budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,180,175)	(436,517)	(81,330)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	(2,638,000)	-	-
The proceeds from the issuance of long-term debt are budgetary resources but are not <i>revenues</i> for financial reporting purposes.	-	(1,425,000)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,243,233</u>	<u>\$ 3,582,417</u>	<u>\$ 32,138</u>
 Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,504,104	\$ 3,262,120	\$ 39,999
Differences - budget to GAAP:			
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	(49,500)	(3,119,320)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,454,604</u>	<u>\$ 142,800</u>	<u>\$ 39,999</u>

See the Independent Auditors' Report.

D. Supplemental Information

Combining Financial Statements

Nonmajor Governmental Funds

**TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Funds					
	Off Street Parking	Parks and Recreation	Tourism Business Improvement District	Library	Cemetery	Drug Forfeiture
ASSETS						
Cash and cash equivalents	\$ 3,026	\$ 4,275	\$ 32,421	\$ 14,898	\$ 5,518	\$ 6,455
Investments	69,064	-	-	-	7,231	16,459
Receivables	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 72,090</u>	<u>\$ 4,275</u>	<u>\$ 32,421</u>	<u>\$ 14,898</u>	<u>\$ 12,749</u>	<u>\$ 22,914</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Deposits payable	\$ -	\$ 4,275	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources:						
Deferred inflows of tax revenues	-	-	-	-	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	72,090	-	32,421	14,898	12,749	22,914
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>72,090</u>	<u>-</u>	<u>32,421</u>	<u>14,898</u>	<u>12,749</u>	<u>22,914</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,090</u>	<u>\$ 4,275</u>	<u>\$ 32,421</u>	<u>\$ 14,898</u>	<u>\$ 12,749</u>	<u>\$ 22,914</u>

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Funds				
	911 Emergency	Cemetery Perpetual Care	Gas Tax Apportionment	Parks and Rec Teen Center	Crime Victims Assistance
ASSETS					
Cash and cash equivalents	\$ 241	\$ 2,871	\$ 17,105	\$ 1,545	\$ 6,455
Investments	42,441	36,097	2,059	-	-
Receivables	-	-	-	-	-
Notes receivable	-	-	-	-	-
	<u>\$ 42,682</u>	<u>\$ 38,968</u>	<u>\$ 19,164</u>	<u>\$ 1,545</u>	<u>\$ 6,455</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Deposits payable	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Deferred inflows of tax revenues	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	17,140	-	-	-
Restricted	-	-	19,164	1,545	-
Committed	42,682	-	-	-	6,455
Assigned	-	21,828	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>42,682</u>	<u>38,968</u>	<u>19,164</u>	<u>1,545</u>	<u>6,455</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,682</u>	<u>\$ 38,968</u>	<u>\$ 19,164</u>	<u>\$ 1,545</u>	<u>\$ 6,455</u>

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Funds				
	Marketing and Promotions	Community Garden	Parks - Volleyball Court	Recreation Program Scholarships	Total Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 20,049	\$ 1,097	\$ 5,010	\$ 2,565	\$ 123,531
Investments	92,957	-	-	-	266,308
Receivables	-	-	-	-	-
Notes receivable	-	-	-	-	-
	\$ 113,006	\$ 1,097	\$ 5,010	\$ 2,565	\$ 389,839
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Deposits payable	\$ -	\$ -	\$ -	\$ -	\$ 4,275
Deferred inflows of resources:					
Deferred inflows of tax revenues	-	-	-	-	-
Fund balances:					
Nonspendable	-	-	-	-	17,140
Restricted	-	-	5,010	2,565	28,284
Committed	113,006	1,097	-	-	318,312
Assigned	-	-	-	-	21,828
Unassigned	-	-	-	-	-
	113,006	1,097	5,010	2,565	385,564
Total fund balances	113,006	1,097	5,010	2,565	385,564
Total liabilities, deferred inflows of resources and fund balances	\$ 113,006	\$ 1,097	\$ 5,010	\$ 2,565	\$ 389,839

(continued)

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016**

	Debt Service Funds	
	GO Bonds	Total Debt Service Funds
ASSETS		
Cash and cash equivalents	\$ 359	\$ 359
Investments	205,092	205,092
Receivables	-	-
Notes receivable	-	-
Total assets	\$ 205,451	\$ 205,451
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Deposits payable	\$ -	\$ -
Deferred inflows of resources:		
Deferred inflows of tax revenues	-	-
Fund balances:		
Nonspendable	-	-
Restricted	205,451	205,451
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total fund balances	205,451	205,451
Total liabilities, deferred inflows of resources and fund balances	\$ 205,451	\$ 205,451

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Capital Projects Funds				
	Capital Projects/ Equipment	Public Works Equipment Replacement	Street and Alley Construction	Total Capital Project Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 277	\$ 1,256	\$ -	\$ 1,533	\$ 125,423
Investments	84,068	239	6,846	91,153	562,553
Receivables	-	-	-	-	-
Notes receivable	-	-	-	-	-
	<u>\$ 84,345</u>	<u>\$ 1,495</u>	<u>\$ 6,846</u>	<u>\$ 92,686</u>	<u>\$ 687,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Deposits payable	\$ -	\$ -	\$ -	\$ -	\$ 4,275
Deferred inflows of resources:					
Deferred inflows of tax revenues	-	-	-	-	-
Fund balances:					
Nonspendable	-	-	-	-	17,140
Restricted	-	-	-	-	233,735
Committed	84,345	1,495	6,846	92,686	410,998
Assigned	-	-	-	-	21,828
Unassigned	-	-	-	-	-
	<u>84,345</u>	<u>1,495</u>	<u>6,846</u>	<u>92,686</u>	<u>683,701</u>
Total fund balances	<u>84,345</u>	<u>1,495</u>	<u>6,846</u>	<u>92,686</u>	<u>683,701</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 84,345</u>	<u>\$ 1,495</u>	<u>\$ 6,846</u>	<u>\$ 92,686</u>	<u>\$ 687,976</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Special Revenue Funds

	Off Street Parking	Parks and Recreation	Tourism Business Improvement District	Library	Cemetery	Drug Forfeiture	911 Emergency
REVENUES							
Taxes and assessments	\$ -	\$ -	\$ 318,906	\$ 39,199	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	56,751	-	-	99,435
Charges for services	-	-	-	216	2,010	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest on investments	289	-	-	30	7	-	84
Other	-	-	600	17,790	-	695	-
Total revenues	<u>289</u>	<u>-</u>	<u>319,506</u>	<u>113,986</u>	<u>2,017</u>	<u>695</u>	<u>99,519</u>
EXPENDITURES							
Current							
General government	-	437	326,593	-	-	-	-
Public safety	-	-	-	-	-	4,324	19,877
Public works	-	-	-	-	1,327	-	-
Public health	-	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	175,930	-	-	-
Housing and community developmen	-	-	-	-	-	-	-
Other	-	-	-	2,161	-	-	-
Capital outlay	-	-	-	7,327	-	-	31,322
Debt service							
Principal	-	-	-	-	-	-	26,729
Interest and fiscal fees	-	-	-	-	-	-	1,483
Total expenditures	<u>-</u>	<u>437</u>	<u>326,593</u>	<u>185,418</u>	<u>1,327</u>	<u>4,324</u>	<u>79,411</u>
Revenues over (under) expenditures	<u>289</u>	<u>(437)</u>	<u>(7,087)</u>	<u>(71,432)</u>	<u>690</u>	<u>(3,629)</u>	<u>20,108</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	49,500	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	289	(437)	(7,087)	(21,932)	690	(3,629)	20,108
FUND BALANCES, beginning of year	<u>71,801</u>	<u>437</u>	<u>39,508</u>	<u>36,830</u>	<u>12,059</u>	<u>26,543</u>	<u>22,574</u>
FUND BALANCES, end of year	<u>\$ 72,090</u>	<u>\$ -</u>	<u>\$ 32,421</u>	<u>\$ 14,898</u>	<u>\$ 12,749</u>	<u>\$ 22,914</u>	<u>\$ 42,682</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Special Revenue Funds

	Cemetery Perpetual Care	Gas Tax Apportionment	Parks and Rec Teen Center	Crime Victims Assistance	Marketing and Promotions
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 92,184
Licenses and permits	-	-	-	-	-
Intergovernmental	-	29,677	-	-	-
Charges for services	1,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest on investments	153	93	2	-	41
Other	-	-	-	-	-
Total revenues	<u>1,153</u>	<u>29,770</u>	<u>2</u>	<u>-</u>	<u>92,225</u>
EXPENDITURES					
Current					
General government	-	-	-	-	65,389
Public safety	-	-	-	-	-
Public works	-	5,420	-	-	-
Public health	-	-	-	-	-
Social and economic services	-	-	-	1,591	-
Culture and recreation	-	-	-	-	-
Housing and community developmen	-	-	-	-	453
Other	-	-	-	-	-
Capital outlay	-	200,000	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>-</u>	<u>205,420</u>	<u>-</u>	<u>1,591</u>	<u>65,842</u>
Revenues over (under) expenditures	<u>1,153</u>	<u>(175,650)</u>	<u>2</u>	<u>(1,591)</u>	<u>26,383</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	110,500	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>110,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,153	(65,150)	2	(1,591)	26,383
FUND BALANCES,					
beginning of year	<u>37,815</u>	<u>84,314</u>	<u>1,543</u>	<u>8,046</u>	<u>86,623</u>
FUND BALANCES,					
end of year	<u>\$ 38,968</u>	<u>\$ 19,164</u>	<u>\$ 1,545</u>	<u>\$ 6,455</u>	<u>\$ 113,006</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue Funds			
	Community Garden	Parks - Volleyball Court	Recreation Program Scholarships	Total Special Revenue Funds
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 450,289
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	185,863
Charges for services	-	-	-	3,226
Fines and forfeitures	-	-	-	-
Interest on investments	1	8	4	712
Other	615	-	200	19,900
	616	8	204	659,990
Total revenues	616	8	204	659,990
EXPENDITURES				
Current				
General government	-	-	-	392,419
Public safety	-	-	-	24,201
Public works	-	-	-	6,747
Public health	-	-	-	-
Social and economic services	-	-	-	1,591
Culture and recreation	26	-	-	175,956
Housing and community developmen	-	-	-	453
Other	-	-	-	2,161
Capital outlay	-	-	-	238,649
Debt service				
Principal	-	-	-	26,729
Interest and fiscal fees	-	-	-	1,483
	26	-	-	870,389
Total expenditures	26	-	-	870,389
Revenues over (under) expenditures	590	8	204	(210,399)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,120	-	161,120
Transfers out	-	-	-	-
	-	1,120	-	161,120
Total other financing sources and uses	-	1,120	-	161,120
Net change in fund balances	590	1,128	204	(49,279)
FUND BALANCES,				
beginning of year	507	3,882	2,361	434,843
FUND BALANCES,				
end of year	\$ 1,097	\$ 5,010	\$ 2,565	\$ 385,564

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Debt Service Funds	
	GO Bonds	Total Debt Service Funds
REVENUES		
Taxes and assessments	\$ 166,635	\$ 166,635
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Interest on investments	719	719
Other	-	-
	167,354	167,354
Total revenues	167,354	167,354
EXPENDITURES		
Current		
General government	-	-
Public safety	-	-
Public works	-	-
Public health	-	-
Social and economic services	-	-
Culture and recreation	-	-
Housing and community developmen	-	-
Other	-	-
Capital outlay	-	-
Debt service		
Principal	80,000	80,000
Interest and fiscal fees	50,833	50,833
	130,833	130,833
Total expenditures	130,833	130,833
Revenues over (under) expenditures	36,521	36,521
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
	-	-
Total other financing sources and uses	-	-
Net change in fund balance	36,521	36,521
FUND BALANCES, beginning of year	168,930	168,930
FUND BALANCES, end of year	\$ 205,451	\$ 205,451

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Capital Project Funds				Total Nonmajor Governmental Funds
	Capital Projects/ Equipment	Public Works Equipment Replacement	Street and Alley Construction	Total Capital Project Funds	
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 616,924
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	185,863
Charges for services	-	-	-	-	3,226
Fines and forfeitures	-	-	-	-	-
Interest on investments	389	1	22	412	1,843
Other	20,000	-	-	20,000	39,900
	<u>20,389</u>	<u>1</u>	<u>22</u>	<u>20,412</u>	<u>847,756</u>
Total revenues					
EXPENDITURES					
Current					
General government	-	-	-	-	392,419
Public safety	-	-	-	-	24,201
Public works	-	-	-	-	6,747
Public health	-	-	-	-	-
Social and economic services	-	-	-	-	1,591
Culture and recreation	-	-	-	-	175,956
Housing and community developmen	-	-	-	-	453
Other	-	-	-	-	2,161
Capital outlay	224,445	-	-	224,445	463,094
Debt service					
Principal	-	-	-	-	106,729
Interest and fiscal fees	-	-	-	-	52,316
	<u>224,445</u>	<u>-</u>	<u>-</u>	<u>224,445</u>	<u>1,225,667</u>
Total expenditures					
Revenues over (under) expenditures	<u>(204,056)</u>	<u>1</u>	<u>22</u>	<u>(204,033)</u>	<u>(377,911)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	194,700	-	-	194,700	355,820
Transfers out	-	-	-	-	-
	<u>194,700</u>	<u>-</u>	<u>-</u>	<u>194,700</u>	<u>355,820</u>
Total other financing sources and uses					
Net change in fund balance	(9,356)	1	22	(9,333)	(22,091)
FUND BALANCES,					
beginning of year	<u>93,701</u>	<u>1,494</u>	<u>6,824</u>	<u>102,019</u>	<u>705,792</u>
FUND BALANCES,					
end of year	<u>\$ 84,345</u>	<u>\$ 1,495</u>	<u>\$ 6,846</u>	<u>\$ 92,686</u>	<u>\$ 683,701</u>

See the Independent Auditors' Report.

Budgetary Comparison Schedules – Other Major Funds

TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE - STREET CONSTRUCTION AND MAINTENANCE
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Budgetary fund balance, July 1	\$ 421,378	\$ 421,378	\$ 421,378	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	1,694	1,694
Transfers from other funds	175,000	175,000	175,000	-
Proceeds from long term debt	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>596,378</u>	<u>596,378</u>	<u>598,072</u>	<u>1,694</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 596,378</u>	<u>\$ 596,378</u>	<u>\$ 598,072</u>	<u>\$ 1,694</u>

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
BUDGETARY COMPARISON SCHEDULE - OTHER MAJOR FUNDS
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Year Ended June 30, 2016

	<u>Street Construction and Maintenance</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 598,072
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(421,378)
Transfers from other funds are inflows of budgetary purposes, but are not revenues for financial reporting purposes.	(175,000)
	\$ 1,694
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ -
Differences - budget to GAAP:	
Bond issuance costs are outflows for budgetary purposes, but are not expenditures for financial reporting purposes.	-
Transfers to other funds are outflows of budgetary purposes, but are not expenditures for financial reporting purposes.	-
	\$ -

See the Independent Auditors' Report.

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

TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	<u>Off Street Parking</u>			<u>Parks and Recreation</u>			<u>Tourism Business Improvement District</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES									
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,000	\$ 318,906	\$ (1,094)
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Interest on investments	-	289	289	-	-	-	-	-	-
Other	-	-	-	-	-	-	600	600	-
Total revenues	<u>-</u>	<u>289</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,600</u>	<u>319,506</u>	<u>(1,094)</u>
EXPENDITURES - BUDGET									
UNIT	<u>69,000</u>	<u>-</u>	<u>69,000</u>	<u>500</u>	<u>437</u>	<u>63</u>	<u>375,600</u>	<u>326,593</u>	<u>49,007</u>
Revenues over (under) expenditures	<u>(69,000)</u>	<u>289</u>	<u>69,289</u>	<u>(500)</u>	<u>(437)</u>	<u>63</u>	<u>(55,000)</u>	<u>(7,087)</u>	<u>47,913</u>
OTHER FINANCING SOURCES									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>\$ (69,000)</u></u>	<u>289</u>	<u><u>\$ 69,289</u></u>	<u><u>\$ (500)</u></u>	<u>(437)</u>	<u><u>\$ 63</u></u>	<u><u>\$ (55,000)</u></u>	<u>(7,087)</u>	<u><u>\$ 47,913</u></u>
FUND BALANCE, beginning of year		<u>71,801</u>			<u>437</u>			<u>39,508</u>	
FUND BALANCE, end of year		<u><u>\$ 72,090</u></u>			<u><u>\$ -</u></u>			<u><u>\$ 32,421</u></u>	

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016**

	<u>Library</u>			<u>Cemetery</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ 34,643	\$ 39,199	\$ 4,556	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	64,077	56,751	(7,326)	-	-	-
Charges for services	100	216	116	205	2,010	1,805
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	30	30	-	7	7
Other	24,000	17,790	(6,210)	-	-	-
Total revenues	<u>122,820</u>	<u>113,986</u>	<u>(8,834)</u>	<u>205</u>	<u>2,017</u>	<u>1,812</u>
EXPENDITURES - BUDGET UNIT	<u>209,313</u>	<u>185,418</u>	<u>23,895</u>	<u>6,330</u>	<u>1,327</u>	<u>5,003</u>
Revenues over (under) expenditures	<u>(86,493)</u>	<u>(71,432)</u>	<u>15,061</u>	<u>(6,125)</u>	<u>690</u>	<u>6,815</u>
OTHER FINANCING SOURCES						
Transfers in	95,200	49,500	(45,700)	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	<u>95,200</u>	<u>49,500</u>	<u>(45,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 8,707</u>	<u>(21,932)</u>	<u>\$ (30,639)</u>	<u>\$ (6,125)</u>	<u>690</u>	<u>\$ 6,815</u>
FUND BALANCE, beginning of year		<u>36,830</u>			<u>12,059</u>	
FUND BALANCE, end of year		<u>\$ 14,898</u>			<u>\$ 12,749</u>	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	Drug Forfeiture			911 Emergency		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	79,100	99,435	20,335
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	84	84
Other	-	695	695	-	-	-
Total revenues	-	695	695	79,100	99,519	20,419
EXPENDITURES - BUDGET UNIT	4,324	4,324	-	92,380	79,411	12,969
Revenues over (under) expenditures	(4,324)	(3,629)	695	(13,280)	20,108	33,388
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ (4,324)	(3,629)	\$ 695	\$ (13,280)	20,108	\$ 33,388
FUND BALANCE, beginning of year		26,543			22,574	
FUND BALANCE, end of year		\$ 22,914			\$ 42,682	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	<u>Cemetery Perpetual Care</u>			<u>Gas Tax Apportionment</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	29,676	29,677	1
Charges for services	100	1,000	900	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	25	153	128	-	93	93
Other	-	-	-	-	-	-
Total revenues	<u>125</u>	<u>1,153</u>	<u>1,028</u>	<u>29,676</u>	<u>29,770</u>	<u>94</u>
EXPENDITURES - BUDGET UNIT	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,000</u>	<u>205,420</u>	<u>211,580</u>
Revenues over (under) expenditures	<u>125</u>	<u>1,153</u>	<u>1,028</u>	<u>(387,324)</u>	<u>(175,650)</u>	<u>211,674</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	110,500	110,500	-
Transfers out	-	-	-	(7,419)	-	7,419
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,081</u>	<u>110,500</u>	<u>7,419</u>
Revenues and other sources over (under) expenditures	<u>\$ 125</u>	<u>1,153</u>	<u>\$ 1,028</u>	<u>\$ (284,243)</u>	<u>(65,150)</u>	<u>\$ 219,093</u>
FUND BALANCE, beginning of year		<u>37,815</u>			<u>84,314</u>	
FUND BALANCE, end of year		<u>\$ 38,968</u>			<u>\$ 19,164</u>	

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016**

	<u>Parks and Rec - Teen Center</u>			<u>Crime Victims Assistance</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	2	2	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES - BUDGET UNIT	<u>1,543</u>	<u>-</u>	<u>1,543</u>	<u>1,591</u>	<u>1,591</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,543)</u>	<u>2</u>	<u>1,545</u>	<u>(1,591)</u>	<u>(1,591)</u>	<u>-</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>\$ (1,543)</u></u>	<u>2</u>	<u><u>\$ 1,545</u></u>	<u><u>\$ (1,591)</u></u>	<u>(1,591)</u>	<u><u>\$ -</u></u>
FUND BALANCE, beginning of year		<u>1,543</u>			<u>8,046</u>	
FUND BALANCE, end of year		<u><u>\$ 1,545</u></u>			<u><u>\$ 6,455</u></u>	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	<u>Marketing and Promotions</u>			<u>Community Garden</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ 75,000	\$ 92,184	\$ 17,184	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	41	41	-	1	1
Other	-	-	-	250	615	365
Total revenues	<u>75,000</u>	<u>92,225</u>	<u>17,225</u>	<u>250</u>	<u>616</u>	<u>366</u>
EXPENDITURES - BUDGET UNIT	<u>80,000</u>	<u>65,842</u>	<u>14,158</u>	<u>550</u>	<u>26</u>	<u>524</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>26,383</u>	<u>31,383</u>	<u>(300)</u>	<u>590</u>	<u>890</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (5,000)</u>	<u>26,383</u>	<u>\$ 31,383</u>	<u>\$ (300)</u>	<u>590</u>	<u>\$ 890</u>
FUND BALANCE, beginning of year		<u>86,623</u>			<u>507</u>	
FUND BALANCE, end of year		<u>\$ 113,006</u>			<u>\$ 1,097</u>	

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016**

	<u>Parks - Volleyball Court</u>			<u>Recreation Program Scholarships</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	s
Interest on investments	-	8	8	-	4	4
Other	-	-	-	-	200	200
Total revenues	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>204</u>	<u>204</u>
EXPENDITURES - BUDGET UNIT	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>2,360</u>	<u>-</u>	<u>2,360</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>8</u>	<u>5,008</u>	<u>(2,360)</u>	<u>204</u>	<u>2,564</u>
OTHER FINANCING SOURCES						
Transfers in	1,120	1,120	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>1,120</u>	<u>1,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (3,880)</u>	<u>1,128</u>	<u>\$ 5,008</u>	<u>\$ (2,360)</u>	<u>204</u>	<u>\$ 2,564</u>
FUND BALANCE, beginning of year		<u>3,882</u>			<u>2,361</u>	
FUND BALANCE, end of year		<u>\$ 5,010</u>			<u>\$ 2,565</u>	

See the Independent Auditors' Report.

**TOWN OF WEST YELLOWSTONE, MONTANA
SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016**

	Total Special Revenue Funds		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and assessments	\$ 429,643	\$ 450,289	\$ 20,646
Licenses and permits	-	-	-
Intergovernmental	172,853	185,863	13,010
Charges for services	405	3,226	2,821
Fines and forfeitures	-	-	-
Interest on investments	25	712	687
Other	24,850	19,900	(4,950)
	<u>627,776</u>	<u>659,990</u>	<u>32,214</u>
Total revenues			
EXPENDITURES - BUDGET UNIT	<u>1,268,807</u>	<u>870,389</u>	<u>398,418</u>
Revenues over (under) expenditures	<u>(641,031)</u>	<u>(210,399)</u>	<u>430,632</u>
OTHER FINANCING SOURCES			
Transfers in	206,820	161,120	(45,700)
Transfers out	(7,419)	-	7,419
	<u>199,401</u>	<u>161,120</u>	<u>(38,281)</u>
Total other financing sources			
Revenues and other sources over (under) expenditures	<u>\$ (441,630)</u>	<u>(49,279)</u>	<u>\$ 392,351</u>
FUND BALANCE, beginning of year		<u>434,843</u>	
FUND BALANCE, end of year		<u>\$ 385,564</u>	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	<u>GO Bonds</u>			<u>Total Debt Service Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ 140,000	\$ 166,635	\$ 26,635	\$ 140,000	\$ 166,635	\$ 26,635
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	719	719	-	719	719
Other	-	-	-	-	-	-
Total revenue	<u>140,000</u>	<u>167,354</u>	<u>27,354</u>	<u>140,000</u>	<u>167,354</u>	<u>27,354</u>
EXPENDITURES						
Current - other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Debt service						
Principal	80,000	80,000	-	80,000	80,000	-
Interest and fiscal fees	<u>50,833</u>	<u>50,833</u>	<u>-</u>	<u>50,833</u>	<u>50,833</u>	<u>-</u>
Total expenditures	<u>130,833</u>	<u>130,833</u>	<u>-</u>	<u>130,833</u>	<u>130,833</u>	<u>-</u>
Revenues over (under) expenditures	<u>9,167</u>	<u>36,521</u>	<u>27,354</u>	<u>9,167</u>	<u>36,521</u>	<u>27,354</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ 9,167</u>	36,521	<u>\$ 27,354</u>	<u>\$ 9,167</u>	36,521	<u>\$ 27,354</u>
FUND BALANCE, beginning of year		<u>168,930</u>			<u>168,930</u>	
FUND BALANCE, end of year		<u>\$ 205,451</u>			<u>\$ 205,451</u>	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	<u>Capital Projects/Equipment</u>			<u>Public Works Equipment Replacement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	389	389	-	1	1
Other	20,000	20,000	-	-	-	-
Total revenue	<u>20,000</u>	<u>20,389</u>	<u>389</u>	<u>-</u>	<u>1</u>	<u>1</u>
EXPENDITURES						
Current - other	-	-	-	-	-	-
Capital outlay	306,000	224,445	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>306,000</u>	<u>224,445</u>	<u>81,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(286,000)</u>	<u>(204,056)</u>	<u>81,944</u>	<u>-</u>	<u>1</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	194,700	194,700	-	7,419	-	(7,419)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>194,700</u>	<u>194,700</u>	<u>-</u>	<u>7,419</u>	<u>-</u>	<u>(7,419)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (91,300)</u>	<u>(9,356)</u>	<u>\$ 81,944</u>	<u>\$ 7,419</u>	<u>1</u>	<u>\$ (7,418)</u>
FUND BALANCE, beginning of year		<u>93,701</u>			<u>1,494</u>	
FUND BALANCE, end of year		<u>\$ 84,345</u>			<u>\$ 1,495</u>	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	Street and Alley Construction		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	-	22	22
Other	-	-	-
	-	-	-
Total revenue	-	22	22
EXPENDITURES			
Current - other	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	22	22
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	22	\$ 22
FUND BALANCE, beginning of year		6,824	
FUND BALANCE, end of year		\$ 6,846	

See the Independent Auditors' Report.

TOWN OF WEST YELLOWSTONE, MONTANA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2016

	Total Capital Project Funds		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	-	412	412
Other	20,000	20,000	-
Total revenue	-	23	23
EXPENDITURES			
Current - other	-	-	-
Capital outlay	306,000	224,445	81,555
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Total expenditures	306,000	224,445	81,555
Revenues over (under) expenditures	(306,000)	(224,422)	81,578
OTHER FINANCING SOURCES (USES)			
Transfers in	202,119	194,700	(7,419)
Transfers out	-	-	-
Total other financing sources (uses)	202,119	194,700	(7,419)
Revenues and other sources over (under) expenditures and other uses	<u>\$ (83,881)</u>	(9,333)	<u>\$ 74,548</u>
FUND BALANCE, beginning of year		102,019	
FUND BALANCE, end of year		<u>\$ 92,686</u>	

See the Independent Auditors' Report.

PART III

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



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

The Honorable Mayor and Town Council of the Town of West Yellowstone, Montana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Yellowstone, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of West Yellowstone, Montana's basic financial statements, and have issued our report thereon dated February 14, 2017.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of West Yellowstone, Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2016-C1).

We noted certain matters that we reported to management of the Town in a separate letter dated February 14, 2017.

Town's Responses to Findings

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

Purpose of this Report

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

Amatics CPA Group
Bozeman, Montana
February 14, 2017

TOWN OF WEST YELLOWSTONE, MONTANA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

The results of our tests disclosed one instance of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters and no internal control deficiencies which were required to be reported under *Government Auditing Standards* as of June 30, 2016.

2016-C1 Criteria: According to MCA 7-6-4030, the governing body's final budget must be balanced so that appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

Condition: Two funds were budgeted to deficit spending. The Tourism Business Improvement District (TBID) fund had a final budgeted deficit fund balance of \$15,492 (budgeted expenditures of \$375,600 exceeded budgeted revenue of \$320,600 plus beginning fund balance of \$39,508). The Gas Tax fund had a final budgeted deficit fund balance of \$199,929 (budgeted expenditures of \$417,000 exceeded budgeted revenue of \$29,676 plus budgeted transfers of \$103,081 plus beginning fund balance of \$84,314).

Effect: The Town is out of compliance with MCA 7-6-4030 related to budgeted deficits.

Cause: The Town overestimated the budgeted TBID fund expenditures to avoid doing a later budget amendment, but the Town Finance Director was unaware that by not amending revenues too, a budgeted deficit would be created. The Gas Tax fund budgeted deficit was created by a budget entry error; in attempting to move budgeted expenditures from one object code to another, they were inadvertently doubled, resulting in twice the budgeted expenditures.

Recommendation: The Town should review the final budgets for each fund to ensure that they are balanced and appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

Response: The Finance Director understands the effect of increasing budgeted expenditures as it relates to budgeted revenues. While the understanding previously was that expenditures could not be exceeded and must be accounted for with a budget amendment increases in revenues do not always require a budget amendment. The Finance Director has been made aware of the budget deficits that can be created and the requirement to address the revenue side of the equation should the increase in expenditures create such a budget deficit and will review each fund for such deficits.

TOWN OF WEST YELLOWSTONE, MONTANA
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2016

The results of our tests disclosed the following instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, which were required to be reported under *Government Auditing Standards* as of June 30, 2015.

2015-II

Criteria: There should be adequate segregation of duties with regard to cash receipts for all utility billings and payments.

Condition: There is the opportunity for utility payments received by the Town to be misappropriated, due to the lack of segregation of duties related to the utility cash receipts process.

Effect: There is a significant deficiency in internal control with regard to utility cash receipts.

Cause: One employee has the ability to receive utility payments and write off/adjust individual utility customer accounts.

Recommendation: The Finance Director should review the utility billing adjustment report on a monthly basis to ensure that all adjustments are appropriate.

Status: The Finance Director is reviewing utility billing adjustment reports on a monthly basis, as well as reconciling the reports with a year-end report.